



PARLIAMENT OF TASMANIA

PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

TT-Line Spirit of Tasmania Vessel Replacement Project

Interim Report

Members of the Committee

Legislative Council

Hon Ruth Forrest MLC
(Chair)

Hon Luke Edmunds MLC

Hon Bec Thomas MLC

House of Assembly

Mr Simon Behrakis MP
(until 11 June 2025)

Mr Roger Jaensch MP
(from 9 September 2025)

Mr Mark Shelton MP
(until 11 June 2025)

Mr Marcus Vermey MP
(from 9 September 2025)

Mr Josh Willie MP
(until 11 June 2025)

Mr Dean Winter MP
(from 9 September 2025)

Table of Contents

Charter of the Committee	ii
Abbreviations and Acronyms	iii
Executive Summary	1
A historical summary of the Spirit of Tasmania Vessel Replacement.....	1
The Devonport Spirit of Tasmania Berth	3
Summary of Findings	8
Summary of Recommendations.....	17
Conduct of Review	18
Background and Evidence	21
Spirit of Tasmania Replacement Vessels	21
Devonport Berth E3 Infrastructure Upgrades.....	42

Charter of the Committee

The Public Accounts Committee (the Committee) is a Joint Standing Committee of the Tasmanian Parliament constituted under the *Public Accounts Committee Act 1970* (the Act).

The Committee comprises six Members of Parliament, three Members drawn from the Legislative Council and three Members from the House of Assembly.

Under section 6 of the Act the Committee:

- **must** inquire into, consider and report to the Parliament on any matter referred to the Committee by either House relating to the management, administration or use of public sector finances; or the accounts of any public authority or other organisation controlled by the State or in which the State has an interest, and
 - **may** inquire into, consider and report to the Parliament on any matter arising in connection with public sector finances that the Committee considers appropriate; and any matter referred to the Committee by the Auditor-General.
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Abbreviations and Acronyms

ABC	Australian Broadcasting Commission
AC	Companion of the Order of Australia
ACCC	Australian Competition and Consumer Commission
AMC	Australian Maritime College
CEO	Chief Executive Officer
Committee	Parliamentary Standing Committee of Public Accounts
COVID-19	Coronavirus disease
FSG	Flensburger Schiffbau-Gesellschaft
GBE	Government Business Enterprises
HBJV	Hazel Brady Joint Venture
Hon	Honourable
LNG	Liquified natural gas
LOA	Length overall
MLC	Member of the Legislative Council
MOU	Memorandum of Understanding
MP	Member of Parliament
RMC	Rauma Marine Constructions
SPOT	Spirit of Tasmania
TASCORP	Tasmanian Public Finance Corporation
the Act	<i>Public Accounts Committee Act 1970</i>
TOA	Terminal Operating Agreement
VRP	Vessel Replacement Project
WACC	weighted average cost of capital charge

Executive Summary

This Interim Report of the Parliamentary Standing Committee of Public Accounts inquiry into the delivery of Tasmania's new Spirit of Tasmania vessels and associated infrastructure at Devonport is focused on the additional funds provided to Rauma Marine Constructions (RMC)(Finland) and matters related to the failure of TT-Line to construct a suitable Berth in Devonport for the new vessels prior to the vessels being ready for service.

This Interim Report reveals a project characterised by multiple design, management and supplier changes and associated cost increases, governance failures, and inadequate oversight that has resulted in a delay until at least October 2026, for new vessels that were originally promised for 2021, to go into service.

Of note, this Interim Report covers matters related to the delivery of the new Spirit of Tasmania vessels and associated infrastructure and the decision by TT Line to vary the terms of the contract for the new Spirit of Tasmania vessels, including its adherence to caretaker conventions, as per the Committee's resolution of 21 June 2024 to conduct a targeted inquiry.

The Committee received evidence to inform this report up until late 2024 when a referral from the House of Assembly was received. The Committee responded to this referral by adopting the following Terms of Reference related to this matter:

- a) the adherence of TT-Line, TasPorts and the Tasmanian Government to the most recently announced delivery schedule and budget
- b) options to minimise delays and reduce additional expenses for taxpayers
- c) opportunities to support the Tasmanian tourism industry and Tasmanian Producers until the new ships are in service, and to maximise the benefits once they are, and
- d) the appropriateness of the project's oversight and governance arrangements.

The matters in the revised terms of reference and evidence received since the end of 2024, will be reported in a future report.

A historical summary of the Spirit of Tasmania Vessel Replacement

In December 2017, the Hodgman Liberal Government announced two new Spirit of Tasmania vessels that would commence service in 2021. It was announced the vessels would increase passenger capacity by 43% and freight capacity by 39%, to be funded through TT-Line's revenue and a \$180 million vessel replacement fund, with TT-Line carrying the balance as commercial debt.

The project soon faced challenges. The initial contract with German shipbuilder Flensburger Schiffbau-Gesellschaft (FSG) worth €219 million per vessel was signed in December 2018 but terminated in February 2020 due to FSG's financial difficulties. Critically, no payments had been made.

A Memorandum of Understanding was subsequently entered into with RMC. However, in July 2020, both the Morrison Federal Government and Gutwein State Government required TT-Line Board's resolution to proceed, to be halted and to seek renewed consideration of

Australian shipbuilding capability and increased Tasmanian local content due to COVID-19 economic concerns. A previous consideration of Australian capacity prior to the contract being signed with FSG had shown that there were no ship-builders in Australia that could construct the vessels to the specifications required.

Following this Vessel Replacement Taskforce review, TT-Line re-negotiated with RMC to deliver vessels with the same specifications and with \$50-100 million in Tasmanian local content. This was a contract price increase from the original \$16 million of local Tasmanian content.

A contract was signed with RMC in April 2021 at an additional cost of approximately €25 million. Russia's invasion of Ukraine in February 2022 triggered a force majeure event, noting the steel mill where the steel was sourced had been bombed. This resulted in an €8 million price increase and delivery delays from November 2023 to March 2024 for the first vessel.

In January 2024, RMC advised TT-Line of insufficient liquidity to complete the vessels, requesting a €30 million injection. By late February 2024, this requirement had escalated to €100 million across both contracts.

On 14 February 2024, an early election was called for 23 March 2024, commencing the caretaker period. The Pre-Election Financial Outlook Report, released on 28 February 2024, made no mention of emerging financial risks with TT-Line's vessel replacement program. Instead, Treasury Secretary, Gary Swain, elected to hold separate confidential briefings with both major political parties on 29 February 2024.

The subsequent contract price increase was not discussed at these briefings.

On 5 March 2024, during the caretaker period, RMC formally proposed a €100 million capital injection: €50 million from TT-Line (a 9 per cent contract price increase) and the balance from the Finnish Government. TT-Line advised RMC on 13 March 2024 that due to caretaker conventions, it could not formally respond until after the election.

However, on 21 March 2024, two days before the election and during the caretaker period, the TT-Line Board approved a contract price increase of up to €30 million and advised the Hon Michael Ferguson MP, then Shareholder Minister, of this decision, noting this was during the caretaker period. The next day, 22 March 2024 (the day before the election), Treasury advised TT-Line that Government did not need to approve price changes for already approved procurement projects under ordinary corporate governance arrangements.

On 4 April 2024, after the election but still during the caretaker period, TT-Line executed contract amendments totalling €50 million (\$AUD 80 million) (€35 million for Spirit IV and €15 million for Spirit V). Hon Michael Ferguson MP, then Shareholder Minister, was not formally advised by letter until 5 April 2024, the day after contracts were executed.

The Devonport Spirit of Tasmania Berth

The failure to deliver the required berth infrastructure represents an even more significant failure of project planning, coordination, and governance.

In 2017, TT-Line's business case assumed infrastructure upgrades would be the responsibility of TasPorts in Devonport and the Port of Melbourne in Victoria. This was prior to the re-location of the Spirit of Tasmania Victorian port to the Port of Geelong. TasPorts' 2018 Port Master Plan included a \$50-60 million development, with TasPorts' CEO advising Parliament in December 2019 that TasPorts would fund infrastructure on a cost-recovery basis from tenants.

Later, this arrangement fundamentally changed. In July 2019, TasPorts advised TT-Line that retaining the existing terminal at Berth 1 was not feasible, and TasPorts' scope would only cover works 'from the ground down' and would not including buildings or above-ground facilities. TT-Line would need to fund and deliver all tenant works including terminal buildings, ramps, and passenger facilities.

TT-Line consistently maintained from June 2020 that they were 'ferry operators and not in the business of building infrastructure' and that TasPorts, as port operator, should construct all infrastructure and lease it back. This position was rejected by TasPorts.

TasPorts proposed increasing TT-Line's operating costs for port charges by 250% (from \$3.5 million to over \$13 million annually) plus a separate bespoke capital charge of \$77.58 million payable over 25 years at 8.4 per cent return. TT-Line disputed these costs as excessive as no additional services and no stated improvement in, or quality of, services was to be provided by TasPorts.

Commercial negotiations reached an impasse in May-June 2020.

On 29 June 2021, the parties signed a term sheet delineating responsibilities: TasPorts as landlord would deliver marine works, dredging, and basic wharf infrastructure; TT-Line would deliver all leasehold improvements including ramps, buildings, services, and operational facilities. Significantly, TasPorts was to project manage TT-Line's works on TT-Line's behalf, an arrangement described as consistent with industry norms, but which TT-Line subsequently rejected.

TT-Line's project governance was established based on the understanding that TasPorts would undertake main capital works worth approximately \$90 million under a Construction Management Agreement. It was not structured for a self-managed \$375 million, multi-staged major works project with approximately \$1 billion in new vessels depending on time-critical completion.

By August 2022, TT-Line indicated construction management services from TasPorts were unlikely to be required (formally taking effect in March 2023), meaning TT-Line would self-manage tenant works despite lacking the organisational structure and expertise for such a project.

Critical delays compounded:

- **Geotechnical investigations** - TT-Line claimed they were prevented from conducting studies in the berth pocket from October 2022 due to TasPorts' ongoing dredging operations. TasPorts countered that floating plant could have been relocated. Partial access was granted in May 2023; full access not until September 2023 (12 weeks late).
- **Tendering delays** - TT-Line issued an Expression of Interest in December 2022, with the main tender closing in August 2023 (behind the original June 2023 schedule). Preferred tenderer Hazel Brady Joint Venture (HBJV) was appointed in October 2023.
- **Contract execution failure** - Between October 2023 and February 2024, TT-Line failed to execute a contract with the preferred tenderer. In February 2024, HBJV submitted an updated offer showing a \$76.7 million increase (total now \$229 million).
- **Rescission during caretaker** - On 2 April 2024, during the caretaker period, TT-Line revoked HBJV's preferred tenderer status without notifying Government. The shareholder minister was not informed until the monthly update received on 22 April 2024.

On 10 November 2023, Hon Michael Ferguson MP, then Shareholder Minister, convened a meeting with TT-Line and TasPorts resulting in:

- a Program Integrator Support role through Department of State Growth
- greater departmental involvement and oversight, and
- regular monthly joint CEO reporting.

Program Integrator Peter Gemell commenced on 18 December 2023, with his 20 December 2023 report showing TT-Line advising interim berthing would be ready by 30 August 2024. By early February 2024, this had shifted to 9 May 2025. Mr Gemell's 12 February 2024 report recommended terminating the integrator role as circumstances where material improvement was possible had passed.

On 26 April 2024, following receipt of Mr Gemell's report, Hon Michael Ferguson MP and Hon Eric Abetz MP, the then Shareholder Ministers, directed the Secretary of State Growth to take a more active role and ensure project assurance.

Monthly CEO reports during the caretaker period displayed concerning patterns. The January report (received 1 March 2024) and February report (received 28 February 2024) continued reporting Automatic Mooring Units would be commissioned by 16 August 2024. The March report (received 22 April 2024) referenced rescission of preferred tenderer but provided no indication of significant delays.

On 17 June 2024, Hon Michael Ferguson MP and Hon Eric Abetz MP, the then Shareholder Ministers, issued formal directions to both TT-Line and TasPorts expressing disappointment that berthing infrastructure would not be ready, and noting TT-Line's unilateral decision during the caretaker period had caused further delays.

On 14 August 2024, the Government appointed infrastructure experts Mr Peter Gemell and Mr Ben Moloney to oversee the project, without informing TT-Line prior to the public announcement.

Mr Peter Gemell and Mr Ben Moloney October 2024 report made the following conclusions:

- **Option 1 (modifying Berth 1 only)** - Costed at \$28.6 million, simulations determined it would be unsafe and not viable.
- **Option 2 (modifying Berths 1 and 2)** - Costed at \$44 million, with additional residual risks estimated at \$16 million (total approximately \$60 million). While potentially safe, the report found:
 - Estimated benefits of only \$18-44 million against \$60 million cost
 - Investment was not commercially justified
 - Would only enable single-level loading (5-6 hours versus current 3 hours)
 - Significant risks to SeaRoad operations, and
 - TT-Line bookings were 12% lower than previous year, reducing urgency.

The report concluded the only viable path was completing permanent Berth 3 infrastructure, with completion potentially in October 2026 if risks are mitigated, or February 2027 if not.

The project failures resulted in wholesale leadership changes:

- 14 August 2024: Hon Eric Abetz MP, then Shareholder Minister informed TT-Line Chairman Michael Grainger had until 7:00pm to resign or face termination after publicly disputing evidence provided to the Committee. He resigned at 6:39 pm
- 26 August 2024: Hon Michael Ferguson MP resigned as Minister for Infrastructure
- 7 September 2024: TT-Line CEO Bernard Dwyer tendered his resignation (effective 3 November 2024, coinciding with the end of his current contract)
- 14 October 2024: Hon Michael Ferguson MP resigned from Cabinet
- 17 October 2024: TasPorts Chairman Stephen Bradford announced his retirement

The financial implications have been significant:

- **Vessel costs** - Original €219 million per vessel (FSG) increased to approximately €301 million per vessel (RMC) inclusive of a price increase and contract variations over the term of the build
- **Berth 3 infrastructure** - From an initial estimate of \$90 million in TasPorts construction management to TT-Line self-managing a project now approaching \$493 million
- **Borrowing** - TT-Line's borrowing facility increased from \$700 million to \$1.035 billion (December 2023), then to a temporary \$1.4 billion (July 2025), and
- **New vessel holding costs** - Two new vessels sitting unused while incurring holding costs and foregone revenue.

Some of the key systemic failures include:

1. **Commercial arrangements unresolved** - Despite knowing since 2017 that infrastructure upgrades were required, commercial agreements between TasPorts and TT-Line were not finalised until July 2022, delaying critical design and construction work.
2. **Project governance inadequacy** - TT-Line established governance arrangement for a \$90 million construction, not a \$375 million self-managed major infrastructure project with \$1 billion in vessels dependent on timely completion.

3. **Skills and capability gaps** – At the time, TT-Line lacked the in-house expertise, project management capability, and organisational structure to deliver a project of this scale and complexity.
4. **Information and escalation failures** - Monthly CEO reports during critical periods masked deteriorating project conditions through nuanced language changes and implausible delivery dates. The Minister was not informed of the rescission of preferred tenderer until after the caretaker period ended.
5. **Caretaker period complications** - Critical decisions regarding €50 million in additional vessel costs were made during the caretaker period, with the Shareholder Minister being informed shortly afterwards. Board decisions related to the delivery of Berth 3 in Devonport made during a caretaker period were not relayed to the Shareholder Minister.
6. **Project delivery coordination** - Despite the Program Integrator appointment in November 2023, coordination between TasPorts' QuayLink works and TT-Line's tenant works remained problematic, with disputes over site access continuing through 2023-2024.
7. **Absence of independent oversight** - Until the April 2024 intervention by Ministers directing the Secretary of State Growth to take a more active project assurance role, no independent oversight mechanism existed to identify and escalate emerging project failures.

The Committee made an overarching finding related to the failure to deliver the required berth for the new Spirit of Tasmania vessels.

The Committee found the failure to deliver suitable berthing infrastructure for the new Spirit of Tasmania vessels represents a fundamental breakdown of governance in, and collaboration between, two government-owned entities. Despite both TasPorts and TT-Line being wholly owned by the Tasmanian Government, the following systemic failures occurred:

- **Unresolved commercial arrangements** - Critical commercial agreements remained unresolved for four years (2017-2021), with fundamental disagreements about infrastructure delivery responsibility persisting despite common Government ownership
- **Inadequate governance framework** - No overarching governance structure existed to coordinate delivery of interdependent infrastructure to support the new vessels, with both entities operating in silos despite critical project dependencies
- **Absence of independent oversight** - Until April 2024, when project failure was already evident, no independent project assurance function existed to identify risks or escalate concerns
- **Capability deficiencies** - TT-Line self-managed a major infrastructure project without necessary expertise or project management capability
- **Interface management breakdown** - Coordination between TasPorts' and TT-Line's works remained problematic throughout, with unresolved disputes over site access, geotechnical investigations, and work sequencing continuing through 2023-2024, and
- **Information flow failures** - Critical decisions and deteriorating project conditions overall, were not appropriately conveyed to shareholder ministers, with monthly reporting masking failures and an absence of transparent risk disclosure.

The Committee made 69 more focussed findings across vessel replacement and infrastructure delivery, highlighting failures in:

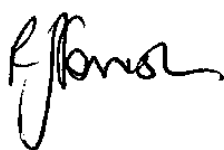
- project planning and coordination
- commercial agreement timing
- governance structures and capability
- information flows and ministerial briefings, and
- caretaker period decision-making.

The Committee made five recommendations that focus on project governance, reporting, particularly during caretaker periods, and further investigations by Government required to ensure lessons are learnt.

The Spirit of Tasmania replacement project represents one of Tasmania's most significant infrastructure delivery and governance failures. Vessels originally promised for 2021 will not be operational until at least late 2026, a delay of more than five years. The cost to Tasmanian taxpayers includes not only the direct financial burden of vessel cost increases and infrastructure expenditure, but the substantial ongoing opportunity costs to Tasmania's tourism industry and broader economy.

The project failures stem from inadequate planning, unresolved commercial arrangements, capability gaps, governance weaknesses, and insufficient oversight. The replacement of leadership at TT-Line, TasPorts, and within Government in response to these failures underscores their magnitude.

The Committee is continuing oversight and scrutiny of matters related to the delivery of Berth 3 and related infrastructure in Devonport and will further report on evidence received beyond December 2024.



Hon Ruth Forrest MLC
CHAIR

5 November 2025

Summary of Findings

With respect to the lead up to and post the caretaker period for the 2024 election and TT-Line's decision to vary the terms of the contract for the new Spirit of Tasmania vessels, the Committee made the following findings:

- F1. In December 2017, the Government approved TT-Line's business case for vessel replacement with delivery expected in 2021, to be funded through TT-Line's own revenue projections and cash reserves of \$180 million in the TT-Line Vessel Replacement Fund (including \$20 million from Government), with TT-Line carrying the balance as commercial debt.
- F2. At the December 2017 hearings, TT-Line confirmed that no Australian shipyards had the capacity or technology to build the required conventional monohull vessels, and that while multi-hull vessels could be built in Australia, they were ruled out due to reliability concerns in Bass Strait weather conditions.
- F3. The initial contract with Flensburger Schiffbau-Gesellschaft (FSG) (Germany) worth approximately €219 million per vessel was signed in December 2018 for delivery in 2021, but was terminated by mutual agreement on 27 February 2020 due to FSG's financial difficulties, with no payments having been made by TT-Line.
- F4. TT-Line's June 2020 Board resolution to sign contracts with Rauma Marine Constructions (RMC) (Finland) for delivery in late 2022 and 2023 (€519.07 million total) was not approved by the State Government as of 15 July 2020, with reasons including the Australian Government request need for renewed consideration of Australian shipbuilders and the Tasmanian Government's expectation of increased local content and manufacturing jobs in Tasmania in light of COVID-19 economic impacts.
- F5. The Vessel Replacement Taskforce established in August 2020 was tasked with examining options including Australian shipbuilding capability.
- F6. In November 2020, economist Saul Eslake reported that each year's delay could represent an opportunity cost of 184,200 visitors per peak season and \$350 million to the Tasmanian economy, compared to TT-Line's original intentions.
- F7. In March 2021, the Vessel Replacement Taskforce report was provided to the Gutwein Liberal Government and TT-Line was directed to re-enter negotiations with RMC to deliver two new vessels.
- F8. In March 2021, as part of the Tasmanian Government's preferred way forward, the Government announced the new vessels required increased Tasmanian local content of \$50 -100 million and additional local expenditure by TT-Line of \$40 million.
- F9. On 15 April 2021, a contract was signed with RMC to build the two new vessels at an additional cost of approximately €25 million.

- F10. Following Russia's invasion of Ukraine on 24 February 2022, RMC issued a notice of a force majeure event, resulting in TT-Line Board approving an €8 million increase in contract price on 19 May 2022, with delivery of the first vessel delayed from 30 November 2023 to 2 March 2024.
- F11. On 11 August 2023, TT-Line amended the contract with RMC to change payment timelines to be based on percentage of completion rather than milestones, which TT-Line considered was the first indication of RMC's financial difficulties.
- F12. On 25 October 2023, TT-Line's then Chairman and CEO were first informed of RMC's serious financial situation at a meeting in Helsinki, Finland, though no specific financial request or amount was advised at that time.
- F13. On 16 January 2024, TT-Line received correspondence from RMC indicating insufficient liquidity to complete the vessels, with RMC requesting a €30 million injection to complete construction.
- F14. The TT-Line Chair advised the then Shareholder Minister of the financial position of RMC on 17 January 2024 and informed the RMC Chair that TT-Line was unable to pay the extra €30 million on 18 January 2024.
- F15. On 9 February 2024, the TT-Line Chair received a letter from the Finnish Government informing TT-Line of their support for RMC overcoming their financial difficulties and noting the measures TT-Line had taken to date regarding amending payment terms.
- F16. On 14 February 2024, Her Excellency the Honourable Barbara Baker AC (Governor of Tasmania), agreed to Hon Jeremy Rockliff's (Premier) request to prorogue the Parliament and dissolve the House of Assembly and a State election was called for 23 March 2024, commencing the caretaker period.
- F17. On 15 February 2024, the TT-Line Board agreed to a revised payment schedule bringing forward 2.5 per cent of remaining contracted payments for the first vessel only, with the Board also being advised that RMC faced insolvency if cash flows were not addressed and may require an additional €67 million across both contracts.
- F18. On 28 February 2024, the Pre-Election Financial Outlook Report was released and the Secretary of Treasury and Finance determined not to refer to emerging financial risks associated with TT-Line and its vessel replacement program in the Report. Instead, the Secretary elected to hold separate confidential briefings where material risks requiring action were communicated with both major political parties, which occurred on 29 February 2024.
- F19. On 28 February 2024, a meeting was held at the Finnish Ministry of Economic Affairs and Employment with representatives from both RMC and TT-Line at which it was revealed that RMC was now in urgent need for financial support with an estimate of €100 million to safeguard the completion and delivery of the two ships.

- F20. On 5 March 2024, RMC proposed a capital injection of approximately €100 million, comprising €50 million from TT-Line (9 per cent contract price increase) and the balance from the Finnish Government, to safeguard the orderly delivery of the vessels.
- F21. On 13 March 2024, during the caretaker period, TT-Line advised RMC it would be unable to formally respond to the proposal until after the election and a Shareholder Minister had been appointed.
- F22. On 21 March 2024, during the caretaker period and two days before the election, the TT-Line Board approved a contract price increase of up to €30 million and advised the Shareholder Minister Hon Michael Ferguson MP of this decision.
- F23. On 22 March 2024, the day before the election, TT-Line was advised through Treasury that the Government did not need to approve a price change for already approved procurement projects, as any increase in the contract was a matter for the Board to manage under ordinary corporate governance arrangements.
- F24. On 26 March 2024, after the election but before the caretaker period ended, RMC advised the TT-Line Board they expected final costs to exceed €100 million and were days away from being unable to continue as a going concern.
- F25. On 4 April 2024, after the election but still during the caretaker period, TT-Line executed contract amendments totalling €50 million (€35 million for Spirit IV and €15 million for Spirit V) to secure the delivery of the vessels.
- F26. On 5 April 2024, the day after the contracts were executed and during the caretaker period, Shareholder Minister Hon Michael Ferguson MP was formally advised by letter from TT-Line of the €50 million contract price increase and the circumstances related to that decision.
- F27. On 22 March 2024, Treasury confirmed the TT-Line Board did not need Shareholder approval for the contract revision under ordinary corporate governance arrangements. However, that advice did not preclude the shareholder minister being advised.
- F28. In TT-Line's 5 April 2024 letter to Minister Ferguson, the Board noted that while the increased purchase cost could initially be managed under the existing loan facility, consideration needed to be given to proposed costs associated with the Devonport Terminal 3 Infrastructure project as reflected in the 2025-2027 Corporate Plan.

With respect to the events and decisions made by TasPorts and TT Line around the associated infrastructure in Devonport to accommodate the new vessels i.e., Berth E3, the Committee made the following findings:

- F29. In 2017, TT-Line's business case for vessel replacement included the understanding that infrastructure upgrades at Devonport and Melbourne would be the responsibility of the relevant port authorities (TasPorts and Port of Melbourne), contrary to what eventuated with the QuayLink project.

- F30. TasPorts' 2018 Port Master Plan included a \$50-60 million development to extend berthing facilities, with the TasPort's CEO advising the Legislative Council on 6 December 2019 that TasPorts would fund and construct the infrastructure on a cost recovery basis from tenants.
- F31. In July 2019, TasPorts advised TT-Line that it was not feasible to retain the existing terminal at Berth 1 at Devonport, and the scope of TasPorts' works at Berth 3 would only incorporate requirements 'from the ground down' and did not include buildings. TT-Line would need to fund above-ground tenant works including terminal buildings and passenger facilities.
- F32. TT-Line consistently maintained from June 2020 that they were 'ferry operators and not in the business of building infrastructure'. TT-Line maintained TasPorts, as the port operator, should construct all required infrastructure and lease it back to TT-Line.
- F33. In May 2020, TasPorts proposed to increase TT-Line's Terminal Operating Agreement costs by 250 per cent (from \$3.5 million to over \$13 million annually) with a separate bespoke capital charge of \$77.58 million payable over 25 years at 8.4 per cent return to TasPorts, which TT-Line disputed as excessive.
- F34. By June 2020, the parties reached an impasse on commercial arrangements, with TasPorts stating there would be no project progression without a commercial agreement as this was a prerequisite for TasPorts' funding arrangements.
- F35. On 29 June 2021, the parties signed a term sheet delineating responsibilities: TasPorts as landlord would deliver marine works, dredging, reclamation and basic wharf infrastructure, while TT-Line would deliver leasehold improvements including ramps, buildings, services, automatic mooring units and all works to enable terminal occupation and operation.
- F36. The term sheet agreed on 29 June 2021 required TasPorts to project manage TT-Line's leasehold improvement works on behalf of TT-Line, with TT-Line funding the agreed works - an arrangement Mr Peter Gemell (Strategic Infrastructure Development and Procurement Adviser) described as consistent with industry norms.
- F37. In June 2021, the Government approved the \$241 million QuayLink Devonport redevelopment project, with TasPorts receiving approval from TasCorp to borrow the full \$241 million in addition to an existing \$45 million working capital facility, conditional on a Government guarantee which was subsequently provided.
- F38. At the December 2021 Legislative Council hearings, TasPorts' Chairman confirmed that over a 30-year period the infrastructure would be fully paid for by tenants (TT-Line and SeaRoad) through commercial agreements, with TasPorts developing critical infrastructure and leasing it back to tenants.
- F39. On 11 December 2023, TASCORP advised TT-Line of an increased borrowing limit to \$1.035 billion, comprising a Vessel Replacement Project facility increase from

\$700 million to \$990 million and the maintenance of a \$45 million working capital facility.

- F40. Following termination of the Flensburger Schiffbau-Gesellschaft (FSG) contract in February 2020, port infrastructure design could not progress as detailed designs of the new Spirit vessels were in hiatus, contributing to project delays.
- F41. On 28 July 2022, an Agreement for Lease between TasPorts and TT-Line was executed and provided TT-Line with access to Berth 3 for construction of critical path works to commence on 26 June 2023, particularly for drilling in and around the berth pocket area.
- F42. By August 2022, TT-Line indicated the agreed Construction Management services from TasPorts were unlikely to be required, with this formally taking effect on 8 March 2023, meaning TT-Line would self-manage the tenant works.
- F43. In October 2022, TT-Line claimed they were prevented from conducting geotechnical studies in and around the berth pocket due to ongoing dredging and barge operations in the vicinity, though TasPorts later advised that floating material and plant could have been halted and relocated to allow geotechnical work to progress.
- F44. In April 2023, TasPorts contractor Hazel Brady Joint Venture (HBJV) offered to undertake TT-Line's marine piling works after a design oversight placed scour protection around areas where TT-Line needed to undertake foundation works: TT-Line declined this offer after receiving consultant advice.
- F45. On 27 September 2023, TasPorts completed the main dredging to allow TT-Line to commence works, some 12 weeks late, though TasPorts' Chairman noted this delay was immaterial as TT-Line had only recently signed their construction contract.
- F46. On 27 October 2023, TT-Line appointed the preferred tenderer HBJV. This followed TT-Line issuing an Expression of Interest for berth works on 21 December 2022, with the main tender closing in August 2023 (behind the original June 2023 schedule).
- F47. In October 2023, the then Minister for Infrastructure, Hon Michael Ferguson MP, became aware of concerns in the civil-contracting industry about TT-Line's Berth 3 works and was advised by TT-Line on 23 October 2023 that site access due in June 2023 had still not been provided.
- F48. On 10 November 2023, the then Shareholder Minister, Hon Michael Ferguson MP convened a meeting in Launceston with TT-Line and TasPorts which resulted in:
- a Program Integrator Support role through the Department of State Growth
 - greater departmental involvement and oversight, and
 - regular monthly joint CEO reporting to the Minister.

- F49. On 18 December 2023, Mr Peter Gemell commenced as the Program Integrator Consultant, with his first report on 20 December 2023 showing TT-Line advising that interim berthing at Berth 3 was expected to be delivered by 30 August 2024.
- F50. By early February 2024, TT-Line's advice to Mr Gemell had changed to Berth 3 being operational on 9 May 2025, with the tenant works contract execution anticipated on 16 February 2024. This contract was not executed at that date.
- F51. On 12 February 2024 report of the Integrator, Mr Gemell, recommended termination of the integrator role as in his view circumstances where an integrator could materially improve outcomes had passed.
- F52. The report provided by Mr Gemmel with regard to the integrator role was not provided by the Secretary, Department of State Growth to the then Shareholder Minister Hon Michael Ferguson MP until 22 April 2024, after the caretaker period ended, despite the Minister's expectation of greater departmental involvement and oversight.
- F53. On 22 February 2024, during the caretaker period, HBJV submitted an updated offer to TT-Line showing a \$76.7 million increase on the original tender (a total of now \$229 million) with program alterations.
- F54. On 26 March 2024, during the caretaker period, independent advisor North Projects recommended that HBJV's preferred tenderer status be revoked and TT-Line re-engage with BMD, the company that was contracted to construct berthing facilities for TT-line in Geelong, in a competitive open-book tendering process.
- F55. The TT-Line CEO monthly reports continued to report that Automatic Mooring Units would be commissioned by 16 August 2024: the relevant monthly CEO reports to the then Shareholder Minister Hon Michael Ferguson MP were received by the Minister as follows -
- January report on 1 March 2024
 - February report on 28 February 2024, and
 - March report on 22 April 2024 (the caretaker period having ended on 11 April 2024).
- F56. The March 2024 monthly CEO report to the then Shareholder Minister Hon Michael Ferguson MP, which the Minister received on 22 April 2024 (the caretaker period ended on 11 April 2024), referenced the rescission of the preferred tenderer status of HBJV.
- F57. On 15 May 2024, the then TT-Line CEO Mr Dwyer emailed an apology to the Secretary of State Growth acknowledging he was wrong in stating TT-Line had written to the Minister's office regarding rescinding preferred tenderer status during caretaker, noting this information was only included in the monthly update received after caretaker ended.

- F58. On 26 April 2024, the Secretary of State Growth was directed by both Hon Michael Ferguson MP (then Minister for Infrastructure) and Hon Eric Abetz MP (then Minister for Transport) to take a more active role in project management and ensure a project assurance function following the Government's concerns about project capability and communication quality.
- F59. On 27 May 2024, after a due probity process, BMD was appointed as preferred tenderer for the Berth 3 redevelopment project, with the contract signed on 31 July 2024, for approximately 18 months build time.
- F60. On 17 June 2024, Shareholder Ministers issued directions and wrote to both TT-Line and TasPorts emphasising:
- the strategic importance of timely infrastructure completion
 - the need to take all necessary action to facilitate and ensure the completion of Berth 1 and Berth 2 port infrastructure at Devonport that is required to support the new TT-Line vessels in Tasmania, prior to the arrival of the vessels
 - the need to take all necessary action to support TT-Line in its undertaking of necessary Berth 3 infrastructure works and refuelling infrastructure so far as it is reasonably possible to do so
 - provide and continue to provide all information within the possession or control of the Company which is necessary to enable the Members to have effective oversight of the Berth 1 and Berth 2 infrastructure projects
 - provide immediate and full advice if there are any matters that may prevent the completion of the Berth 1 and Berth 2 infrastructure prior to the arrival of the new TT-Line vessels, and
 - expressing disappointment that berthing infrastructure would not be ready for vessel arrival, noting TT-Line's unilateral decision to rescind preferred tenderer status during caretaker without notifying Government had caused further delays.
- F61. On 3 July 2024, TT-Line fully executed a contract with BMD for the Berth 3 construction works in Devonport.
- F62. On 8 July 2024, TasPorts completed the marine and dredging contract with HBJV, and granted access to Berth 3 to TT-Line on 16 July 2024.
- F63. On 14 August 2024, the Government intervened in the delivery of temporary berthing facilities at Devonport ahead of the arrival of the new Spirits of Tasmania appointing two infrastructure/industry experts, Mr Peter Gemmel and Mr Ben Maloney, to oversee the project. TT-Line was not informed of this intervention prior to the public announcement.
- F64. On 14 August 2024, former TT-Line Chairman Mr Grainger publicly disputed elements of evidence presented to the Committee on 12 August 2024, indicating the Board stood by its decisions, particularly regarding Berth 3 terminal development. Later the same day, Mr Grainger was requested by Shareholder Minister,

Hon Eric Abetz MP, to resign by 7:00pm or face termination. Mr Grainger tendered his resignation at 6:39 pm.

- F65. Between August and October 2024, key personnel departed or announced departures from their positions:
- Hon Michael Ferguson MP resigned as Minister for Infrastructure on 26 August 2024
 - TT-Line CEO Mr Dwyer tendered his resignation on 7 September 2024 (effective 3 November 2024 coinciding with the end of his contract)
 - Hon Michael Ferguson MP resigned from Cabinet on 14 October 2024, and
 - TasPorts Chairman Mr Bradford announced retirement on 17 October 2024.
- F66. On 24 October 2024, the Government announced it would proceed with construction of permanent Berth 3 infrastructure with revised timelines showing completion may not occur until February 2027 unless risks are mitigated, potentially accelerated to October 2026 by accepting opportunities to fast-track construction.
- F67. The October 2024 Department of State Growth Report, Berths for New Vessels Spirit of Tasmania – Devonport Port, prepared by Mr Gemell and Mr Moloney found that modifying Berth 1 to accommodate new vessels would be unsafe. Modifications required to Berths 1 and 2 would cost up to \$60 million, provide limited benefits, pose vessel collision risks, and require costly renegotiation of agreements, with financial investment outweighing timeline benefits.
- F68. On 24 October 2024, the Government announced TT-Line would explore leasing or chartering the first Spirit of Tasmania vessel, Spirit IV (due to depart Finland imminently) during the interim period, noting the vessels still planned to come to Tasmania for finalisation of fit-out. The Government stated it would ensure TasPorts would not charge TT-Line to store the vessels.
- F69. On 3 November 2024, the Premier announced the Government would consider merging TasPorts, TT-Line and TasRail into a unified government-owned entity. Following a review and report by Deloitte that found such a merger was unlikely to deliver sufficient economic benefits when considered alongside the associated costs and risks to the broader supply chain, the merger was not progressed.

The Committee also makes the following overarching finding –

- F70. The failure to deliver suitable berthing infrastructure for the new Spirit of Tasmania vessels represents a fundamental breakdown of governance in, and collaboration between, two government-owned entities. Despite both TasPorts and TT-Line being wholly owned by the Tasmanian Government, the following systemic failures occurred:
- **Unresolved commercial arrangements** - Critical commercial agreements remained unresolved for four years (2017-2021), with fundamental disagreements

about infrastructure delivery responsibility persisting despite common Government ownership

- **Inadequate governance framework** - No overarching governance structure existed to coordinate delivery of interdependent infrastructure to support the new vessels, with both entities operating in silos despite critical project dependencies
 - **Absence of independent oversight** - Until April 2024, when project failure was already evident, no independent project assurance function existed to identify risks or escalate concerns
 - **Capability deficiencies** - TT-Line self-managed a major infrastructure project without necessary expertise or project management capability
 - **Interface management breakdown** - Coordination between TasPorts' and TT-Line's works remained problematic throughout, with unresolved disputes over site access, geotechnical investigations, and work sequencing continuing through 2023-2024, and
 - **Information flow failures** - Critical decisions and deteriorating project conditions overall, were not appropriately conveyed to shareholder ministers, with monthly reporting masking failures and an absence of transparent risk disclosure.
-

Summary of Recommendations

The Committee makes the following recommendations to the Government:

- R1. As part of its Government Business Governance Reforms, the Government review and clarify:
- what obligation a government owned business has to inform and seek approval from Shareholder Ministers regarding material commercial decisions and contract variations that may have on financial implications for the State, and
 - how these obligations are to be met during caretaker periods.
- R2. Treasury develop clear protocols for disclosure of material commercial risks in Pre-Election Financial Outlook Reports and arrangements for managing commercially sensitive information during a caretaker period.
- R3. The Government further investigate:
- the circumstances that led to the 12-week delay in TasPorts completing dredging works and the extended period before TT-Line could access the berth pocket for critical geotechnical investigations, and
 - the decision-making timeline for TT-Line's Berth 3 tenant works, including:
 - the 18-month period between the July 2022 Agreement for Lease and appointing a preferred tenderer in October 2023
 - factors contributing to the four-month period between preferred tenderer appointment and contract execution discussions, and
 - the February 2024 decision to rescind preferred tenderer status.
- R4. The Government ensure future major infrastructure projects involving multiple Government owned businesses have, from inception:
- integrated project governance structures and reporting arrangements (including to the relevant Ministers)
 - independent project assurance functions
 - clear commercial agreements prior to design commencement, and
 - resolution mechanisms for commercial and interface disputes.
- R5. The Government ensure that reporting requirements for major capital projects by Government owned businesses include:
- specific milestone achievement updates
 - material changes to project timelines or budgets, and
 - early warning indicators of project delivery risks,
- with consequences for providing implausible or misleading information.

Conduct of Review

On Friday 21 June 2024, in line with section 6(1) of the *Public Accounts Committee Act 1970* (the Act), the Committee resolved to conduct a targeted inquiry into matters related to the delivery of the new Spirit of Tasmania vessels and associated infrastructure and the decision by TT-Line to vary the terms of the contract for the new Spirit of Tasmania vessels, including its adherence to caretaker conventions.

The Committee resolved to hold a series of public hearings with key stakeholders and decision makers over the period in Committee Room 2, Parliament House, Hobart:

Friday, 28 June 2024

TT-Line Pty Ltd

Mr Michael Grainger (Chairman)

Dr Damien Bugg AM KC (Director)

Mr Bernard Dwyer (Chief Executive Officer)

Mr Steve Maycock (General Counsel/Company Secretary)

Ms Kim Sayers (Chief Financial Officer)

Friday, 9 August 2024

Hon Michael Ferguson MP

Treasurer

Minister for Infrastructure

Department of Treasury and Finance Representative

Mr Gary Swain (Secretary)

Department of State Growth Representative

Mr Craig Limkin (Secretary)

Monday, 12 August 2024

TasPorts Pty Ltd

Mr Stephen Bradford (Chairperson)

Mr Anthony Donald (Chief Executive Officer)

Friday, 16 August 2024

Tasmania Labor

Ms Rebecca White (Labor Member for Lyons)

Dr Shane Broad (Labor Member for Braddon)

Monday, 9 September 2024

TT-Line Pty Ltd

Dr Damien Bugg AM KC (Acting Chairperson)

Mr Richard Hall (General Manager, Marine Operations)

Mr Steve Maycock (General Counsel/Company Secretary)

Ms Kim Sayers (Chief Financial Officer)
Mr William Harper (Senior Project Officer)

Tuesday, 8 October 2024

Mr Michael Grainger (Ex-Chair, TT-Line Pty Ltd)

TT-Line Pty Ltd

Mr Bernard Dwyer (Chief Executive Officer)

Monday, 18 November 2024

SeaRoad Holdings Pty Ltd

Mr Chas Kelly (Executive Chairman)

Captain Stuart Michael (General Manager Marine)

Mr Patrick Guarino (Chief Operating Officer)

Hon Kerry Vincent MLC

Minister for Infrastructure

Department of State Growth Representatives

Mr Craig Limkin (Secretary)

Mr Ben Moloney (Director, Project Review and Assurance)

Mr Peter Gemell (Strategic Infrastructure Development and Procurement Adviser)

Friday, 29 November 2024

Hon Jeremy Rockliff MP

Premier

Department of Premier and Cabinet Representative

Ms Katherine Morgan-Wicks (Secretary)

On 15 August 2024, following the hearing with TT-Line on Friday, 28 June 2024, the Committee resolved to invite TT-Line to an additional hearing on Friday, 16 August 2024 to respond to further questions related to the delivery, costs and related matters of the new vessels and progress on the new berth in Devonport.

After evidence provided to the Committee on Monday, 12 August 2024 by the then Treasurer and Minister for Infrastructure, Hon Michael Ferguson MP and TasPorts, TT-Line requested an extension of time to fully respond to matters raised at this hearing, in addition to responding to questions related to the new vessels.

Chiefly due to the ongoing issues with the delivery of the new Spirits of Tasmania vessels, on 26 August 2024, Minister Ferguson resigned as Minister for Infrastructure, with

Hon Jeremy Rockliff MP (Premier) taking over the role as the interim Minister for Infrastructure.¹

Noting the resignation of TT-Line Chair Mr Michael Grainger, the Committee agreed to invite him to appear before the Committee: he did so on Tuesday, 8 October 2024.

Due to the House of Assembly Budget Estimates extending into Friday, 27 September 2024, the scheduled public hearings on that day could not be held.

On 18 November 2024, Hon Jeremy Rockliff MP (Premier) was confirmed to appear before the Committee at that afternoon's public hearing following significant communication between the Committee and the Premier's Office. The Premier informed the Chair on the evening of 17 November 2024 of his inability to attend.

The Committee resolved to write to Premier Rockliff to express the Committee's disappointment and frustration in him not meeting his obligation as a witness to attend the Committee's public hearing scheduled for Monday, 18 November 2024. This was despite his attendance being confirmed on a number of occasions: first in his role as Minister for Infrastructure and subsequently as Premier following the appointment of Hon Kerry Vincent MLC as Minister for Infrastructure. The Premier subsequently appeared before the Committee on Friday, 29 November 2024.²

On 11 June 2025, Her Excellency the Honourable Barbara Baker AC (Governor of Tasmania), agreed to Hon Jeremy Rockliff's (Premier) request to prorogue the Parliament and dissolve the House of Assembly and a State election was called for 19 July 2025.

In accordance with the Parliament's long-standing practice and convention, all Committee activity ceased until the Parliament next met and re-established the Committee.

After the commencement of the 52nd sitting of Parliament, the Committee was re-established on Wednesday, 24 September 2025.

Copies of the transcripts, tabled papers, broadcasts and responses are available on the Committee's inquiry webpage.³

¹ See 'Infrastructure Minister Michael Ferguson resigns over Spirit of Tasmania port debacle', ABC News (26 August 2024) <https://www.abc.net.au/news/2024-08-26/tas-michael-ferguson-resigns-over-spirit-of-tas-debacle/104269586>

² See Letter from Committee Chair to Hon Premier Jeremy Rockliff MP (dated 20 Nov 2024), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0027/87462/pac.inq.cor.TT-Line-Spirits-Project-Premier-Rockliff-Not-Attending-Public-Hearing-20-November-2024-FINAL.pdf

³ See in general 'TT-Line's Spirits Project', <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project>

Background and Evidence

This Interim Report covers two main events with respect to:

- the lead up to and post the caretaker period for the 2024 election⁴ and TT-Line's decision to vary the terms of the contract for the new Spirit of Tasmania vessels, and
- the events and decisions made by TasPorts and TT-Line around the associated infrastructure in Devonport to accommodate the new vessels i.e., Berth E3.

The Committee received confidential information and this was used to confirm or question the evidence received, as appropriate.

Spirit of Tasmania Replacement Vessels

In September 2017, the final business case for the vessel replacement project was completed with Flensburger Schiffbau-Gesellschaft (FSG), a shipyard in Germany.⁵

At the 8 December 2017 Legislative Council Government Business Scrutiny Committee B hearing, Hon Rene Hidding MP (then Minister for Infrastructure) announced the formal approval of TT-Line's business case by Treasury and by Cabinet:

***Mr HIDDING** - As a courtesy to this Committee, rather than announce in a month's time where the procurement program position was at ... today I announce that the TT-Line business case has been approved by Treasury and by Cabinet, and it now has formal approval move to procurement. Because of where we are at in that procurement cycle, TT-Line is engaged with a number of shipyards around the world. We are not able to discuss a price because it could well cost us a lot more than otherwise. We cannot talk about that, but we can talk about the key metrics of what the ships will deliver. ...*

...

***Mr HIDDING** - ... the key metrics of these vessels, which will show overall passenger capacity will be up by 43 per cent. Essentially, they are currently 194 metres, but the new vessels will be 212 metres and still fit in Devonport. They will be wider and deeper and passenger vehicles, particularly for those regional areas in Tasmania that survive very strongly on the self-drive tourism markets. Lane metres are going up by 71 per cent for passenger vehicles. I will get Mr Dwyer to talk about why that is necessary, particularly for caravans and high camper vans that struggle to come to Tasmania now because they can only come on certain sailings when the freight deck is up. The maximum capacity of the vessels at the moment is 1,400 for the day sailing and will go to 2,000. These vessels will be Tasmania's vessels for at least the next 20 to 30 years because they are brand new. When Tasmania bought the vessels in 2001 or 2002, they were built in 1998, only four years old. That is now a good 20 years and will be 24 to 25 years by the time we turn them over.*

...

⁴ As a result of the dissolution of the House of Assembly and call for an early election on 14 February 2024 by the Rockliff Liberal Government.

⁵ See Transcript of Evidence, [Public Hearings \(28 June 2024\)](#), p.1

The other driver of having to move early was the Federal Government's advice it wanted clean ships output by 2020. The minister, Darren Chester, has said '2020, no leave passes'. In this circumstance, our vessels will be sold by then and move to elsewhere in the world. We may or may not - and is something you can explore with the TT-Line - move to later technology on the vessels or we could leave that for the new owner to do, because the projected arrival date of these new ships is 2021, essentially a year later. I am sure the Federal Government, if the vessels are going, would not require us to comply with that 2020 date. The new vessels are dual fuel, LNG and diesel, and therefore much cleaner and cheaper to run.

For guidance, TT-Line has been able, through its clear business case based on fact, not guesswork, which has Treasury's and Cabinet's approval, to fund the full cost of the new Spirits through TT-Line's own revenue projections. Its projected cash reserves at the time are \$180 million committed in the Ship Replacement Fund within government, which includes \$20 million from us. We had already committed to that.

The only money from the broader budget going into the new ships will be the \$20 million we have committed into the Ship Replacement Fund. Other than that, TT-Line can carry the debt as good commercial debt. As I say, the business case is very robust and based on the CEO calls it 'reasonably miserable projections' - very conservative projections he does not agree with; he thinks they will do better - but the business case is based on that, which means it is very conservative.

Being in this position, TT-Line has accelerated this process and hopes that in the next six months or so - we are not able to say exactly when - contracts will be signed because that also is a materiality in terms of procurement. Someone might think they will charge them another \$50 million because they will want it earlier, so they are keeping all options and sensitivities in mind.⁶

At that hearing, the question was raised as to whether there was any capacity for the Spirit replacement vessels to be built in Australia:

Mr WILLIE - *We have talked a bit about the replacement ships. Is there any capacity within Australia to build the ships? We have a very good local boat builder that builds fast ferries. Potentially there might have been capacity to have three or four of those going backwards and forwards at higher rates. Why are we looking to Europe?*

Mr GRAINGER - *We are not only looking to Europe; we are looking all over the world for the type of vessel we determined we needed. Let me go back a step. The current vessels have been very good. We have not missed any sailings through bad weather. They travel at high speed. We are running the daylight out of them at the moment. It was determined after a lot of input and a consultancy that a bigger, better version of what we have already is the answer to make sure we have enough capacity still at that high speed. No-one builds those type of ships in Australia. No-one has the capability or the technology to build them. The best we can do in this country is Navy ships. Navy ships are a totally different kettle of fish.*

⁶ See [Legislative Council GBE B - Friday 8 December 2017 - TT-Line](#), p.2-3

We have the capacity to build lightweight, high-speed multi-hulls. We are the best in the world at that and that is globally known. But we determined those ships would not be suitable for what we need to do. That is based on historic data and on advice we have received from many other well-known international consultants.

Mr HIDDING - *One of the key issues is the reliability. There is a standing maritime rule for multi-hull vessels⁷ that they can't leave port with a sea state above a certain height and that is a regular occurrence in Bass Strait.*

Mr WILLIE - *Do you know how many days per year they would be unable to leave port?*

Mr GRAINGER - *It depends on who you speak to. There may be a time in the future when a lightweight, high-speed multi-hull with the required capacity could be an option. It would need to be a very large version of what is being built at the moment. It might be something the company would look at long after we are gone. At the moment, our requirements and our capacity constraints and the timing of the international legislation on emissions - put all that together and we have to get a couple of new vessels with more capacity that can do exactly what we are doing now but are more efficient, cheaper to operate and all the rest of it. That was the only option we had.*

Mr HIDDING - *The Government instructed TT-Line to have a very close look at Incat vessels or any other Australian-made vessels, and a large body of work took place before they were reluctantly ruled out.*

Mr WILLIE - *I hope that would have occurred, given it is in our backyard.*

Mr GRAINGER - *We could not sit here, as a Tasmanian-owned company and not look at what our greatest export business in the state has done. We would be foolish even to not consider it. We looked at it very carefully. It came down to a numbers issue, as I previously explained.⁸*

In December 2017, the Hodgman Liberal Government announced that TT-Line planned to replace the existing ferries (Spirit of Tasmania I and Spirit of Tasmania II) with new builds and that the State would receive two new Spirit of Tasmania vessels in 2021 – two years ahead of schedule. The new vessels were to have a passenger capacity increase of 43 per cent and freight capacity increase of 39 per cent over the existing ferries, and the vessels would be almost a third bigger than the current ships.⁹

Hon Will Hodgman MP (then Premier) stated the new ships would be able to bring 500 additional visitors, 115 additional passenger vehicles, and 85 additional freight trailers. Infrastructure Minister Rene Hidding stated a contract with an international builder was

⁷ Whilst the [International Code of Safety for High Speed Craft](https://www.amsa.gov.au/sites/default/files/HSC-CODE-1994.pdf) sets standards, it does not explicitly prohibit a high-speed craft from departing in any sea state. However, the code emphasises the importance of considering sea state conditions when determining if a vessel is safe to operate: see in general <https://www.amsa.gov.au/sites/default/files/HSC-CODE-1994.pdf>. In addition, the National Standard for Commercial Vessels provides guidance with respect to the operational wave height for high speed craft: see 'General requirements for fast craft - F1A', Australian Maritime Safety Authority, <https://www.amsa.gov.au/about/regulations-and-standards/national-standard-commercial-vessels/nscv-f1a-general-requirements> [Accessed 16 April 2025]

⁸ See [Legislative Council GBE B - Friday 8 December 2017 - TT-Line](#), p.16-17

⁹ 'Tasmanian Government makes announcement on new Spirit of Tasmania vessels', The Advocate (8 December 2017), <https://www.theadvocate.com.au/story/5109379/new-spirit-of-tasmania-vessels-due-by-2021/> [Accessed 15 January 2025]

expected to be signed during the first six months of 2018 and ‘while it is unfortunate that there are no Australian shipyards with the capacity to build the new Spirits, we will ensure Tasmanian products are used in the fit-out’.¹⁰

On 5 January 2018, with respect to financing the construction of the two new vessels, the Tasmanian Public Finance Corporation (TASCORP) Board approved a borrowing limit of \$620 million, subject to the Treasurer providing a supporting Letter of Comfort:

*At that time, the Board noted that the requirement for a Letter of Comfort did not reflect the Board’s unease/discomfort with core assumptions underpinning TT-Line’s business case, but rather the inherent risks of relying on the business case projections which showed a significant increase in total passenger and freight yield, and the inherent risks associated with the long-term nature of the ship construction contract.*¹¹

At the 7 December 2018 House of Assembly GBE Scrutiny hearings, Hon Jeremy Rockliff MP (then Minister for Infrastructure) announced that TT-Line had signed a contract with European shipbuilder FSG:

*Mr ROCKLIFF - ... to construct two new roll-on roll-off ships to replace the current Spirit of Tasmania vessels. The contract is worth approximately €219 million for each vessel. Work commenced immediately after the contract was signed to facilitate delivery to commence operations on Bass Strait in 2021. The final design specification is to provide for 212-metre-long vessels that will accommodate 1,800 passengers and up to 600 passenger vehicles and be able to carry increased freight volumes when compared with the current Spirit of Tasmania vessels. The Tasmanian Government, and I am advised that the TT-Line board, are very pleased with the outcome in terms of the contract as negotiated by TT-Line after signing a letter of intent in the 2017 calendar year. The Company reports the work is on track and progressing to a detailed plan.*¹²

In January 2018, FSG confirmed it would build the two new vessels, with the first expected to enter service in 2021.¹³

On 23 April 2018, TASCORP’s Board approved an increase in the borrowing limit to \$665 million for the replacement of the TT-Line vessels due to variations in the contract price of the vessels and to cover the exchange rate of the purchase, subject to the Treasurer providing an updated Letter of Comfort. Notwithstanding this increase in the facility limit, TASCORP was of the view that the project remains financially viable.¹⁴

At the 6 December 2019 Legislative Council GBE Scrutiny TT-Line hearings, Mr Michael Grainger (then Chair) and Hon Michael Ferguson MP (then Minister for Infrastructure) spoke to the issue as to whether FSG was in financial trouble:

¹⁰ ‘Tasmanian Government makes announcement on new Spirit of Tasmania vessels’, The Advocate (8 December 2017)

¹¹ See [PAC Opening Statement TASCORP 26 March 2025](#), p.3

¹² See [House of Assembly – Government Businesses Scrutiny Committee -TT-Line Company Pty Ltd \(7 December 2018\)](#), p.1

¹³ See ‘TT-Line Company Pty Ltd und Flensburger Schiffbau-Gesellschaft GmbH & Co. KG unterschreiben Absichtserklärung für neue Schiffe’ (German), 9 January 2018, <http://www.fsg-ship.de/wordpress/wp-content/uploads/Pressemitteilung-Lol-mit-Datasheet.pdf> [Accessed 15 January 2025]

¹⁴ See [PAC Opening Statement TASCORP 26 March 2025](#), p.4

Mr DEAN - ... *With the current situation with FSG, can you be satisfied we will have those new ships delivered here in Tasmania in 2021?*

Mr FERGUSON - *Mr Dean, I will make some general comments. I am going to adhere to advice as well, because of the sensitivity of the matters raised. We want to do the right thing by all concerned and be completely up-front.*

We have very strong contracts in place, bearing in mind the replacement of our vessels in our 2016 strategy was to achieve that within a decade, so we are well ahead of the 2026 date, in terms of the contract. TT-Line has signed a contract for the building of the two RoPax¹⁵ vessels with FSG. TT-Line is in regular contact with FSG, as you would expect with a contract of this importance and size.

To be very open, we acknowledg[e] that industry media reports from Germany have noted the FSG shipyard is in a 'difficult financial situation'. Of course, the Government continues to be briefed on a regular basis by TT-Line on this matter to assure the committee no payments have been made yet by TT-Line to FSG. Importantly, no money will change hands unless a refund guarantee is in place to protect taxpayers.

...

Mr GRAINGER - *Just to provide a level of comfort. The shipbuilder has not advised us that it intends to or will be in breach of the contract. It has not advised us of that. We have only followed media reports like the public have in terms of its financial situation. We have taken some legal advice from our lawyers in London on those unsubstantiated reports, I have to say, so that we can be across the situation as best we can. We do not really know what the shipbuilder's financial situation is. We are just reading the media reports. We are being diligent in what we do to make sure that the Tasmanian taxpayer first and foremost is protected. And, as the Minister said, we have not paid any money and we won't pay any money until we can have that assurance that the money can be fully refunded.¹⁶*

FSG ran into financial difficulties due to multiple delays in the construction of other ships and on 27 February 2020, TT-Line and FSG terminated the contract by mutual agreement to build the new Spirit vessels.^{17 18}

Around 27 February 2020, a memorandum of understanding was subsequently entered into by TT-Line with Rauma Marine Constructions (RMC), Finland for the construction of the two ferries: construction of the vessels was to commence in early 2021 with the view of delivery at the end of 2022 and 2023.¹⁹ On 18 June 2020, the TT-Line Board resolved to the signing of the new build contracts with RMC for delivery late 2022 and 2023 (a total of

¹⁵ Roll-on/Roll-off Passenger vessel

¹⁶ See Legislative Council GBE B - Friday 6 December 2019 - TT-Line, p.17-19

¹⁷ 'FSG confirms the amicable cancellation of two shipbuilding orders with TT-LINE', Flensburger (27 February 2020), <https://www.fsg-ship.de/wordpress/en/fsg-confirms-the-amicable-cancellation-of-two-shipbuilding-orders-with-tt-line/> [Accessed 16 January 2025]

¹⁸ The Committee notes that FSG filed for bankruptcy a second time since 2020 in December 2024: see 'FSG Shipyards Get Temporary Financing from German State to Continue Work', The Maritime Executive (23 December 2024), <https://maritime-executive.com/article/fsg-shipyards-get-temporary-financing-from-german-state-to-continue-work> [Accessed 16 January 2025]

¹⁹ 'Rauma Marine Constructions and Australian TT-Line Company sign Memorandum of Understanding for two new car and passenger ferries', Rauma Marine Constructions (27 February 2020), <https://rmcfinland.fi/rauma-marine-constructions-and-australian-tt-line-company-sign-memorandum-of-understanding-for-two-new-car-and-passenger-ferries/> [Accessed 16 January 2025]

€519.07 million), subject to certain conditions being met:²⁰ this was subsequently not approved by the State Government (as of 15 July 2020), with the reasons including ‘given current and emerging economic problems caused by COVID-19, there needed to be more consideration of local content and manufacturing jobs in Tasmania and Australia as part of the overall vessel replacement project’.²¹ This was at the behest of both the Morrison Federal and Gutwein State Governments, with ‘a taskforce made up of State and Federal officials plus TT-Line representatives would look at the options’.^{22 23} RMC was notified of the State Government’s decision on 17 July 2020.²⁴

In August 2020, a Vessel Replacement Taskforce was established through the Department of Treasury and Finance. The Taskforce’s terms of reference included providing advice to the State Government in relation to:

- Tasmanian sea freight and passenger volume projections that are expected in the medium to long term, taking into account private sector capacity
- options for vessel replacement, which meet these projections
- the capability and capacity of the Australian ship building industry to contribute to the replacement of TT-Line’s vessels
- the estimated costs and economic contribution of the options
- implications of the potential options for TT-Line’s existing business model, and
- the risks of the potential options.²⁵

In November 2020, Mr Saul Eslake’s (Principal, Corinna Economic Advisory) report ‘Choices have consequences: replacing TT-Line’s Spirits of Tasmania’ stated:

In addition, each year’s delay in the delivery of the replacements for the Spirits of Tasmania, compared with TT-Line’s original intentions, means up to 184,200 fewer visitors to Tasmania each peak season, which in turn implies potential losses of the order of \$350 million per annum to the Tasmanian economy – losses which would be disproportionately incurred by businesses and communities on the North-West Coast.

Having regard to the size of the investment involved – of the order of \$850 million according the TT-Line proposal which was overturned by the Tasmanian Government, and possibly more if the ships end up being built ‘in Australia’ – this decision could turn out to be the most financially ill-advised decision taken by any Tasmanian Government since January 1983 ...

...

having the replacements for the Spirits of Tasmania built ‘in Australia’, contrary to the recommendations of the Board and management of TT-Line, and indeed contrary to the settled position of the Tasmanian Government itself until mid-July, would inevitably

²⁰ See [Letter to Chair from Dr Damian Bugg \(Interim Chair\) dated 4 October 2024](#), p.10

²¹ ‘Vessel replacement update’, TT-Line (21 July 2020), <https://www.spiritoftasmania.com.au/company-information/media/media-releases/vessel-replacement-update> [Accessed 16 January 2025]

²² ‘Buy local bid to delay ferries’, The Mercury (22 July 2020), <https://www.proquest.com/anznews/newspapers/buy-local-bid-delay-ferries/docview/2425705219/sem-2?accountid=192996> [Accessed 16 January 2025]

²³ See [Letter to Chair from Dr Damian Bugg \(Interim Chair\) dated 4 October 2024](#), p.11

²⁴ See Transcript of Evidence, [Public Hearings \(28 June 2024\)](#), p.1

²⁵ See ‘Vessel Replacement Taskforce – Terms of Reference’, Department of Treasury and Finance, <https://www.treasury.tas.gov.au/Documents/Vessel%20Replacement%20Taskforce%20-%20Terms%20of%20Reference.pdf> [Accessed 16 January 2025]

result in Tasmanian taxpayers paying a higher price (and potentially a considerably higher price) for ships that will inevitably commence operations at a later date than if TT-Line had been permitted to proceed as it originally intended; Tasmanian businesses facing a non-trivial risk that shipping services will be less reliable than if the replacement vessels had been constructed as per TT-Line's original intention; and fewer tourists visiting Tasmania than would have been the case if the replacement ships had commenced operations as originally intended.^{26 27}

On 8 December 2020, at the House of Assembly Government Business Scrutiny Committee hearings with TT-Line the following evidence with respect to what steps were taken to consider the replacement Spirits vessels locally from Hon Michael Ferguson MP (then Minister for Infrastructure and Transport) and Mr Grainger:

Ms O'CONNOR - *I am interested in finding out what sort of capacity we might have in Australia for any part of building the Spirit replacements? Given that a process has been established to determine a potential local content, perhaps you could flesh out ... what is on the ground in Australia and what may be possible. ...*

Mr FERGUSON - *... It is easy to answer in respect of the fact that there is nothing further to add at the moment in respect of the work that the task force is undertaking, because it has not reported at this point in time. We are aware of capacity for shipbuilding enterprise here in Australia and in Tasmania, but to emphasise those would be getting ahead of the fact that the task force is continuing its work, it is engaged and involves Mr Dwyer who is a member of the task force, to ensure that it takes account of all of the needs, including of TT-Line itself as a business as it steps forward and provides advice to Government. It is also engaged with some specialised maritime consultancy, so that there is some expert advice. It is premature for me to answer the question with any useful detail, but we are aware of Tasmanian shipbuilding operations including at Incat: and we are well aware of public advocacy by Austal, but they are only interesting at this stage. We are certainly encouraging those pitches to be made to the task force. The role of the task force is not to make any direct selections of any kind but rather to advise Government on next steps as we pause the process for six months.*

Ms O'CONNOR - *... I am not looking for any detail on what the task force is doing particularly. It would be instructive to the Committee to know where the potential capacity is to build a large steel hull vessel, like a Spirit replacement. I am not sure there is that capacity in the country.*

Mr FERGUSON - *I am on the record on that very point. We are not engaging in debates about whether Australia has that capacity right now or not, but what the opportunities might be for any percentage increase in content or delivery of the new vessels. Could they be built in Australia and if the industry capability does not exist right now, how could it exist? These are questions that can be considered by the task force and as it considers those options, including the very interesting proposal that has been well canvassed about hulls being built in Asia and fitted out in Australia, that is all of interest.*

²⁶ See Eslake Report on Building Spirit Replacements: [Choices Have Consequences - Replacing TT-Line's Spirits of Tasmania](#)

²⁷ It is noted that this report was commissioned and paid for by the Tasmanian Branch of the Labor Party at the time

Ms O'CONNOR - I am interested in time lag here, potentially. From that answer, you said you are not sure if there is capacity here now, but it might be able to be built up in time so that there is more possibility that these vessels will be built in the country. Is that a realistic proposition, in time, to have them replaced? To build up a whole industrial base around shipbuilding?

Mr FERGUSON - No, I am certainly not proposing any of that nature. What we are looking for is the advice from the task force. Until we have that advice, with options that have been carefully considered, that can then be presented to Government. We are speculating. There is a range of possibilities that can emerge from the work of the task force and the advice that it provides to Government. Government would then consider that and make decisions in partnership with TT-Line so we ensure that we replace the current Spirits well within the optimum replacement time frame of 2028, noting that we are pro jobs and, through the pandemic, where we saw such a significant downturn in the economy and employment, we want to find ways to ensure that we get as many jobs out of the new ships as we possibly can.

...

Dr BROAD - Can you outline the steps TT-Line took to evaluate local shipbuilding capability as part of the first business case?

Mr GRAINGER - Over the three years we took to establish the business case, we looked at all options, not only in Australia, but worldwide. Those options included all different types of vessels to operate on our specific route. We also took advice from a number of international consultants in the marine industry. Yes, we evaluated as many options as we could find. At the time we had significant discussions, in the sense of leaving no stone unturned, and that's what we did. Those outcomes are in the business case.

Dr BROAD - What Tasmanian content was included in the contract that was going to be signed with RMC?

Mr GRAINGER - It is difficult to [be] specific on the Tasmanian content because, first and foremost, the vessels that we require to operate on Bass Strait need to be approved by the International Maritime Organisation. That is not just the vessels; it is what the vessels are made from, engines and internal fit-out. It all needs to be internationally approved. The fact is that the number of suppliers who can provide internationally approved products in this country is limited, simply because at the moment there aren't the builders, apart from a couple of high-speed craft builders, that build vessels to the international requirements.

Dr BROAD - How long would it take for businesses interested in doing the fit-out to meet those IMO certifications to be able to put in local content?

Mr GRAINGER - I can tell you from experience that it is a significant approval process that one needs to go through, depending on what the items are, of course, but generally speaking, off-the-shelf items that are already approved are limited in this country and any

*builder of either high-speed craft or conventional ships would normally buy from outside Australia.*²⁸

The Committee noted that the 2016 strategy indicated a replacement within 10 years to 2026. The following year the Government indicated that this had been extended to 2028.

On 8 December 2020, at the House of Assembly Government Business Scrutiny Committee hearings with TasPorts the following evidence with respect to whether the replacement Spirit vessels could be accommodated locally from Hon Michael Ferguson MP (then Minister for Infrastructure and Transport), Mr Anthony Donald (Chief Executive Officer, TasPorts) and Mr Stephen Bradford (Chairman):

Dr BROAD - ... *Is there anywhere in Tasmania where a steel hulled vessel of about 212 metres could be tied up while it is being fitted out?*

...

Mr DONALD - *While we do maintain a multi-port system, we have a berth utilisation across the state. That sits at around 25 per cent to 26 per cent, across all our ports and all our berths. We don't currently have a berth that is not utilised at some point during the year.*

There could be a berth or wharf developed for a particular customer, but clearly that would come at a cost. We would need to understand what the requirements would be.

Dr BROAD - *I imagine that fitting out a vessel would take some time. I don't know how long - six months, 12 months, whatever it is. You are saying there is no berth where it could be tied up for any extended period of time, because they are occupied at some stage and are required as part of TasPorts' operations.*

Mr DONALD - *That is correct. So not without a disruption to another customer.*

Dr BROAD - *The construction of a new facility, we would be talking tens of millions of dollars?*

Mr DONALD - *It could be more than that.*

Dr BROAD - *Is it possible for there to be an additional ship of any size berthed in Devonport? If, for example, there was another service, like a third ship on the Bass Strait run, is there any possibility of berthing that ship in Devonport, given the limitations of the river.*

Mr DONALD - *Yes, but we would need to understand the combination of vessels, the lengths, the beam, or the width of the vessel, the shipping frequency, that is, what does the schedule look like? Are there any times during the year that all three vessels would be in the same location? You would probably find that a rare occurrence?*

²⁸ See Transcript House of Assembly Government Business Scrutiny Committee TT-Line Corporation Pty Ltd, Tuesday 8 December 2020, https://search.parliament.tas.gov.au/Search/search/search?IW_FIELD_ADVANCE_PHRASE=Tuesday%20%20December%20AND%202020%20AND%20TT%20Line%20Company%20Pty%20Ltd&IW_DATABASE=Hansard&IW_SORT=-9&IW_SEARCH_SCOPE=meta, p.3-7

Mr BRADFORD - As occurred recently, the John Duigan visited a number of times, so that would be technically the third vessel on the East Devonport site. In contemplating how it would operate you would have to know the schedule or concept of the operator. Is it meant to have parallel sailings or are they staggered sailing times? Berths are about occupation. It's highly hypothetical, but you can do it.

...

Dr BROAD - I'm trying to get a bit of a handle on how big a vessel can fit underneath the Tasman Bridge. Would a vessel with a 31.5 metre beam be able to get through the bridge, or is that too big?

Mr DONALD - No, I think a 31.5 metre beam fits within the requirements of the Tasman Bridge.

Dr BROAD - So length is not an issue, then, it's beam that's the issue -

Mr DONALD - Length is definitely an issue.

Dr BROAD - So a 212-metre length and a 31.5 metre beam?

Mr DONALD - Our limit on the Tasman Bridge is 185 metres LOA²⁹.

Dr BROAD - That's interesting. That means the current Spirit of Tasmania vessel that is 194 metres is still out spec for the Tasman Bridge?

Mr DONALD - Yes, that's correct.

Mr BRADFORD - Without significant extra modelling by an organisation like [A]MC³⁰ to monitor wind strength, wind direction, the flow of the river and the tide levels. If you're trying to do a one-off voyage for a specific task, that's different to 7 by 24. It's a straightforward question but a complex answer. You have to model it. The Tasman Bridge is seen by the Board as a significant risk. It's a mitigated risk. The studies done, particularly by [A]MC on tide, winds and current, are quite important.³¹

On 15 March 2021, following consideration of the Vessel Replacement Taskforce report the Tasmanian Government made the decision to enter negotiations with RMC to deliver two new steel monohull vessels with increased Tasmanian local content:

The Tasmanian Government will move forward largely with option three which is the purchase of ships from overseas, but with an increased focus on maximising the Tasmanian spend. We believe that two steel monohull vessels are the right approach for the Bass Strait run, but that Tasmania has the capacity to contribute more to the fit out and ongoing maintenance over the life of the vessels in a way that would support hundreds of Tasmanian jobs.

²⁹ Length overall

³⁰ Australian Maritime College

³¹ See Transcript House of Assembly Government Business Scrutiny Committee Tasmanian Ports Corporation Pty Ltd, Tuesday 8 December 2020,

https://search.parliament.tas.gov.au/Search/search/search?IW_FIELD=ADVANCE_PHRASE=Tuesday%20%20December%20AND%202020%20AND%20Tasmanian%20Ports%20Corporation%20Pty%20Ltd&IW_DATABASE=Hansard&IW_SORT=-9&IW_SEARCH_SCOPE=meta

We will now enter negotiations for 30 days with RMC for the new Spirit of Tasmania vessels targeting Tasmanian local content of between \$50 million and \$100 million across both vessels, and we expect also an additional local spend by TT-Line in the order of \$40 million as part of the Tasmanian Government's preferred way forward. This is a substantial increase on the current Memorandum of Understanding, which provides for \$16 million of Tasmanian content across the two vessels.^{32 33}

On 15 April 2021, a contract was signed between TT-Line and RMC with an additional cost of approximately €25 million.³⁴

On 2 December 2021, at the Legislative Council Government Business Scrutiny Committee hearings with TT-Line, with respect to new Spirits vessels the following evidence was taken from Hon Michael Ferguson MP (then Minister for Infrastructure and Transport):

Mr FERGUSON - ... There have been some exciting developments this year that I would like to briefly mention. We have new ships on their way. TT-Line signed a contract with Rauma Marine Construction in April of this year to construct two new roll-on, roll-off passenger ships to replace the current Spirits. Final planning and technical details are being settled now, and construction is scheduled for February next year. The first ship will be delivered in to 2023, and the second is scheduled for 2024 arrival.

*Most proudly, up to \$100 million will be spent on local suppliers for the vessel replacement. TT-Line has already engaged a Tasmanian-based procurement manager to work with suppliers and the ship builder on this process.*³⁵

As a result of the Russian invasion of Ukraine on 24 February 2022, this had a negative impact of the availability of steel, the price of steel and the availability of steel-based components. RMC issued a force majeure event and this was met by TT-Line Board approving an €8 million increase in the agreed contract price on 19 May 2022. The contract was amended on 31 May 2022 and included the following changes to key milestones:

- keel laying (from 1 August 2022 to 30 September 2022)
- launching (from 21 April 2023 to 8 July 2023), and
- delivery date (from 30 November 2023 to 2 March 2024).

On 28 Oct 2022, TT-Line amended the contract for the second vessel to reflect new construction milestones and delivery dates:

- start of production (from 28 November 2022 to 20 December 2022)
- keel laying (from 8 May 2023 to 20 June 2023)
- launching (from 9 February 2024 to 19 April 2024), and
- delivery (from 4 October 2024 to 28 November 2024).

³² Liberal Party, 'Putting Tasmania first in Spirit replacements', Hon Peter Gutwein (Premier), 15 March 2021

³³ Copy of the Vessel Replacement Taskforce Report is available on the Department of Treasury and Finance website: <https://www.treasury.tas.gov.au/Documents/Vessel%20Replacement%20Taskforce%20Final%20Report%20-%20Redacted.pdf>

³⁴ See Transcript of Evidence, [Public Hearings \(8 October 2024\)](#), p.5

³⁵ See Transcript Legislative Council Government Business Scrutiny Committee A TT-Line Company Pty Ltd, Tuesday 2 December 2021, https://www.parliament.tas.gov.au/_data/assets/pdf_file/0030/59655/lc20gbe20thursday20220december2020120-20tt20line20company20pty20ltd.pdf, p.1

On 1 December 2022, at the House of Assembly Government Business Scrutiny Committee hearings with TT-Line, with respect to the expected delivery dates and total costs of the Spirit's vessels, the following evidence was given by Mr Dwyer:

Ms O'CONNOR - ... *When are the new vessels due to take their first sailing?*

Mr DWYER - *They are due to be delivered in the first quarter of 2024, and the second vessel in the last quarter of 2024. When we say they are delivered, that means it is fully commissioned, everything checked, sea trials completed within Finland. Then we sail them out with our own crew. A lot of training happens then, as well as before that. Then it goes into service once we have fully provisioned those vessels. It might take six or eight weeks after we take delivery in Finland before they actually go into service in Australia.*

...

Mr WINTER - *Minister, last year in response to a question on the breakdown of the costs of the new vessels, it was suggested that TT-Line would be in a better position to understand that in six, eight, 12 months time. In relation to the new vessels, what is the total cost of the replacement of the vessels? Can a breakdown be provided of how that will be funded between TASCORP and the replacement funds and other new borrowing, if any?*

...

Mr DWYER - ... *I can say that we will be using all of the Vessel Replacement Fund and there will be borrowing taken up by TT-Line for the balance of the amount for the full contract price. That is within our capacity to pay that back over the ensu[ing] years. The business case is very solid.*

Mr WINTER - *What is the total amount in the Vessel Replacement Fund?*

Mr DWYER - *It's about \$40 million.*

Mr WINTER - *Do you think the use of the Vessel Replacement Fund has been a useful thing from TT-Line's perspective?*

Mr DWYER - *It has worked seamlessly from TT-Line's perspective. It has worked exactly how it was intended by the Government. There has never been an issue putting money into that fund. That fund generates interest and that interest as well as the principal is paid back to TT-Line when it is required.*³⁶

On 14 May 2023, TT-Line amended the contract for the second vessel to reflect new construction milestone for the keel laying (from 20 June 2023 to the earlier date 17 May 2023).³⁷

On 11 August 2023, TT-Line executed an amendment to the contract to reflect agreed changes to payment timelines instead to be based on a percentage of completion of the build,

³⁶ See Transcript House of Assembly Government Business Scrutiny Committee TT-Line Corporation Pty Ltd, Thursday 1 December 2022, https://search.parliament.tas.gov.au/Search/search/search?IW_FIELD_ADVANCE_PHRASE=Thursday%201%20December%20AND%202022%20AND%20TT%20Line%20Company%20Pty%20Ltd%20IN%20TITLE&IW_DATABASE=Hansard&IW_SORT=-9&IW_SEARCH_SCOPE=meta

³⁷ See in general, Letter to Chair from Dr Damien Bugg (Interim TT-Line Chair) dated 4 October 2024, [Questions on Notice: Inquiry into the TT-Line Spirits Project](#)

with the view of improved cash-flow for RMC. TT-Line considered that this was the first time there was any indication that RMC had financial difficulties. TT-Line became more aware of RMC's financial difficulty in October 2023 as it had become apparent that they were experiencing difficulties paying their subcontractors.³⁸

On 25 October 2023, the then TT-Line Chairman and the then CEO met with RMC Chairman and CEO at Helsinki Airport: this was the first time TT-Line had been informed of the serious financial situation of RMC. Mr Michael Grainger (ex TT-Line Chairman) recalled no actual demand or financial amount was advised by RMC at the time.³⁹

On 27 October 2023, the first of the new ships, Spirit of Tasmania IV, was officially launched at RMC. At the 24 November 2023 Legislative Council Government Business Scrutiny Committee hearings with TT-Line, the then Shareholder Minister, Hon Michael Ferguson MP and then TT-Line CEO, Mr Bernard Dwyer had intimated that the first vessel was expected to enter service in August 2024:

***Mr FERGUSON** ... Construction of our two magnificent new vessels continued during 2022-23, along with TT-Line entering contracts with an extensive list of Tasmanian businesses to supply the new vessels as part of our MC's obligation to deliver at least \$100 million in local content. The first of the new ships, Spirit of Tasmania IV, was officially launched at a ceremony at Rauma Marine Constructions Yard in Finland on 27 October, 2023.*

...

***Mr WILLIE** - In terms of the new ship, the first one has been delayed by three months. What about the second ship? Is there any update there, Minister?*

...

***Mr DWYER** - That's right. The first vessel, at the end of the second quarter and the second vessel, first quarter of 2025, yes, within that first quarter, which we wouldn't want to put a brand-new vessel right in the middle of a summer period anyway. It's working out well from a scheduling point of view. I think I've said before, I'm not too concerned about a seven, eight, nine week delay as long as we get the ships in the best condition that they are, because we're on the other side of the world so the day that we assist them with their sea trials making sure those vessels fit in with all the contract requirements. Even at that point, we may say that still doesn't meet the contract and you need to do some remedial work there as well because I cannot afford for those vessels to come out any less than what we've contracted because we're on the other side of the world and it's a long way to send them back if something happens in that regard.⁴⁰*

On 16 January 2024, TT-Line received correspondence from RMC that indicated they had insufficient liquidity to finish the builds. Over the course of the next few days, discussions were held between TT-Line and RMC representatives: RMC indicated that they would need a €30 million injection to complete the construction of the ships. TT-Line were unable to

³⁸ See Transcript of Evidence, [Public Hearings \(28 June 2024\)](#), p.5-6

³⁹ See Transcript of Evidence, [Public Hearings \(28 June 2024\)](#), p.7

⁴⁰ See Transcript Legislative Council Government Business Scrutiny Committee TT-Line Corporation Pty Ltd, Friday 24 November 2023, https://www.parliament.tas.gov.au/data/assets/pdf_file/0019/77104/LC-GBE-Friday-24-November-2023-TT-Line-Company-Pty-Ltd.pdf, p.1-3

furnish additional funds at that stage. Outcomes of these discussions were shared with the then Shareholder Minister Hon Michael Ferguson MP on 18 January 2024.

On 9 February 2024, the Finnish Government wrote to the TT-Line Board noting their appreciation of the constructive approach TT-Line had taken, in particular ‘the prepayments will grant a necessary time window to work out a suitable solution’ and ‘the Government of Finland sees a strong political will to support RMC to overcome its present problems’.

On 14 February 2024, Hon Jeremy Rockliff MP (Premier) requested an early election be called for 23 March 2024 which was granted by the Governor of Tasmania (Her Excellency Hon Barbara Baker AC). Parliament was prorogued and the House of Assembly dissolved pending the outcome.

From the Tasmanian Department of Premier and Cabinet’s website:

By convention, during the period preceding a general election for the House of Assembly, the Government assumes a ‘caretaker role’.

The caretaker period recognises that:

- *with the expiration or dissolution of the House of Assembly, Executive Government cannot be held accountable for its decisions in the normal manner, and*
- *every general election carries the possibility of a change of government.*

*In general terms, the caretaker period begins at the time the House of Assembly is dissolved or expires and continues until the election result is clear or, if there is a change of government, until the new government is appointed.*⁴¹

The TT-Line Board at its 15 February 2024 meeting agreed to approve management’s recommendation to agree to a revised payment schedule put forward by RMC: that revision brought forward 2.5 per cent of the remaining contracted payments, over three instalments, for the first vessel only. Mr Grainger also informed Mr Gary Swain (Secretary, Department of Treasury and Finance) RMC had advised that if the current cash flows were not addressed, and further equity raised, they face insolvency. RMC had also indicated they may require additional capital to cover the escalation in costs (estimated to be €67 million across both contracts).⁴²

On 16 February 2024, a letter was sent to the Finnish Government by TT-Line indicating that the Board had agreed to amend payment terms in an effort to assist RMC financially but no increase in contract price, and that the Tasmanian Government was in caretaker mode. This was subsequently executed by TT-Line on 28 February 2024.

On 28 February 2024, a meeting was held at the Finnish Ministry of Economic Affairs and Employment with representatives from both RMC and TT-Line: at that meeting, it was

⁴¹ See ‘Caretaker conventions’, Department of Premier and Cabinet, https://www.dpac.tas.gov.au/divisions/office_of_the_secretary/Executive_Services/caretaker_conventions [Accessed 17 January 2025]

⁴² See Speaking Notes – Tabled 8 October 2024 – Mr Michael Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf, p.38-39

established ‘... that significant cost increases caused by external factors and therefore totally outside the control of RMC meant that RMC was now in urgent need for financial support. The meeting estimated the need to be at a level of €100 million to safeguard the completion and delivery of the two ships’.⁴³

On 28 February 2024, the Pre-Election Financial Outlook Report was released by Treasury.⁴⁴ It is noted that there was no mention of the potential risk of the impact of RMC’s financial difficulties in that Report. On the following day, Treasury held a meeting with both major political parties separately to advise the party representatives of the status of the procurement of the new vessels and the current difficulties faced by RMC. Attended by TT-Line, the briefings were held with Hon Michael Ferguson MP and Mr James Abbott for the Tasmanian Liberals, and Hon Rebecca White MP and Hon Dr Shane Broad MP for Tasmanian Labor.

In a letter to the Committee, Mr Gary Swain (Secretary, Department of Treasury and Finance) provided further context to these meetings:

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

The purpose of the meeting was to deal with a sensitive issue by providing the same verbal briefing, in a non-partisan way, to the major opposition party as was provided to the Government.

The briefings were in lieu of addressing the matter in my Pre-Election Financial Outlook Report, which was released publicly on 28 February 2024. I took this action as to address the matter in the Report would have exacerbated the risk, as further discussed below, that TT-Line was seeking to manage.

...

While TT-Line did make it clear that the issues were being actively managed, it was also made clear that the risks being communicated to Ms White and Dr Broad were material and likely to require some form of action by TT-Line.

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

⁴³ Letter from Petri Peltonen (Under-Secretary of State, Ministry of Economic Affairs and Employment of Finland) to TT-Line (dated 20 March 2024)

⁴⁴ The *Charter of Budget Responsibility Act 2007* establishes the requirements for the preparation and release of a Pre-Election Financial Outlook Report. Part 5 of that Act requires the Secretary of the Department of Treasury and Finance to review and make an assessment of material movements since the most recent published estimates for the current Budget year and the following three financial years. If the estimates vary materially from the information presented in the Revised Estimates Report or the Budget Papers, whichever is more recent, the Secretary must prepare a report within ten business days of the commencement of the election costing period. This report must be provided to the Premier and must also be publicly released (see ‘Pre-Election Financial Outlook Report - February 2024’, Department of Treasury and Finance, <https://www.treasury.tas.gov.au/budget-and-financial-management/budget-reports/pre-election-financial-outlook-report-february-2024>)

*vessels, but not the payments made for the vessels by TT-Line, which were supported by bank guarantees.*⁴⁵

It is evident that subsequent increase in contract price of €50 million was not discussed with either party at these Treasury meetings.

On 5 March 2024, RMC sent a letter to TT-Line outlining a proposal for a further capital injection of approximately €100 million to safeguard the orderly delivery of the two vessels:

- TT-Line committed itself to increasing their payments for the two ships with a total payment of €50 million, representing a 9 per cent increase of the contractual consideration for the two ships, and
- the Government of Finland undertook to support RMC covering possible additional costs exceeding above mentioned €50 million.

On 13 March 2024, TT-Line wrote to RMC acknowledging the proposal and the out of session board meeting of the TT-Line Company Board of Directors to be held on Friday, 15 March 2024 to discuss the same. The correspondence noted that due to the Government being in ‘caretaker mode’, TT-Line would be unable to formally respond to RMC’s proposal until after the election and a Shareholder Minister had been appointed.

At the 21 March 2024 meeting, the TT-Line Board approved an increase of the contract price up to €30 million and Hon Michael Ferguson MP was advised of this decision.

On 20 March 2024, TT-Line received correspondence from the Finnish Government outlining the 28 February 2024 meeting and a proposal that if TT-Line issued an irrevocable commitment of making the €50 million immediately (as practicable) as extra consideration for the two ships, the Finnish Government would guarantee any additional costs exceeding the €50 million through its investment vehicle TESI (Finnish Industry Investment Ltd).⁴⁶

On 22 March 2024, TT-Line were advised through Treasury that the Government did not need to approve a price change for already approved procurement projects: i.e., as the contract is still afoot, any increase in the contract is a matter for the Board to manage and does not require approval from the shareholder.⁴⁷

In a letter to the Committee, Mr Gary Swain (Secretary, Department of Treasury and Finance) provided further context to this exchange in relation to TT-Line’s governance arrangements as a Government Business Enterprise:

On 22 March 2024, following a meeting with TT-Line and, a follow up email from the company, Treasury confirmed that, because TT-Line was not entering into a new contract

⁴⁵ See [Letter to Chair from Mr Gary Swain \(Secretary, Dept of Treasury and Finance\) \(27 September 2024\)](https://www.parliament.tas.gov.au/data/assets/pdf_file/0029/85916/20240927-Letter-to-Chair-of-PAC-regarding-evidence-provided-to-the-TT-Line-spirits-inquiry.PDF), https://www.parliament.tas.gov.au/data/assets/pdf_file/0029/85916/20240927-Letter-to-Chair-of-PAC-regarding-evidence-provided-to-the-TT-Line-spirits-inquiry.PDF, p.1-2

⁴⁶ Letter from Petri Peltonen (Under-Secretary of State, Ministry of Economic Affairs and Employment of Finland) to TT-Line (dated 20 March 2024)

⁴⁷ See Speaking Notes – Tabled 8 October 2024 – Mr Michael Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf, p.43-44

and Government approval has already been given for the procurement of the vessels, any increase in contract price was a matter for the TT-Line Board and did not require approval from the Government or Treasury.

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

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

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

Similarly, I reiterate that it was in the context of ongoing corporate governance arrangements that Treasury provided its advice to TT-Line on 22 March 2024. It was not in the context of caretaker conventions. As you are aware, the Department of Premier and Cabinet is responsible for the administration of caretaker arrangements and I understand that DPAC wrote to TT-Line on 14 February 2024 in relation to the operation of Government in the caretaker period.⁴⁸

On 26 March 2024, the TT-Line Board received correspondence from RMC indicating they 'expect the final cost to complete both vessels will be in excess of €100 million' and they 'were just days away from a legal requirement to advise [the] Board of Directors that they can no longer continue the shipyard as a going concern'.

On 4 April 2024, TT-Line executed amendments to the relevant contracts with respect to increases in contract prices (€35 million for Spirit of Tasmania IV and €15 million for Spirit of Tasmania V).

On 5 April 2024, Minister Ferguson was advised by letter from TT-Line of the following:

⁴⁸ See [Letter to Chair from Mr Gary Swain \(Secretary, Dept of Treasury and Finance\) \(27 September 2024\)](https://www.parliament.tas.gov.au/_data/assets/pdf_file/0029/85916/20240927-Letter-to-Chair-of-PAC-regarding-evidence-provided-to-the-TT-Line-spirits-inquiry.PDF), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0029/85916/20240927-Letter-to-Chair-of-PAC-regarding-evidence-provided-to-the-TT-Line-spirits-inquiry.PDF, p.1-2

- the circumstances that lead to TT-Line agreeing to pay the additional €50 million as proposed by RMC
- the contract would otherwise continue on the same terms (with the exception being a likely change in delivery milestones)
- any payments made by TT-Line would continue to be backed by refund guarantees, and
- ‘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’.⁴⁹

After the final results of the election were declared on 10 April 2024, the end of the caretaker period and the formation on the new Government commenced on 11 April 2024.

Committee Findings

- F1. In December 2017, the Government approved TT-Line's business case for vessel replacement with delivery expected in 2021, to be funded through TT-Line's own revenue projections and cash reserves of \$180 million in the TT-Line Vessel Replacement Fund (including \$20 million from Government), with TT-Line carrying the balance as commercial debt.
- F2. At the December 2017 hearings, TT-Line confirmed that no Australian shipyards had the capacity or technology to build the required conventional monohull vessels, and that while multi-hull vessels could be built in Australia, they were ruled out due to reliability concerns in Bass Strait weather conditions.
- F3. The initial contract with Flensburger Schiffbau-Gesellschaft (FSG) (Germany) worth approximately €219 million per vessel was signed in December 2018 for delivery in 2021, but was terminated by mutual agreement on 27 February 2020 due to FSG's financial difficulties, with no payments having been made by TT-Line.
- F4. TT-Line's June 2020 Board resolution to sign contracts with Rauma Marine Constructions (RMC) (Finland) for delivery in late 2022 and 2023 (€519.07 million total) was not approved by the State Government as of 15 July 2020, with reasons including the Australian Government request need for renewed consideration of Australian shipbuilders and the Tasmanian Government's expectation of increased local content and manufacturing jobs in Tasmania in light of COVID-19 economic impacts.
- F5. The Vessel Replacement Taskforce established in August 2020 was tasked with examining options including Australian shipbuilding capability.

⁴⁹ See [Speaking Notes – Tabled 8 October 2024 – Mr Michael Grainger](#), p.21-22

- F6. In November 2020, economist Saul Eslake reported that each year's delay could represent an opportunity cost of 184,200 visitors per peak season and \$350 million to the Tasmanian economy, compared to TT-Line's original intentions.
- F7. In March 2021, the Vessel Replacement Taskforce report was provided to the Gutwein Liberal Government and TT-Line was directed to re-enter negotiations with RMC to deliver two new vessels.
- F8. In March 2021, as part of the Tasmanian Government's preferred way forward, the Government announced the new vessels required increased Tasmanian local content of \$50 -100 million and additional local expenditure by TT-Line of \$40 million.
- F9. On 15 April 2021, a contract was signed with RMC to build the two new vessels at an additional cost of approximately €25 million.
- F10. Following Russia's invasion of Ukraine on 24 February 2022, RMC issued a notice of a force majeure event, resulting in TT-Line Board approving an €8 million increase in contract price on 19 May 2022, with delivery of the first vessel delayed from 30 November 2023 to 2 March 2024.
- F11. On 11 August 2023, TT-Line amended the contract with RMC to change payment timelines to be based on percentage of completion rather than milestones, which TT-Line considered was the first indication of RMC's financial difficulties.
- F12. On 25 October 2023, TT-Line's then Chairman and CEO were first informed of RMC's serious financial situation at a meeting in Helsinki, Finland, though no specific financial request or amount was advised at that time.
- F13. On 16 January 2024, TT-Line received correspondence from RMC indicating insufficient liquidity to complete the vessels, with RMC requesting a €30 million injection to complete construction.
- F14. The TT-Line Chair advised the then Shareholder Minister of the financial position of RMC on 17 January 2024 and informed the RMC Chair that TT-Line was unable to pay the extra €30 million on 18 January 2024.
- F15. On 9 February 2024, the TT-Line Chair received a letter from the Finnish Government informing TT-Line of their support for RMC overcoming their financial difficulties and noting the measures TT-Line had taken to date regarding amending payment terms.
- F16. On 14 February 2024, Her Excellency the Honourable Barbara Baker AC (Governor of Tasmania), agreed to Hon Jeremy Rockliff's (Premier) request to prorogue the Parliament and dissolve the House of Assembly and a State election was called for 23 March 2024, commencing the caretaker period.

- F17. On 15 February 2024, the TT-Line Board agreed to a revised payment schedule bringing forward 2.5 per cent of remaining contracted payments for the first vessel only, with the Board also being advised that RMC faced insolvency if cash flows were not addressed and may require an additional €67 million across both contracts.
- F18. On 28 February 2024, the Pre-Election Financial Outlook Report was released and the Secretary of Treasury and Finance determined not to refer to emerging financial risks associated with TT-Line and its vessel replacement program in the Report. Instead, the Secretary elected to hold separate confidential briefings where material risks requiring action were communicated with both major political parties, which occurred on 29 February 2024.
- F19. On 28 February 2024, a meeting was held at the Finnish Ministry of Economic Affairs and Employment with representatives from both RMC and TT-Line at which it was revealed that RMC was now in urgent need for financial support with an estimate of €100 million to safeguard the completion and delivery of the two ships.
- F20. On 5 March 2024, RMC proposed a capital injection of approximately €100 million, comprising €50 million from TT-Line (9 per cent contract price increase) and the balance from the Finnish Government, to safeguard the orderly delivery of the vessels.
- F21. On 13 March 2024, during the caretaker period, TT-Line advised RMC it would be unable to formally respond to the proposal until after the election and a Shareholder Minister had been appointed.
- F22. On 21 March 2024, during the caretaker period and two days before the election, the TT-Line Board approved a contract price increase of up to €30 million and advised the Shareholder Minister Hon Michael Ferguson MP of this decision.
- F23. On 22 March 2024, the day before the election, TT-Line was advised through Treasury that the Government did not need to approve a price change for already approved procurement projects, as any increase in the contract was a matter for the Board to manage under ordinary corporate governance arrangements.
- F24. On 26 March 2024, after the election but before the caretaker period ended, RMC advised the TT-Line Board they expected final costs to exceed €100 million and were days away from being unable to continue as a going concern.
- F25. On 4 April 2024, after the election but still during the caretaker period, TT-Line executed contract amendments totalling €50 million (€35 million for Spirit IV and €15 million for Spirit V) to secure the delivery of the vessels.
- F26. On 5 April 2024, the day after the contracts were executed and during the caretaker period, Shareholder Minister Hon Michael Ferguson MP was formally advised by letter from TT-Line of the €50 million contract price increase and the circumstances related to that decision.

F27. On 22 March 2024, Treasury confirmed the TT Line Board did not need Shareholder approval for the contract revision under ordinary corporate governance arrangements. However, that advice did not preclude the shareholder minister being advised.

F28. In TT Line's 5 April 2024 letter to Minister Ferguson, the Board noted that while the increased purchase cost could initially be managed under the existing loan facility, consideration needed to be given to proposed costs associated with the Devonport Terminal 3 Infrastructure project as reflected in the 2025-2027 Corporate Plan

Committee Recommendations

- R1. As part of its Government Business Governance Reforms, the Government review and clarify:
- what obligation a government owned business has to inform and seek approval from Shareholder Ministers regarding material commercial decisions and contract variations that may have on financial implications for the State, and
 - how these obligations are to be met during caretaker periods.
- R2. Treasury develop clear protocols for disclosure of material commercial risks in Pre-Election Financial Outlook Reports and arrangements for managing commercially sensitive information during a caretaker period.

Devonport Berth E3 Infrastructure Upgrades

In 2013, TasPorts developed its 30-year vision – TasPorts 2043 - which considered the structure and suitability of Tasmania's port system in providing economically sustainable ports to service the diverse needs of the Tasmanian industry. TasPorts 2043 determined the State's existing multi-port system was the best model to support Tasmania's critical trade requirements into the future.⁵⁰

In 2017, TT-Line provided its Spirit vessels replacement business case to a sub-committee of Cabinet. The business case included the understanding that upgrades would be required for TT-Line's facilities in Devonport and at Station Pier, Melbourne. The costs of infrastructure upgrades at both ports would be the responsibility of the relevant port authority: i.e., TasPorts and Port of Melbourne.⁵¹ This is contrary to what eventuated in the lead-up to the current QuayLink project (see below).

A more targeted TasPorts Port Master Plan was released in 2018: this plan noted that there would be 'increased capacity for an additional 160,000 passengers annually to enter Devonport and enhanced freight facilities' and included 'a \$50-\$60 million development [to] extend berthing facilities for passengers, cargo and freight'.⁵²

On 4 July 2019, TT-Line in its correspondence to TasPorts, indicated that as a result of ongoing discussions with the TT-Line Project Steering Committee:

- 'TasPorts advised that it was not feasible for TT-Line to retain the existing terminal and office accommodation at Berth No. 1 East Devonport as requested by TT-Line'
- 'TasPorts further advised that the scope of works at the proposed No. 3 Berth would only incorporate requirements from the ground down and the scope did not include any new buildings such as a passenger terminal, office accommodation, passenger vehicle check-in booths and elevated walkways', and
- 'TT-Line has an expectation in moving from Berth No. 1 East Devonport to Berth No. 3 East Devonport that, as a minimum, the facilities, buildings and amenities that are provided under the current lease arrangements, will also be provided and included in any new lease arrangement'.⁵³

At the public hearings, Mr Grainger reiterated that it was TT-Line's view that they were 'ferry operators and not in the business of building infrastructure':

***Mr GRAINGER** - In terms of the Devonport berth, in May 2020, we received correspondence from TasPorts proposing to increase the TT-Line operational costs by 250 per cent, originally saying it was not related to costs to construct Berth 3.*

⁵⁰ See 'Projects and Developments', TasPorts, <https://tasports.com.au/projects-developments#:~:text=In%202013%2C%20TasPorts%20developed%20its,needs%20of%20the%20Tasmanian%20industry> [Accessed 20 January 2025]

⁵¹ See Transcript of Evidence, [Public Hearings \(9 September 2024\)](#), p.5

⁵² See 'Port Master Plan', TasPorts, <https://tasports.com.au/port-master-plan> [Accessed 20 January 2025]

⁵³ Letter from Mr Bernard Dwyer (CEO, TT-Line) to Mr Anthony Donald (CEO, TasPorts) dated 4 July 2019, <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-gon-response-4-october-2024/tt-line-documents/2019.07.04-Letter-to-TasPorts-No-3-Berth-040719-BD-to-AD-expecting-facilities-to-be-provided-at-T3.pdf>

In June 2021, TT-Line executed a memorandum of understanding with TasPorts for Berth 3 - Berth 3 being the proposed new berth for the new Spirit of Tasmania vessels. 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 the lack of support from TasPorts. During each ministerial briefing, which always followed each board meeting, the Minister was advised of the situation with Devonport berth and TasPorts.

As far back as a meeting on 29 June 2020, TT-Line advised TasPorts that we are not in the business of building infrastructure, and I can refer to meeting minutes.

...

CHAIR - *Can I just ask, right back at the beginning where the decision was made to berth the new Spirits at Berth 3 and you've said and previously you've said that TT-Line identified themselves as a ferry operator not an infrastructure builder of wharf infrastructure, and there was a communication with TasPorts about them delivering it.*

Can we just go back there for a moment to understand more fully why that didn't eventuate at the time?

Mr GRAINGER - *I'm not sure that TT-Line had the choice. As I said earlier, we made the comment to TasPorts that we were not in the business of infrastructure. Again, I'll repeat, TasPorts had suggested a 250 per cent increase in our operational costs, our port operational costs, which did not include the new berth for the new vessels.*

CHAIR - *... if we can just focus on why they didn't take on the build in the first place.*

Mr GRAINGER - *I'm not sure. I'm really not sure why TasPorts didn't take over the complete build or why TT-Line didn't take over the complete build of the whole project. I think the CEO could probably answer that.*⁵⁴

On 31 July 2019, TT-Line confirmed in its correspondence to TasPorts:

- 'TT-Line have always sought to stay in the current terminal building due to the obvious cost impacts of demolition of a perfectly adequate building and relocation of our services for both passenger checking and back of house',
- 'TT-Line never envisaged it would be responsible for construction of buildings within the new Master Plan around Berth No. 3',
- 'TasPorts confirmed at the meeting on the 19 June [2019] that they are building the ramps and elevated passenger walkway to the berth',
- 'While we acknowledge that TasPorts and TT-Line have participated in discussions regarding TasPorts scope position, it is not a position that TT-Line have accepted. We note your comments that the TasPorts scope delineation is consistent with contemporary, but we would make the point that such a delineation has never been the practice between our Companies given that TasPorts have always provided above ground facilities', and
- 'As you state, we have investigated with your officers the potential of re-locating our back of house functions to TasPorts Building in Devonport as an option. To date we have

⁵⁴ See Transcript of Evidence, [Public Hearing \(8 October 2024\)](#), p.1 & 15.

not seen costings or detailed plans on this. We expect this will arrive in due course during the project'.⁵⁵

In TasPorts' reply to TT-Line on 18 October 2019, the following was noted:

The current total project estimate based on the agreed conceptual design is an order of magnitude cost of \$169M, exclusive of landside building works above pavement level. Should TasPorts include the TT-Line buildings in the project scope it is expected to add another \$10-20M depending on your user requirements.

The significant amount of change required in the reconfiguration of the Port, and the desire of TT-Line to not tolerate any operational disruption during the construction phase are the two major drivers of total project cost. Whilst there will always be some localised short-term disruption to existing tenants during any major redevelopment, the current project design option is based on the customer requirement for no major interruption to service such as interim schedule and port location changes.

This requirement removes other lower cost options from any consideration and forces a very high total project capital cost outcome that must then be factored into the ongoing lease and berthing costs for TT-Line. Given the importance of this user requirement, can you please confirm TT-Line's position that nil operational disruption is a mandatory criteria for TT-Line, acknowledging that this significantly increases the total project cost and the flow on effect this will have to commercial pricing as part of a new long term lease.

...

*As we are both aware, it would be problematic for new vessels to arrive without fit for purpose infrastructure and we will continue to work with TT-Line and SeaRoad to ensure fair access and ready built infrastructure through contemporary commercial agreements. The next 3 to 6 months will require diligence and cooperation from both parties in the Project Working Group, the commercial meetings and the Steering Committee... TasPorts acknowledges TT-Line's request for a new long term lease for berth and terminal and is willing to consider a 25 year term with options. This can be progressed in the commercial discussions underway with our respective teams.*⁵⁶

At the public hearings, the Committee heard from Mr Craig Limkin (Secretary, Department of State Growth) and Mr Peter Gemmel (Strategic Infrastructure Development and Procurement Adviser) that it was not unusual for berth works to be undertaken by the lessee and not the landlord:

Mr LIMKIN - *I am advised that the development of Terminal 3 was a joint agreement between TasPorts and TT-Line, under a formal agreement for a lease, which was signed*

⁵⁵ Letter from Mr Bernard Dwyer (CEO, TT-Line) to Mr Anthony Donald (CEO, TasPorts) dated 31 July 2019, <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2019.07.04-Letter-to-TasPorts-No-3-Berth-040719-BD-to-AD-expecting-facilities-to-be-provided-at-T3.pdf>

⁵⁶ Letter from Mr Anthony Donald (CEO, TasPorts) to Mr Bernard Dwyer (CEO, TT-Line) dated 11 October 2019, <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2019.10.11-Letter-from-TP-to-TTline-expecting-TT-Line-to-provide-infrastructure-but-open-to-discussions.pdf>

in July 2022. That lease actually outlined tenant responsibilities and landlord responsibilities, and that's how the project's been governed since that time.

CHAIR - *It has, but we've heard that's had some limitations to it, because of access to the berth pocket to do the geotechnical drilling that was needed to complete the project, ...*

Mr GEMELL - *I just have to say, from an industry perspective, and what's normal - if a tourism and transport organisation would typically undertake that sort of role, it would engage a party to manage it and deliver it on their behalf - typically. That's an industry norm.*

I am just cautious that, while that separates the responsibilities, that didn't preclude TT-Line from either engaging and employing the right entity to deliver it, or putting in the people, the system and the process. The challenge a transport company has for a single-person project is attracting the good people, because there's not a career path in engineering that follows with it.

You almost have to outsource it, as GeelongPort did with APP for the delivery and the management of the Geelong development. GeelongPort employed a project management organisation to deliver that. All I'm saying is the agreement doesn't mean that you would have picked that up at that time, the issue of the gateway. That's all. They could have offered a management team and processes to satisfy that need and pass the gateway processes back in 2022. That's all.⁵⁷

In June 2021, the Tasmanian Government approved the \$241 million East Devonport redevelopment project – QuayLink. The redevelopment is expected to significantly increase capacity for both freight and vehicles, whilst facilitating exponential trade growth. Work commenced on site in 2022 with expected completion in 2027.⁵⁸ Of note, QuayLink includes a number of work packages, some of which are being delivered by TasPorts, while others are delivered by port customers, including TT-Line and SeaRoad.⁵⁹

On 6 December 2019, at the Legislative Government Business Scrutiny Committee hearings with TasPorts, with respect to Berth E3 infrastructure funding and ongoing commercial arrangements, the following evidence was provided by Mr Anthony Donald (Chief Executive Officer, TasPorts):

Mr WILLIE – *The [TasPorts] master plan says about \$50 million or \$60 million.⁶⁰ Who's going to pay for that? Is that going to be TasPorts or is it the State Government?*

Mr DONALD - *No, that will be TasPorts.*

Mr WILLIE - *TasPorts will fund the full infrastructure?*

Mr DONALD - *Yes.*

⁵⁷ See Transcript of Evidence, [Public Hearings \(18 November 2024\)](#), p.10-11

⁵⁸ See 'Port of Devonport' under 'Projects and Developments', TasPorts

⁵⁹ See 'Project Overview', TasPorts Devonport QuayLink Project, <https://tasports.com.au/quay-link/about> [Accessed 20 January 2025]

⁶⁰ See 'Port Master Plan', TasPorts, <https://tasports.com.au/port-master-plan#devonport> [Accessed 23 October 2025]

CHAIR - On a cost recovery basis?

Mr DONALD - Yes, that's the plan. It's important to understand very important commercial negotiations are afoot between our organisation and our customers, TT-Line and SeaRoad. We hope those discussions will yield an outcome early in the new year on the scope and the commercial arrangements for our future arrangements.⁶¹

On 24 December 2019, a Memorandum of Understanding (MOU) was entered into between the parties (Eastern side of the Port of Devonport Reconfiguration Project): in short, the MOU confirmed TT-Line's and TasPorts' commitment to further discussions and collaboration in relation to the planned reconfiguration.

As a result of TT-Line cancelling the project with FSG (the replacement vessel contract) in February 2020, port infrastructure design could not progress as detailed designs of the new Spirits vessels were in hiatus.

On 14 May 2020, TT-Line stated that the following was discussed with TasPorts:

- 1) *Technical meetings have continued with TasPorts on the design of Berth Number Three for new vessels and detailed plans and studies progressing well. No issues identified to be major impediments.*
- 2) *A user requirements document has been formulated and under discussion.*
- 3) *Some queries re: back of house accommodation for TT-Line's use has not been identified or costed by TasPorts yet.*
- 4) *Project timeframe jumped from 30 months in the term sheet to now 34 months. TasPorts COO stated that they will not have the infrastructure in place for 2022.*
- 5) *The term sheet attached will be discussed on Friday as:*
 - a) *Not all information is included to allow full costings to be modelled*
 - b) *The cost of the project is rolled into the wharfage charges (we believe)*
 - c) *No costings have been provided on bespoke capital works required, i.e. Ramps, bow pad, foot passenger terminal, etc.*
 - d) *The wharfage charges we were told at the last meeting will apply even if we don't buy new ships and stay at berth No 1.*
 - e) *Rough calculations show an increase in wharfage in 20/21 to be \$9.6m or 262% and overall charges to increase by 126%. (All to be confirmed after the meeting on Friday)*
 - f) *There is a push to have these terms in place by July 2020 even though we have an agreement till June 2021.*⁶²

On 22 May 2020, TT-Line provided an internal email exchange which detailed the Terminal Operating Agreement costs (marine services charge, landside service charge, property charge), and the bespoke capital costs (\$77.58 million, i.e. \$7,433,730 per year (total \$186 million) over a 25-year period, for a return to TasPorts of 8.4 per cent. TT-Line was to

⁶¹ See Transcript Legislative Council Government Business Scrutiny Committee B TasPorts Corporation Pty Ltd, Tuesday 8 December 2020, https://www.parliament.tas.gov.au/_data/assets/pdf_file/0028/59536/lc20friday20620december20201920-20tasports20corporation20pty20ltd.pdf, p.8

⁶² See Internal TT-Line notes on TasPorts (28 June 2020), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0029/92657/2020.06.28-TasPorts-Update.pdf

be responsible for maintenance and any replacements or upgrades to bespoke capital items. It clarified that with respect to bespoke capital items these included buildings, includes base build (external shell, plaster, white paint, power outlets but nothing else), electrical includes distribution boards and power to buildings, and network includes conduit only (cables to be pulled through and routed by TT-Line).⁶³

On 29 May 2020, Mr Dwyer (then TT-Line CEO) wrote to Mr Donald (TasPorts CEO) and summarised as follows:

- that TT-Line now had clarity that there were two main streams of financial proposals from TasPorts:
 - ongoing volume based wharfage costs; and
 - provisioning of Berth No 3 for the use of TT-Line
- informed TasPorts that to ensure the project timeframes are met for the delivery of new ships, TT-Line needed to separate these two streams
- noted that the anticipated increase in volume-based wharfage costs (regardless of whether TT-Line move to Berth 3 or not) with no stated change to services from TasPorts is in excess of 250%, which TT-Line found to be unacceptable
- noted that this would be passed on to freight and passenger clients and would need to be discussed with Freight Industry Groups and Clients, as well as the Tourism industry
- for the proposed full costs associated with provisioning of Berth 3, questioned the WACC charge of 8.4 per cent and the contingency applied on top of the margin, which equated to over 32 per cent of the overall project costs, and
- requested that TasPorts provide other options in writing that they are prepared to consider.⁶⁴

As noted above, the Committee understands that TasPorts proposed to increase the TT-Line Terminal Operating Agreement costs (made up of marine services, landside services and property charges) by 250 per cent. A separate bespoke capital charge had been estimated to be in the order of \$77.58 million payable over 25 years at a return of 8.4 percent.⁶⁵

The then Shareholder Minister Hon Michael Ferguson MP was briefed on the proposed costs of the new facilities at Berth E3 on 25 May 2020.

In a letter from TT-line to TasPorts (dated 29 May 2020), the following concerns were raised:

- in relation to volume-based wharfage costs, in dollar terms this represented an estimated increase from \$3.5 million to more than \$13 million in 2021/22, without a stated improvement or quantity of services from TasPorts
- the back of house arrangements had not been included in the bespoke capital charge, and

⁶³ See Email from TasPorts to TT-Line (22 May 2020) - TT-Line Bespoke Capital, https://www.parliament.tas.gov.au/data/assets/pdf_file/0030/92649/2020.05.22-Email-from-PH-to-KS-detailing-total-proposed-costs-incl-Bespoke-Capital_Redacted.pdf

⁶⁴ See Letter from TT-Line to TasPorts (29 May 2020) - Response to Proposed Pricing, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92650/2020.05.29-TT-Line-to-TasPorts-Letter-response-to-proposed-pricing_Redacted.pdf

⁶⁵ See Cost Estimate Summary - TT Line Bespoke Capital Only (18 May 2020), <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-gon-response-4-october-2024/tt-line-documents/2020.05.18-6A0000-TASPORTS-CON-BUD-0001-Cost-Summary-and-Risk.pdf>

- the weighted average cost of capital charge (WACC) of 8.4 per cent and the contingency of 32 per cent was questioned.⁶⁶

On 2 June 2020, TasPorts replied to TT-Line with respect to both the infrastructure requirements to support the arrival of new vessels and other commercial arrangements:

- the time required to complete the substantial upgrade works was 39 months. This duration was directly informed by the scope of works and the staging associated with TT-Line's request for no operational disruption
- the proposed return rate of 8.4 per cent is well below TasPorts' published WACC rate of 13.4% and importantly considers matters including the implication of this debt upon TasPorts' balance sheet and impacts to other investments their business might want to consider. Throughout the discussions to this point TasPorts has encouraged TT-Line to consider funding and delivering these elements, and
- further noted that if TasPorts' pricing structure did not meet TT-Line's satisfaction TasPorts would consider the transfer to TT-Line of part or all of the land and infrastructure at the new location selected. This would enable TT-Line to deliver independently of TasPorts the required upgrades to landside infrastructure and would negate the need for TT-Line to make wharfage and rent payments.⁶⁷

On 4 June 2020, at a meeting between TT-Line and TasPorts CEOs and CFOs, the following matters were discussed:

- TT-Line re-iterated that they were looking to get approval to fund the Bespoke Capital at Berth No 3 but not run the RFI, procurement and actual works.
- TT-Line also clarified that TT-Line are not open to changing the current contract prior to the expiry date of 30 June 2021.
- TT-Line also asked about acquiring the land and undertaking the required developments themselves (via a third party with the expectation that TT-Line would pay the developing entity an annual lease payment). This option was rejected outright by TasPorts. TasPorts then took a few hours to re-crunch the numbers and came back with the same figures but offered to drop the charges from \$13 million to circa \$9 million per annum for 2 years if TT-Line started from July 2020. The meeting ended with TT-Line looking to only fund the Bespoke Capital items and reviewing the situation with the Board at next meeting.

Further, in a conversation between Mr Dwyer and Mr Donald about what TT-Line position would be if the land was transferred to TT-Line (context that TasPorts offered to transfer some land to TT-Line at Devonport - at the port facility - so that TT-Line could build their infrastructure on land which they owned. But, TT-Line were reluctant to be involved in building infrastructure.) TT-Line put to TasPorts that TT-Line would be interested in taking some land at Devonport and were contemplating engaging with a

⁶⁶ Letter from Mr Bernard Dwyer (CEO, TT-Line) to Mr Anthony Donald (CEO, TasPorts) dated 29 May 2020, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2020.05.29-TT-Line-to-TasPorts-Letter-response-to-proposed-pricing_Redacted.pdf

⁶⁷ Letter from Mr Anthony Donald (CEO, TasPorts) to Mr Bernard Dwyer (CEO, TT-Line) dated 2 June 2020, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2020.06.02-TP-to-TT-Line-Offer-to-transfer-land-to-TT-Line_Redacted.pdf

commercial entity to build the infrastructure and then lease it from that commercial entity.⁶⁸

On the 20 June 2020, an email exchange between Mr Dwyer and Mr Donald advised the following:

- the TT-Line Board has advised Management that TT-Line may fund the bespoke capital items (once details are agreed with TasPorts including a cap on funds required) required at Berth 3 subject to Government approval of new ship contracts and TasCorp approval of the capital funding
- that the project will still be performed by TasPorts under its larger project plans for East Devonport
- that no change to current contracts were to be agreed before the expiration of those contracts
- that TT-Line did not accept the increase in wharfage nor the introduction of a Marine Charge in excess of \$3 million per annum
- TT-Line disputed the reasoning that these increases were due to the upgrade works at Devonport as TasPorts has confirmed on several occasions that even if TT-Line remain with the current vessels on Berth 1 these wharfage increases would still be applied, and
- requested that TasPorts complete the contracts required for the works at Berth 3 ready for execution as soon as approvals noted above were received.⁶⁹

By 24 June 2020, it was evident that the two parties' expectations on the future capital works had reached an impasse. An email exchange between the parties highlighted the following:

- TasPorts' view that following TT-Line's Board resolution to fund the Bespoke capital items, these would remain the full responsibility of TT-line (from design development through procurement, construction/installation and maintenance). Other than sensible communication associated with integration of these assets with other components, TasPorts will have no role or responsibility, and
- there will be no further progression of this project for TT-line, nor commencement of works without a commercial agreement as this was a pre-requisite for TasPorts' funding arrangements.^{70 71}

A meeting between TT-Line and TasPorts representatives was held on 29 June 2020:

- 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

⁶⁸ See in general Transcript of Evidence, [Public Hearings \(9 September 2024\)](https://www.parliament.tas.gov.au/data/assets/pdf_file/0029/92657/2020.06.28-TasPorts-Update.pdf), p.5 and 'Internal TT-Line notes on TasPorts (28 June 2020)', https://www.parliament.tas.gov.au/data/assets/pdf_file/0029/92657/2020.06.28-TasPorts-Update.pdf

⁶⁹ See 'Email from TT-Line to TasPorts (24 June 2020) - TT-Line Board Decisions', https://www.parliament.tas.gov.au/data/assets/pdf_file/0024/92652/2020.06.20-TT-Line-advice-to-TP-of-funding-Bespoke-items_Redacted.pdf

⁷⁰ Email from TT-Line to TasPorts (24 June 2020) - TT-Line Board Decisions, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-gon-response-4-october-2024/tt-line-documents/2020.06.20-TT-Line-advice-to-TP-of-funding-Bespoke-items_Redacted.pdf

⁷¹ Email from TasPorts to TT-Line (24 June 2020) - Response to TT-Line Board Decisions, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-gon-response-4-october-2024/tt-line-documents/2020.06.24-TP-email-advising-Bespoke-items-are-TT-Lines-responsibility_Redacted.pdf

tenants. In addition, TT-Line's original business case for new ships showed and costed TT-Line staying at Berth No 1.

- 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 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, and
- TasPorts 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.⁷²

On or about 1 July 2020, a Deed of Variation to the existing MOU was entered into. As the transaction documents required under the MOU had not been executed by 31 July 2020, TasPorts advised TT-Line on 1 December 2020 that they had terminated the MOU.⁷³ After a discussion between the parties on 12 January 2021, TasPorts confirmed TT-Line's intent to recommence negotiations with TasPorts on the terms of a new Terminal Operating Agreement (TOA).⁷⁴

During this time TasPorts was under a court action with the Australian Competition and Consumer Commission (ACCC) over an alleged misuse of market power: i.e., by imposing a new port access charge on one of its customers, Grange Resources Ltd, after Grange notified TasPorts that it was going to switch to Engage Marine Tasmania Pty Ltd, a new provider of towage and pilotage services. On 5 May 2021, the Federal Court declared that TasPorts had breached section 46 of the *Competition and Consumer Act 2010* (Cth).⁷⁵ ⁷⁶ Due to this court action, TasPorts' stated there was a delay to the progress the new TOA with TT-Line.⁷⁷

On 29 June 2021, the parties signed a term sheet prior to contract drafting.⁷⁸ A summary of the information from the term sheet for the agreed works is provided below:

⁷² Minutes of TT-Line Meeting with TasPorts (29 June 2020), <https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2020.06.29-TasPorts-TT-Line-Meeting-Minutes.pdf>

⁷³ Letter from TasPorts to TT-Line (1 December 2020) - Termination of Memorandum of Understanding, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2020.12.01-Letter-TT-Line-re-MOU-Termination_Redacted.pdf

⁷⁴ Letter from TasPorts to TT-Line (27 January 2021) - Re Termination of Memorandum of Understanding, https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2021.01.27-Letter-TT-Line-re-MOU-cancellation_Redacted.pdf

⁷⁵ At a mediated settlement, whilst the ACCC agreed not to press for a penalty order, TasPorts provided a court enforceable undertaking requiring it to ensure that Engage Marine has access to berth space for tug boats at Inspection Head in northern Tasmania on reasonable commercial terms, and that charges imposed by TasPorts on Grange for regulatory functions at Port Latta are reasonable. Importantly, the undertaking also provides that TasPorts will spend at least \$1 million on the wharf infrastructure at Inspection Head.

⁷⁶ See 'TasPorts declared to have misused its market power', ACCC (5 May 2021), <https://www.accc.gov.au/media-release/tasports-declared-to-have-misused-its-market-power> [Accessed 21 January 2025]

⁷⁷ Speaking Notes - Tabled 8 October 2024 - Mr Mike Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf

⁷⁸ Executed Contract Term Sheet (29 June 2021), https://www.parliament.tas.gov.au/committees/joint-committees/standing-committees/public-accounts-committee/inquiries/tt-lines-spirits-project/question-on-notice-responses/tt-line-qon-response-4-october-2024/tt-line-documents/2021.06.29-Executed-MoU-TasPorts-and-TT-Line_Redacted.pdf

TasPorts (as Landlord)	TT-Line Leasehold Improvements
- Berth pocket dredging to Harbour Master determined under keel clearance requirement - Reclamation to wharf AHD⁷⁹ level (excluding abutment, ramps and structures) - Base earth works (excluding major change to existing levels and pavement) - Wharf infrastructure to enable berthing of vessels to be described in the Functional User Requirements of the Agreement for Lease (FUR)⁸⁰ - Side fendering to suit vessels - as proposed in the FUR - Basic mooring bollards to suit vessels as currently proposed in the FUR - Trunk services and power (including communications conduits only) to property boundary only - Stormwater to property boundary only - Lighting to agreed lux levels to wharf only - Sewer to property boundary only - Fire and base potable water to property boundary only - External perimeter fencing excluding gates	- Ramps (fixed and articulated) including all foundations and abutments - Fendering protecting TT-Line assets (i.e., stern fenders for ramp or additional fendering around AMUs⁸¹). - Buildings and access walkways - Services and Service Reticulation (water, electrical, lighting, sewer) - Gates and landscaping - Automatic mooring units - Bunkering - Pavement, wearing surface and line marking - Vessel servicing requirement (sullage, power, water) - Weigh bridges - All other works to enable TT-Line's occupation and operation of the terminal

In addition to the term sheet, with respect to the project management of the leasehold improvement works, it was agreed TasPorts was to project manage the agreed TT-Line scope on behalf of the TT-Line and TT-Line was to fund the agreed works.

In September 2021, TasPorts released an expression of interest for the marine and dredge works: the works have since been completed. In November 2021, TasPorts provided a draft project management services agreement to TT-Line.⁸²

In December 2021, the Tasmanian Government announced the \$240 million QuayLink Devonport East port infrastructure upgrade.⁸³

⁷⁹ Australian Height Datum, see 'Australian Height Datum', Geoscience Australia (14 December 2017), <https://www.ga.gov.au/scientific-topics/positioning-navigation/geodesy/ahdgm/ahd> [Accessed 21 January 2025]

⁸⁰ Functional User Requirements

⁸¹ Automatic Mooring Units

⁸² See Transcript of Evidence, [Public Hearings \(12 August 2024\)](#), p.3

⁸³ '\$240 million port development progresses to next stage', Hon Michael Ferguson MP, Liberal Party (9 December 2021)



Figure 0-1 - Extract from Devonport QuayLink webpage

According to publicly available information from the TasPorts' website, the QuayLink work packages that are the responsibility of TT-Line include:

- Terminal E3 Tenant Works - in parallel with TasPorts' work to Berth E3, TT-Line is responsible for progressing its own design and procurement activities to commence construction of its portion of the Berth E3 project now that TasPorts' contractors' have completed the reclamation area. TT-Line will design and construct the civil (including new hardstands for freight storage and passenger marshalling), marine infrastructure (dolphins to provide foundations for the loading gantry), refuelling infrastructure, ramps and building infrastructure required to service the new ships and facilitate the passenger and freight operations, and
- Terminal E3 Landside Infrastructure - This package consists of base level civil works and high voltage connection works. The base civil works will be constructed by TT-Line as part of TT-Line's Terminal 3 Tenant Works. The High Voltage substations have been designed and delivered to site and will be installed once TT-Line's Terminal 3 Civil Works are sufficiently progressed.⁸⁴

On 3 December 2021, at the Legislative Council Government Business Scrutiny Committee B hearings with TasPorts, with respect to QuayLink and the additional \$241 million borrowing facility, the following evidence was taken from Mr Geoff Duggan (Chief Financial Officer) and Mr Stephen Bradford (Chairman):

Mr WILLIE - *How much debt can the business carry, Minister, in regard to this project? Are you borrowing the full amount?*

⁸⁴ See 'QuayLink responsibilities', TasPorts Devonport QuayLink, <https://tasports.com.au/quay-link/quaylink-responsibilities> [Accessed 20 January 2025]

Mr DUGGAN - Yes, we are borrowing the full amount. You were correct with your \$45 million. We have a general debt facility of \$45 million and we have had that for some time.

...

Mr DUGGAN - We manage our recurrent capital, including fleet and infrastructure program within that. Our debt at June 2021 was \$22 million of that \$45 million and we have got a repayment program in place for that debt to be retired by 2025.

Devonport East, as has been referenced, is a \$240 million project. That is supported by a very strong business case with strong commercial aspects to it. That has been through review by Government, by Treasury and also by TASCORP. TASCORP approved the full borrowing of \$241 million in addition to the existing \$45 million facility, but that was conditional on Government providing a guarantee for that amount. Government, through Treasury, has subsequently agreed to that guarantee and the appropriate guarantee documentation is currently being prepared.

Mr WILLIE - What are the terms around that borrowing? How long until it is paid off?

Mr DUGGAN - The discussions we have had with TASCORP, because it is a large infrastructure project, it's long-life infrastructure, therefore it's long-life debt and we have got an outer parameter on that of 2051: but we will commence repayment and retirement of that debt much earlier than that.

Mr BRADFORD - You would expect, as a port infrastructure provider, that we would have large amounts of debt on our balance sheet. We haven't had historically, because there hasn't been a recent port infrastructure project of this size that has come towards us. What is driving it, is the increase in the size of vessels visiting Tasmania, and both the major tenants at East Devonport have ordered and are receiving larger vessels. That requires a complete realignment of East Devonport and ... the dredging and widening of the Mersey. It effectively takes it to the widest and longest capacity available for the river. What underpins East Devonport is commercial agreements with the two tenants who will repay us and we will repay the debt. Being a government body, we pay income tax and we repay debt to TASCORP. You would expect this amount of debt will reduce as the user pays it off, but then will increase as we undertake other infrastructure projects, particularly in places like Burnie and Hobart.

CHAIR - TasPorts will be the post box. The tenants will pay off the debt, it will not come out of any of the TasPorts' funds. Is that what you are telling us?

Mr BRADFORD - More than the post box. We developed the critical infrastructure that is required to the port and then we lease it back to the tenants to use. It is our expertise that drives the development, the dredging and the completion of the project and then the tenant, being a shipping company and the container users pay for it over a period of time.

CHAIR - Are telling us there will be no cost to TasPorts in upgrading this infrastructure. It will all be paid by the tenants?

*Mr BRADFORD - It will all over a 30 year period be paid for by the tenants. Yes.*⁸⁵

On 24 December 2021, the Functional User Requirements for Terminal 3 are signed by the parties. An addendum for the tenant works was approved on 17 March 2022.⁸⁶

The Committee understands that in the subsequent months the parties' views on the responsibilities for the Berth E3 works diverged and TT-Line's position changed:

- TasPorts were of a view that they offered different mechanisms to deliver TT-Line's works including TasPorts to deliver the works or alternatively TT-Line to engage TasPorts to project manage the works on their behalf (this is in line with other ports outside Tasmania),⁸⁷ and
- TT-Line were of a view that TasPorts as the port operators should construct all required infrastructure and lease back to TT-Line. However due to the terms offered by TasPorts, TT-Line subsequently claimed they had no option but to do the works themselves.⁸⁸

In April 2022, a geotechnical analysis report noted that the site appeared to be highly variable in both surface and strength of various materials in and around the berth pocket, and this left some uncertainty surrounding an appropriate ground model for determining pile lengths and pile driving ability.⁸⁹ Around this period, TT-Line requested that the draft project management services agreement be changed to a construction-management services agreement.⁹⁰

On 28 July 2022, an Agreement for Lease was entered into by the parties and included:

- Master Schedule for timing of works
- Staging Plans for staging of works
- Interface protocol for management of interface works, and
- Functional User Requirements (as amended).⁹¹

Of note, the Agreement provided TT-Line with access to Berth 3 for construction of critical path works to commence on 26 June 2023, particularly with reference to drilling in and around the berth pocket area.

⁸⁵ See Transcript Legislative Council Government Business Scrutiny Committee B TasPorts Corporation Pty Ltd, Friday 3 December 2021, https://www.parliament.tas.gov.au/data/assets/pdf_file/0032/59756/lc20gbe20friday20320december20202120-20tasmanian20ports20corporation20pty20ltd.pdf, p.6-7.

⁸⁶ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.14

⁸⁷ See Transcript of Evidence, [Public Hearings \(9 August 2024 – TasPorts\)](#), p.1

⁸⁸ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.5

⁸⁹ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.16

⁹⁰ See Transcript of Evidence, [Public Hearings \(9 August 2024 – TasPorts\)](#), p.6

⁹¹ See Transcript of Evidence, [Public Hearings \(9 September 2024\)](#), p.18-19

As noted in the October 2024 Department of State Growth Report, *Berths for New Vessels Spirit of Tasmania – Devonport Port* (the Gemell and Moloney Report), which reported the review undertaken by infrastructure experts Peter Gemmell and Ben Moloney:

TT-Line's original project governance and leadership was initially established based on the understanding that TasPorts would undertake the main capital works under a cost of vessel (as an extension of the Agreement for Lease) with the value of works indicatively being around \$90 million.

It was not reflective of the requirements of a self-managed \$375 million, multi-staged major works project that has approximately \$1 billion of investment in new vessels depending on its time critical completion.⁹²

By August 2022, TT-Line indicated to TasPorts that the agreed Construction Management services from TasPorts is unlikely to be required (this subsequently took effect on 8 March 2023).⁹³

Around October 2022, TT-Line claimed that due to ongoing landlord works, TT-Line were prevented from conducting geotechnical studies due to ongoing dredging and barge operations in the vicinity of the berth pocket.^{94 95} In November 2022, TT-Line provided TasPorts with a methodology for the scope of the geotechnical investigation.

Of note, TasPorts issued TT-Line with the following caveat with respect to the planned geotechnical investigation:

Whilst TasPorts appreciate the importance of the Tenant Works geotechnical investigations and will cooperatively explore possibilities with TT-Line, TasPorts cannot compromise the requirements of the AFL including by allowing any Tenant Works that will interfere with the progress or delay the Landlord Works Marine and Dredge Works being performed by HBJV given there is no right of access under the AFL in the circumstances.⁹⁶

On 1 December 2022, at the House of Assembly Government Business Scrutiny Committee hearings with TasPorts, with respect to the Devonport berthing infrastructure and the associated five packages of work, the following evidence was provided by Mr Donald:

⁹² See 'Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0', Department of State Growth, https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths_for_New_Vessels_-_Spirit_of_Tasmania_-_Devonport_Port_-_Version_1.0_October_2024.pdf, pp.48-49 [Accessed 23 October 2025]

⁹³ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/_data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.19-20

⁹⁴ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/_data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.3

⁹⁵ TasPorts reiterated that floating material and plant (including the barge) could easily have been halted and relocated to allow the geotechnical work to have progressed.

⁹⁶ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/_data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.17

Dr BROAD - *We heard earlier today from TT-Line that the new Spirits are expected in quarter 1 and quarter 4 of 2024. Will QuayLink be finished and be able to take those ferries - or, if not, what will be outstanding?*

Mr DONALD - *The berthing infrastructure that is required in order for the new TT-Line vessels in our current schedule shows them being completed before the arrival of the new TT Line vessels to Tasmania.*

Dr BROAD - *That is the wharf, but what about -*

Mr DONALD - *There are five packages of work. The wharf, the berthing infrastructure, the berth pocket construction and the land reclamation that is required to support the ramp is expected to be completed well before the arrival of the Spirit of Tasmania.*

*We selected to break up the scope of works to maximise local content, and we did that during COVID-19. In doing so, we have adopted a slightly different approach to managing the project. We are taking on a higher degree of risk from a construction management perspective, particularly around the interface between all the contractors and their footprints.*⁹⁷

On 21 December 2022, TT-Line issued an Expression of Interest for the berth works.⁹⁸

On 22 December 2022, the TasPorts Chief Operating Officer wrote to TT-Line highlighting their concerns regarding TT-Lines administration of the AFL including failure to comply with requirements, potential interruption to Landlord Works due to TT-Line Geotechnical Works and ongoing variation requests to Landlord Works:

TT-Line's proposed geotechnical campaign is another cause for concern. This is despite TasPorts providing, in good faith, geotechnical records as Background Site Information under the AFL and potential suppliers for TT-Line's consideration to complete the works since November 2021.

*TasPorts has been clear, via the Master Schedule in the AFL, various correspondence, RFIs and fortnightly interface meetings with TT-Line that Hazel Brady JV ("HBJV"), its Marine and Dredge Contractor, would mobilise to the Terminal 3 site in Q3 2022 and that geotechnical investigations would be very challenging once they have mobilised, which has now occurred.*⁹⁹

⁹⁷ See Transcript House of Assembly Government Business Scrutiny Committee TasPorts Corporation Pty Ltd, Thursday 1 December 2022, https://search.parliament.tas.gov.au/Search/search/search?IW_FIELD=ADVANCE_PHRASE=Thursday%201%20December%20AND%202022%20AND%20Hansard%20March%202021%20IN%20TITLE&IW_DATABASE=Hansard&IW_SORT=-9&IW_SEARCH_SCOPE=meta

⁹⁸ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.18

⁹⁹ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.18

In January 2023, TasPorts wrote to TT-Line reminding them of the commercial obligations and the areas of concern regarding the progress of the construction works.¹⁰⁰

TT-Line shared evidence that continuing Landlord Works around mid-February 2023 prevented actual access to the berth pocket for TT-Line to carry out geotechnical studies.¹⁰¹

On 24 April 2023, Hazel Brady Joint Venture (HBJV)¹⁰² proposed to undertake TT-Line Marine piling works. This was offered due to an oversight in the TasPorts/HBJV design that placed scour protection around the areas that TT-Line was to undertake extensive foundation works. Upon receiving consultant advice on the proposal, TT-Line declined the offer.^{103 104}

On 12 May 2023, TasPorts approved access to the site for geotechnical investigation to select areas under HBJV control.¹⁰⁵

In August 2023, TT-Line main tender for Terminal 3 closed. This was behind schedule with the original date being June 2023. TasPorts awarded the main high voltage electricity contract for shore-power works.¹⁰⁶

On 18 September 2023, TasPorts wrote again to TT-Line outlining TT-Line's obligations for the pre-commencement works.¹⁰⁷

On or around 27 September 2023, TasPorts completed the main dredging to allow TT-Line to commence its works, some 12 weeks late:

***MR BRADFORD** - ... In July 2022, the parties reached commercial agreement on the development of Berth 3. We completed the main dredging to allow TT-Line to commence its works in September 2023. There's been some debate whether that was late. It was some 12 weeks late. I won't go into the reasons because you could debate them, but at that point there were complaints that we were delaying TT-Line. That can't be true because they've only just recently signed the contract, so if we'd taken another nine months it would be of no material effect. The berth was available for them: they just needed to appoint a contractor, who should have been appointed, and get on with it.*¹⁰⁸

TT-Line expressed a view that this was in effect only partial access to the site and whilst ongoing dredging and barge operations continued, this impacted TT-Line's ability to continue

¹⁰⁰ See Letter to Chair from Mr Anthony Donald (CEO, TasPorts) (30 August 2024), https://www.parliament.tas.gov.au/data/assets/pdf_file/0018/92700/TasPorts-CEO-Chair-PAC-Questions-on-Notice-30-August-2024_Redacted.pdf, p.8

¹⁰¹ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.28-34

¹⁰² A Tasmanian joint venture established by Hazell Bros Group Pty Ltd and Brady Marine & Civil Pty Ltd

¹⁰³ See Transcript of Evidence, [Public Hearings \(12 August 2024\)](#), p.5

¹⁰⁴ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.29

¹⁰⁵ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.20

¹⁰⁶ See Transcript of Evidence, [Public Hearings \(12 August 2024\)](#), p.5

¹⁰⁷ See Transcript of Evidence, [Public Hearings \(12 August 2024\)](#), p.5

¹⁰⁸ See Transcript of Evidence, [Public Hearings \(12 August 2024\)](#), p.1

geotechnical or critical path works. At the public hearings, Mr Dwyer (then TT-Line Chief Executive Officer) provided the following observation:

Ms THOMAS - ... Information that TasPorts has provided suggests that, as we've regularly heard, there has been - there was access provided in order to do the geotechnical studies and we've heard geotechnical investigations were required. We've also heard the term used, 'critical path works' were required. Is that one and the same thing?

Mr DWYER - No. The critical path works for us is that berth pocket where the gantry needs to be assembled. That's a critical piece where we needed to do the geotechnical work. There was geotechnical work required on all of the site because we're building things across the site. The critical path is that berthing pocket. So, TasPorts may say we had access to geotechnical work that they'd done; they hadn't done it in the berth pocket. So, for example, in building the berth or the wharf, the Berth 3, ... they were able to pile drive in that area. They moved 20 metres away and tried to pile drive a normal pile, and we've got pictures of it, when it hit rock, it just started bending upwards. Even within 20 metres of where they are, totally different substructure. That's why you've got to do the geotechnical work in the exact spot that you need to do that driving and drilling.¹⁰⁹

TasPorts countered with the following:

- TasPorts reiterates that regardless of images that show the presence of floating material and plant, the presence of that floating material and plant (including the barge) could easily have been halted and relocated to allow the geotechnical work to have progressed
- TT-Line was provided with partial access to the site since July 2023 and access to the site since November 2023 that was entirely consistent with Stage 2 of the Staging Plans in the Agreement For Lease
- There is no record in any of the Steering Committees of TT-Line [records] claiming they don't have access for Geotech purposes, rather the evidence shows that access was facilitated through the issuing of construction licenses. Further from Feb 2023 to April 2023, the minutes note that TT-Line was considering using the HBJV to facilitate Geotech in the Berth pocket.¹¹⁰

At the public hearings, Hon Michael Ferguson MP (then Treasurer and Minister for Infrastructure) stated that he became aware of concerns in the civil-contracting industry about TT-Line's works at Berth 3, noting at that time the first of the new Spirits was expected to be handed over in mid-2024 and to go into service in August 2024.¹¹¹

On 23 October 2023, the TT-Line CEO and TT-Line Chairman advised the then Minister for Infrastructure that TT-Line still did not have site access which was due in June 2023.¹¹² The

¹⁰⁹ See Transcript of Evidence, [Public Hearings \(8 October 2024\)](#), p.60

¹¹⁰ Letter from TasPorts (Anthony Donald CEO) to Chair (dated 20 December 2024), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0028/92935/Letter-from-TasPorts-CEO-to-Public-Accounts-Committee-Secretary-Inquiry-into-TT-Line-Spirits-Project-20-December-2024_Redacted.pdf, p.6-7

¹¹¹ See Transcript of Evidence, [Public Hearings \(9 August 2024\)](#), p.1

¹¹² See Transcript of Evidence, [Public Hearings \(28 June 2024\)](#), p.6

Minister advised TT-Line that 24 July 2024 remained the target date for completion and that he would arrange a meeting between the parties' CEOs and project teams to discuss progress.

On 27 October 2023, TT-Line appoints HBJV as the preferred tenderer for the project.

In November 2023, in an attempt to mitigate delays TasPorts was provided with a proposal to design and construct the stern fender through HBJV (this was subsequently declined by TT-Line in January 2024).¹¹³ ¹¹⁴ Also, TasPorts through HBJV completed the dredge and reclaim work at Terminal (Berth) 3.¹¹⁵

On 10 November 2023, the then Minister for Infrastructure convened a meeting in Launceston with the Chairs, CEOs and other relevant personnel from both parties to discuss the potential integration of the TasPorts QuayLink project and TT-Line's Berth 3 works:

*At that meeting, I was again provided assurances by TT-Line that the company's portside project was on track. However, there were important outcomes of that meeting, good outcomes, and those were as follows. First of all, a Program Integrator Support role to be played by the Department of State Growth, which was also tasked with working with both companies to find efficiencies, identify concerns and assist project timelines to be optimised. Second, a greater involvement and oversight by the Department. Thirdly, regular monthly reporting to me by the CEO of TasPorts and the CEO of TT-Line to be provided jointly, not separately.*¹¹⁶

On 14 November 2023, TT-Line issued HBJV with a Letter of Commencement scheduled for 11 December 2023. In the absence of a contract, extensions of this letter were re-issued several times in the following months.¹¹⁷

On 21 November 2023, TT-Line and TasPorts received correspondence from the then Minister for Infrastructure advising the intention to appoint a program integrator to work across both parties in early 2024.

On 23 November 2023, at the House of Assembly and Legislative Council Government Business Scrutiny Committee hearings with TasPorts, the following evidence was taken:

Mr FERGUSON - ... I'm pleased to tell the Committee that there are 56 workers directly on site, 88 Tasmanian businesses contracted directly and generating a local spend of \$61 million, above and beyond the required two-thirds of the contract's value to be spent with Tasmanian businesses. Local expertise in crane hire, electrical, diving, reinforcing, surveying marine, civil contracting, welding, earth moving, plumbing and waste management. With the reclaim area now fully complete, TT-Line will start working

¹¹³ See Transcript of Evidence, [Public Hearings \(9 & 12 August 2024\)](#), p.6

¹¹⁴ According to chronology provided to PAC by TasPorts in August 2024. Letter from TasPorts to PAC on 20 December 2024 listed TasPorts' proposal to design and construct TT-Line's stern guide fender structure as having been made in November 2022, and declined in January 2023

¹¹⁵ See Transcript of Evidence, [Public Hearings \(9 & 12 August 2024\)](#), p.6

¹¹⁶ See Transcript of Evidence, [Public Hearings \(9 & 12 August 2024\)](#), p.1-2

¹¹⁷ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf

imminently on the new three-tiered ramp to embark and disembark the new Spirits of Tasmania.

*Currently the building of the new berth pocket and wharf infrastructure are progressing well with local businesses providing the aggregate for the rock bags, concrete for the onsite pour and precast for the different elements of the wharf. All but the final 51st pile is in place and four of the 61-tonne headstocks were in place in October [2023].*¹¹⁸

And

Mr DONALD - ... *The marine and dredge construction activities, dredging is complete and, as I indicated earlier, the last pile for the wharf has been driven today which then enables the placement of the headstocks, which essentially is the structure that holds the deck up. There will be decking planks and it is all precast concrete decking planks put into place and then concrete poured over the top. The final package of work is marine improvements.*

CHAIR - *Which means?*

Mr DONALD - *Which is essentially completion of any maintenance, dredging, navigation aids, any rock revetment, scour protection activities along the river.*¹¹⁹

In December 2023, TasPorts issued a draft construction licence to TT-Line which enabled site access for TT-Line's main works.¹²⁰

On 11 December 2023, TASCORP advised TT-Line of an increased borrowing limit to \$1.035 billion: an increase in the Vessel Replacement Project (VRP) Loan Facility limit from \$700 million to \$990 million and maintenance of the \$45 million Working Capital Facility.¹²¹

This was subsequently followed by a letter from the then Treasurer Hon Michael Ferguson MP notifying TT-Line of the change to the revised guaranteed borrowing limit.

On 18 December 2023, Mr Peter Gemell (Program Integrator Consultant) commenced work with both parties.

According to the first Joint CEO Report received by the then Shareholder Minister Ferguson:

The first of these reports was received on 20 December 2023. Consistent with our face-to-face meetings, this report shows TT-Line advised that the interim berthing solution at

¹¹⁸ See Transcript House of Assembly Government Business Scrutiny Committee TasPorts Corporation Pty Ltd, Thursday 23 November 2023, https://search.parliament.tas.gov.au/Search/search/search?IW_FIELD=ADVANCE_PHRASE=HA%20AND%20Thursday%2023%20November%20AND%202023%20AND%20Tasmanian%20Ports%20Corporation%20Pty%20Ltd%20IN%20TITLE&IW_DATABASE=Hansard&IW_SORT=-9&IW_SEARCH_SCOPE=meta, p.21

¹¹⁹ See Transcript Legislative Council Government Business Scrutiny Committee A TasPorts Corporation Pty Ltd, Thursday 23 November 2023, https://www.parliament.tas.gov.au/data/assets/pdf_file/0015/77100/LC-GBE-Thursday-23-November-2023-Tasmanian-Ports-Corporation-Pty-Ltd.pdf

¹²⁰ See Transcript of Evidence, [Public Hearings \(9 August 2024\)](#), p.6

¹²¹ See Transcript of Evidence, [Public Hearings \(26 March 2025\)](#), p.4

Berth 3, involving an "at-grade" solution with a single ramp loading vehicles via deck 3 of the new vessel, was expected to be delivered by 30 August 2024.

As stated to your committee, this was TT-Line's latest advice on the matter received prior to Caretaker.

Not surprisingly, this advice is also consistent with the statements by TT-Line to both GBE Scrutiny Committees in the House of Assembly and the Legislative Council only weeks earlier on 24 November 2023 - namely that the vessels were expected to enter service in August 2024 and Berth 3 was expected to be operationally ready in time for the new vessels.¹²²

By early February 2024, the advice by TT-Line to Mr Gemell had changed:

- Berth 3 would be operational on 9 May 2025, and
- the Tenant Works contract execution was anticipated on 16 February 2024.

On 12 February 2024, Mr Gemell's report was delivered to the Department of State Growth recommending that the role of Integrator be terminated as the circumstances where an integrator could materially improve outcomes was now past. The incoming ministers of the new Rockliff Liberal Government were briefed of the report on 16 April 2024 and copies given to Hon Eric Abetz MP (then Minister for Transport) and Minister Ferguson (then Treasurer) on 22 April 2024.

On 22 February 2024, HBJV submitted an updated offer to TT-Line for the Berth 3 project: it included a \$76.7 million increase on the original tender offer and program alterations (total now \$229 million). As a result, TT-Line sought industry advice for alternative options: North Projects (an independent ports infrastructure advisor) were engaged.¹²³

According to the then Shareholder Minister Hon Michael Ferguson MP:

Following the commencement of the Caretaker period (14 February 2024) the CEO report for the month of February was received on 28 February, and the report for the month of January was received on 1 March 2024. The January report arriving after the February report is obviously abnormal. I have reviewed these two reports and make the following observations.

The reports continued to report ongoing engagement with Hazell-Brady Joint Venture (HBJV) as the preferred tenderer, with an expected forward program of activities for the month of March. They refer to further negotiations and contract finalisation with HBJV.

The reports stated that full completion of the package of works (including all three loading gantries and the terminal facilities) would be delivered by 31 May 2025.

¹²² See Letter to Chair from Hon Michael Ferguson MP (26 August 2024), https://www.parliament.tas.gov.au/data/assets/pdf_file/0027/85185/20240826-Letter-to-Hon-Ruth-Forrest-MLC-Chair,-PAC-re-Questions-on-Notice-Redacted.pdf, p.1

¹²³ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf

With regard to the single at-grade loading deck, I note that compared to the November [2023] report, there was a shift in language in TT-Line's short description of the expected delivery date from "30 August 2024" to "Deck 3 only operation option date TBC upon review of Contractor Programme".

The nuanced shift in language with regard to the at-grade loading deck has potentially had the effect of disguising the developing situation, even if this was not the Company's intent.

The reports did not confirm or openly state a delay to the completion of the interim infrastructure. Only with the benefit of hindsight could that now be seen as a sign of the project's health faltering in the weeks prior to the rescission of the Preferred Tenderer.

Importantly, with regard to the interim berthing arrangement, TT-Line reported that the Automatic Mooring Units, necessary for the successful berthing of the new vessels, would be commissioned by the very specific date of 16 August 2024. This was a reasonable basis to understand that (even as late as 1 March 2024) TT-Line remained committed to the interim solution and were broadly on track to deliver it.¹²⁴

On 26 March 2024, North Projects advised TT-Line that the updated offer did not represent value for money and subsequently recommended the preferred tenderer status of HBJV be revoked and to re-engage with BMD (builder of the Geelong TT-Line terminal) in a competitive, intensive open-book tendering process.¹²⁵

On 2 April 2024, TT-Line advised HBJV that they had revoked the preferred tenderer status and they were invited to retender in a competitive tender process with a different cost model (incentivised target cost). The Committee understands that the then Shareholder Minister Hon Michael Ferguson MP was not informed of this decision until the monthly Minister's update later in April:

The March report (received 22 April 2024) evidenced a major change, referencing the rescission of Preferred Tenderer and anticipating an "intensive tender phase through April with BMD and HBJV". The single deck operation date remained "TBC" in this report, and notably, TT-Line continued to report that the Automatic Mooring Units would be commissioned by 16 August 2024. The latter statement (when read alongside Mr Gemell's Report) was obviously implausible - raising concerns about the accuracy of information being presented and the project capability of the Company to deliver its own schedule.

...

In summary:

- *TT-Line's advice prior to the Government going into Caretaker was interim berth readiness and the new Spirit going into service in August 2024.*

¹²⁴ See Letter to Chair from Hon Michael Ferguson MP (26 August 2024), https://www.parliament.tas.gov.au/data/assets/pdf_file/0027/85185/20240826-Letter-to-Hon-Ruth-Forrest-MLC-Chair,-PAC-re-Questions-on-Notice-Redacted.pdf, p.2

¹²⁵ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.36

- Two monthly reports were delivered within days of each other, during Caretaker.
- The shift in project descriptions to include a new reference to "TBC" occurred during the Caretaker period but did not highlight delays to the interim berthing solution.
- Automatic Mooring Unit installation was scheduled for completion by 16 August 2024 in each of the January, February and March reports.
- There was no disclosure of the major decision to rescind the preferred tenderer nor was there any indication of a significant delay for the new ships to go into service until April 2024, after which the new Government responded with a further, more significant, intervention.

*Naturally, these circumstances that confronted the Government in April raised issues about the Company's project management capability, construction tender timeframes and quality of communication. They are therefore the basis for the shareholder ministers' considerations which ultimately led to the Ministerial Directions of 17 June 2024.*¹²⁶

On 22 April 2024, the Department of State Growth provided Ministers Abetz and Ferguson a copy of the advice from the program integrator consultant dated 12 February 2024, as this had not been provided to the Government previously due to the ongoing caretaker's period.¹²⁷

On 26 April 2024, Mr Limkin (Secretary, DSG) was directed by both Minister Ferguson and Minister Abetz to take a more active role in management of this project and ensure a project assurance function:

***Mr LIMKIN** - Let me let me give an alternative point of timeline. Following the 26th of April return of the Government, and the consideration by Government, I was directed by both Minister Ferguson and Minister Abetz to take a more active role in management of this project and ensure a project assurance function. Since receiving that direction from Government, the Department of State Growth has performed that function quite diligently during that time. As a Secretary, I have to either operate within the legislation the Parliament sets, the Employment Directions, my contract or direction of the Minister.*¹²⁸

On 15 May 2024, in relation to the rescinding of the preferred tender status, Mr Bernard Dwyer (then TT-Line CEO) emailed an apology to Mr Limkin:

In addition I was wrong yesterday and we had not written to the Minister's office re: the rescinding of the preferred tender status as this was over the caretaker period as the Deputy Premier noted. The information was included in the Monthly Update that the Deputy Premier received and was noted by Richard Wilson yesterday during the meeting.

*Could you please pass on my apologies for the mix-up last night.*¹²⁹

¹²⁶ See Letter to Chair from Hon Michael Ferguson MP (26 August 2024), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0027/85185/20240826-Letter-to-Hon-Ruth-Forrest-MLC-Chair,-PAC-re-Questions-on-Notice_Redacted.pdf, p.3

¹²⁷ See Letter to Chair from Hon Michael Ferguson MP (26 August 2024), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0027/85185/20240826-Letter-to-Hon-Ruth-Forrest-MLC-Chair,-PAC-re-Questions-on-Notice_Redacted.pdf, p.6

¹²⁸ See Transcript of Evidence, [Public Hearings \(18 November 2024\)](#), p.18-19

¹²⁹ See Letter to Chair from Hon Michael Ferguson MP (26 August 2024), https://www.parliament.tas.gov.au/_data/assets/pdf_file/0027/85185/20240826-Letter-to-Hon-Ruth-Forrest-MLC-Chair,-PAC-re-Questions-on-Notice_Redacted.pdf, p.7

On 27 May 2024, after due probity, a letter was sent to BMD advising of their appointment as the preferred tenderer for the Berth 3 redevelopment project.¹³⁰

On 17 June 2024, Hon Michael Ferguson MP (then Treasurer) and Hon Eric Abetz MP (then Minister for Transport) co-signed directions to both TT-Line and TasPorts in relation to the infrastructure works for the arrival of the first of the new Spirit of Tasmania vessels.

This direction read, in part:

... Pursuant to Article 24.4 of the Company's Constitution we the undersigned Members, being all Members of the Company, hereby direct the Directors of the Company to:

- 1. take all necessary action to facilitate and ensure the completion of Berth 1 and Berth 2 port infrastructure at Devonport that is required to support the new TT-Line vessels in Tasmania, prior to the arrival of the vessels, so far as it is reasonably possible to do so and by minimising the impact on existing vessel operations;*
- 2. take all necessary action to support TT-Line in its undertaking of necessary Berth 3 infrastructure works and refuelling infrastructure so far as it is reasonably possible to do so;*
- 3. work proactively and collaboratively with TT-Line and the Department of State Growth in relation to the actions required under 1 and 2 above;*
- 4. provide and continue to provide to the Members, through the Department of State Growth, all information within the possession or control of the Company which is necessary to enable the Members to have effective oversight of the Berth 1 and Berth 2 infrastructure projects and the Company's engagement with TT-Line; and*
- 5. provide immediate and full advice to the Members and ongoing advice, through the Department of State Growth, if there are any matters that may prevent the completion of the Berth 1 and Berth 2 infrastructure prior to the arrival of the new TT-Line vessels.*¹³¹

In the accompanying letter to TasPorts:

As Shareholding Ministers of the Tasmanian Ports Corporation Pty Ltd, on behalf of the people of Tasmania, it is important that we emphasise that the timely completion and arrival of the new TT-Line vessels in Tasmania; the availability of suitable infrastructure for the new vessels at the Port of Devonport prior to the arrival of the new vessels; and the timely completion of the permanent port infrastructure for the new vessels is of the highest strategic importance for the Government and Tasmania.

¹³⁰ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.37

¹³¹ See [TasPorts Member Direction - Infrastructure Works at Devonport Port \(17 Jun 2024\) - Tabled 12 Aug 2024 - Hon Michael Ferguson MP](#) and [TT-Line Member Direction - Vessel Replacement Project and Required Port Infrastructure \(17 Jun 2024\) - Tabled 12 Aug 2024 - Hon Michael Ferguson MP](#)

*We were very disappointed by the recent advice from TT-Line that the berthing infrastructure for which it was responsible, at Devonport, would not be ready for the arrival of the new vessels. We are also strongly of the view that any further delay in the operation of the new TT-Line vessels due to a failure to have completed port infrastructure, will be rightly seen as a matter of great concern by the Tasmanian tourism industry, freight operators and the broader Tasmanian community.*¹³²

The accompanying letter to TT-Line stated the following:

As Shareholding Ministers of the TT-Line, on behalf of the people of Tasmania, we emphasise once again that the timely completion and arrival of the new TT-Line vessels in Tasmania; the availability of suitable infrastructure for the new vessels at the Port of Devonport prior to the arrival of the new vessels; and the timely completion of the permanent port infrastructure for the new vessels is of the highest strategic importance for the Government and Tasmania.

It has been made clear by the Government that we are very disappointed in the recent advice from the TT-Line that, even with the delays in the delivery of the vessels, the berthing infrastructure at Devonport for which the TT-Line has had clear responsibility, will not be ready in time for the arrival of the new vessels. We also note that the decision to rescind the existing Preferred Tenderer status was made unilaterally by TT-Line during the recent Caretaker period, without notifying or briefing the Government, and that this decision has caused further delay due to the need to undertake a further procurement process. Any further delay in the operation of TT-Line's new vessels due to a failure to have completed port infrastructure, is rightly seen as a matter of great concern by the Tasmanian tourism industry, freight operators and the broader Tasmanian community.

...

*In relation to the matters raised in the CEO's email, we have been advised the current leasing arrangements between TT-Line and TasPorts provide for the continuation of TT-Line's use of Berth 1, in the interim, for the new vessels on their arrival in Tasmania.*¹³³

In response to the Ministerial Directions, TasPorts established a board sub-committee and regular Ministerial briefings were provided by TT-Line.

A contract was signed with BMD for the Berth 3 construction works (approximately 18 months build time) and fully executed on 3 July 2024.¹³⁴

As noted in the October 2024 Department of State Growth Report, *Berths for New Vessels Spirit of Tasmania – Devonport Port*:

¹³² See [Letter from Minister for Infrastructure and Minister for Transport to TasPorts Chair \(17 Jun 2024\) - Tabled 12 Aug 2024 - Hon Michael Ferguson MP](#)

¹³³ See [Letter from Treasurer and Minister for Transport to TT-Line Chair \(17 Jun 2024\) - Tabled 12 Aug 2024 - Hon Michael Ferguson MP](#)

¹³⁴ See Letter to Chair from Dr Damian Bugg (Interim Chair) dated 4 October 2024, https://www.parliament.tas.gov.au/data/assets/pdf_file/0022/92623/2024.10.04-Letter-TTL-to-PAC-QON-2024-inc-Chronology-executed.pdf, p.37

The initially contracted date for practical completion of the work in the BMD contract is in January 2026 (Contract Completion in February 2026). However, the contractor is entitled to extensions of time under certain circumstances, including delays in the provision of design information by TT-Line's consultant design team.

There were delays to the provision of design information. Geotechnical investigations completed by TT-Line in May 2024 observed geology that was significantly different to the assumed profiles, requiring redesign of the linkbridge marine foundations, substructures and superstructures.

Notwithstanding the above, throughout the redesign process, the delivery team identified significant concerns around the viability of the lead designer moving forward throughout the project. The impact of design related delays through to the end of the project have been forecast to potentially be in the range of 3 to 9 months, depending on how current and future issues regarding design team capacity are addressed.

To minimise the extent of current delays and reduce the risk of future design related delays, strategies are being developed and implemented by TT-Line to assign additional or substitute design consultants for specific packages. The current and ongoing delays to the design and the resolution of design issues have:

- prevented BMD progressing commencement of the gantry fabrication*
- required BMD and its subcontractor (Fitzgerald) to procure an alternative gantry fabricator*
- required BMD and Fitzgerald to commit to procure the downhole piling hammer prior to final design*
- defer precast pile cap manufacture, and*
- delayed fixed ramp piling commencement.*

The implemented design remediation and recovery plan was to:

- engage an experienced design manager for TT-Line*
- require BMD to commit an experienced design manager*
- engage an alternative design entity for the fixed ramp design, the first packages of which (piling and pile caps) have been issued to enable early commencement*
- progress with the engagement of the supplementary design organisation to take over the gantry substructure and superstructure design on a phased basis*
- retain the existing design organization to maintain continuity and project knowledge*
- complete fixed ramp pile cap drawings this week prevented BMD progressing commencement of the gantry fabrication*
- engage a dedicated local subcontractor to construct the fixed ramps, and*
- require BMD to develop precast solutions for the gantry pile caps.¹³⁵*

On 8 July 2024, TasPorts completed the marine and dredging contract with HBJV, citing the delay of three months related to TT-Line requested variations. TasPorts Berth 3 wharf infrastructure was completed.

¹³⁵ See 'Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0', Department of State Growth, https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths_for_New_Vessels_-_Spirit_of_Tasmania_-_Devonport_Port_-_Version_1.0_October_2024.pdf, pp.47-48 [Accessed 23 October 2025]

On 16 July 2024, TasPorts granted access to Berth 3 to TT-Line.

On 14 August 2024 the Government further intervened to help deliver the temporary berth facility and ensure greater capacity at Devonport ahead of the arrival of the new Spirits of Tasmania.

Premier Jeremy Rockliff said two key appointments have been made.

Ben Moloney, who is currently responsible for the management of the delivery of the \$786 million new Bridgewater Bridge, has been appointed to collaborate with TT-Line and TasPorts Project Directors to ensure delivery.

Prior to his role on the Bridgewater Bridge, Mr Moloney oversaw the delivery of the \$584 million Royal Hobart Hospital redevelopment.

Infrastructure delivery expert, Peter Gemell, has also been appointed to oversee the project, to ensure the berth is ready as soon as possible and also allows for increased capacity for passengers and vehicles.

Mr Gemell will bring a wealth of experience - developed over 40 years managing major infrastructure, buildings and services projects for the private sector and government sponsor agencies.

*Additionally, shareholder Ministers will issue further directions to both TT-Line and TasPorts that provide for greater responsibility and access for the Department of State Growth.*¹³⁶

Mr Grainger informed the Committee on 8 October 2024, TT-Line had not been previously advised on this decision by the Government.¹³⁷

On 14 August 2024, Mr Mike Grainger (former TT-Line Chair) released a statement that disputed evidence provided to the Committee on 12 August 2024:¹³⁸

The Board of TT-Line Company Pty Ltd has disputed elements of the evidence presented to the Public Accounts Committee on Monday 12 August [2024].

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 our factually correct evidence to the PAC first,” he said.

¹³⁶ See ‘Appointments made to deliver new Spirits infrastructure’, Hon Jeremy Rockliff MP Premier <https://www.premier.tas.gov.au/latest-news/2024/august/appointments-made-to-deliver-new-spirits-infrastructure> [Accessed 29 October 2025]

¹³⁷ See Speaking Notes - Tabled 8 October 2024 - Mr Mike Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf

¹³⁸ See Transcript of Evidence, [Public Hearings \(9 & 12 August 2024\)](#)

“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 additional funds to Finnish shipbuilder Rauma Marine Constructions (RMC) to complete our two new Spirit of Tasmania ships.

“Further, 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 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 which 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.”¹³⁹

Around 6:13 pm 14 August 2024, Mr Grainger received an email via Minister Ferguson on behalf of both himself and Hon Eric Abetz MP (then Minister for Transport):

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.¹⁴⁰

Mr Grainger tendered his resignation at 6:39 pm on the same day.¹⁴¹

On 26 August 2024, Hon Michael Ferguson MP resigned as Minister for Infrastructure with Hon Jeremy Rockliff MP (Premier) taking on that role and stated:

I understand and sincerely appreciate his desire to end the distraction associated with the current challenges involving portside infrastructure for the arrival of new Spirits.¹⁴²

¹³⁹ See ‘TT-Line Company Pty Ltd statement’, Spirit of Tasmania (14 August 2024), <https://www.spiritoftasmania.com.au/media-releases/tt-line-company-statement/> [Accessed 23 January 2025]

¹⁴⁰ See Speaking Notes – Tabled 8 October 2024 – Mr Michael Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf p.17-18

¹⁴¹ See Speaking Notes – Tabled 8 October 2024 – Mr Michael Grainger, https://www.parliament.tas.gov.au/data/assets/pdf_file/0033/88089/Mr-Michael-Grainger-8-October-2024-Speaking-and-Presentation-Notes-With-Attachments_Redacted.pdf p.17-18

¹⁴² ‘Statement from the Premier’, Hon Jeremy Rockliff MP, Liberal Party (26 August 2024)

On 7 September 2024, Mr Bernard Dwyer (then CEO, TT-Line) tendered his resignation with TT-Line, effective 3 November 2024.

On 14 October 2024, the then Labor Leader, Mr Dean Winter, released a media release stating: ‘... Labor will bring a motion of no confidence in Michael Ferguson’.¹⁴³

On the same day, Hon Michael Ferguson MP tendered his resignation as Treasurer and Deputy Premier, and indicated his intention to resign as Deputy Leader of the Liberal Party.¹⁴⁴

On 17 October 2024, Mr Stephen Bradford (then TasPorts Chair) announced his retirement. On 23 October 2024, Mr Bradford stated the organisation has been ‘unfairly blamed’ for the delay in delivering the infrastructure for the new Spirit of Tasmania ships in Devonport.¹⁴⁵

The October 2024 Department of State Growth Report, *Berths for New Vessels Spirit of Tasmania – Devonport Port*, in considering the delays to the new Spirit of Tasmania berth facility in Devonport, concluded that using a temporary berth posed a safety risk, leading to a revised completion date of February 2027 for the new Berth 3, noting the new ferries if utilised would only operate at reduced capacity until the new facility was finished and was therefore not feasible:

Comparison of the ‘likely’ cost of \$60 million with the estimated resulting benefit range of \$18 million to \$44 million, indicates that the required investment would not be commercially justified. This is principally due to value of benefits being constrained by the limited duration of the New SPOT¹⁴⁶ Vessels using a modified Berth 1E, the berth’s limited depth reducing the capacity the New SPOT Vessels may be loaded and the access via a ramp at one level only making unloading and loading inefficient.

The assessment did not seek to quantify the indirect benefits relating to Tasmanian Tourism and broader economy. TT-Line has advised that, due to a softening of demand evidenced by bookings being 12% lower than same time last year, the current scheduling of day-sailings almost every second day from December 2024 to April 2025 using the Existing SPOT Vessels (i.e. with no increase in capacity per voyage) will be sufficient to meet forecasted requirements.

Therefore, the increased capacity that the larger New SPOT Vessels could have offered per voyage would have primarily been used to reduce the number of day-sailings and associated operating costs, rather than deliver more spaces for vehicles to get to and from Tasmania.

Operating the New SPOT Vessels from Berth 1E was not anticipated by TT-Line to materially increase customer demand, because having only one level of ramp access

¹⁴³ See ‘Labor will act given Rockliff’s failure of leadership’, Tasmanian Labor, <https://taslabor.org.au/news/media-releases/labor-will-act-given-rockliff-s-failure-of-leadership/> [Accessed 31 October 2025]

¹⁴⁴ ‘Statement from Deputy Premier’, Hon Michael Ferguson MP, Liberal Party (14 October 2024)

¹⁴⁵ ‘Former chair says TasPorts has been ‘unfairly blamed’ for new Spirits fiasco’, ABC Radio Hobart (23 October 2024), <https://www.abc.net.au/listen/programs/hobart-mornings/stephen-bradford-tasports-unfairly-blamed-spirits-fiasco/104506212> [Accessed 23 January 2025]

¹⁴⁶ Spirit of Tasmania

would cause significantly longer unloading and loading times (e.g. 5-6 hours instead of the current 3 hours), which would significantly inconvenience customers.¹⁴⁷

The Report further noted:

TasPorts Option 1 contemplates modifications to the vehicle loading ramp, the fenders and the bollards on Berth 1E to operate New SPOT Vessels, together with fender piles to enable SeaRoad to continue operations at Berth 2E without altering the berthing/mooring arrangements. This Option 1 was costed by TasPorts at \$28,555,000 and was programmed to be complete and operational on 1 July 2025.

Simulations undertaken on 8 to 10 October 2024 led the Harbour Master to determine that Option 1 did not provide for safe operation and was not viable as an option to enable temporary operation of the New SPOT Vessels at Berth 1E.

Option 2 contemplates modifications to the vehicle loading ramp, the fender and the bollards on Berth 1E (as for Option 1) together with modification of Berth 2E to temporarily relocate SeaRoad berthing/mooring position by 33m to the south to provide safe vessel operating separation. This Option 2 was costed by TasPorts at \$44,038,733 and was programmed to be operational on 28 July 2025.

The Harbour Master indicated that Option 2 could be expected to enable safe operation and was viable as an option to enable temporary operation of the New SPOT Vessels, subject to the confirmation of safe berthing analysis which is underway but not available at the time of this report.

There are significant residual risks and assumptions associated with the operation of the larger New SPOT Vessels from Berth 1E which are not included in the TasPort costings for Option 2.

These include:

- *the impacts on SeaRoads operations, including those arising from Berth 3E construction when SeaRoad vessels are 33m further south and encroach the Berth 3E zone*
- *the potential Berth 1E modification works impacts on the Existing SPOT Vessel services during the late 2024 to mid-2025 high patronage period*
- *the assumed structural integrity of the existing Berth 1E infrastructure*
- *the assumed resilience of the Berth 1E scour protection, and*
- *the other assumptions and exclusions listed in TasPorts' Preliminary Proposal and advice of 16 October 2024.*

A reasonable allowance for these items and other residual risks is estimated to be \$16.0 million. The outturn costs for this Option 2, inclusive of this provision for outstanding risks and omissions, is approximately \$60.0 million.

¹⁴⁷ See 'Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0', Department of State Growth, https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths_for_New_Vessels_-_Spirit_of_Tasmania_-_Devonport_Port_-_Version_1.0_October_2024.pdf, [Accessed 23 October 2025]

... For both options, the TasPorts' Preliminary Proposal addresses the infrastructure design, procurement and construction costs and timing, as well as the operational limitations of the completed temporary facilities. Following the outcomes of computer simulations undertaken 8 to 10 October 2024 and receipt of the associated advice from the Harbour Master, the risks and challenges associated with the operation of Berth 1E Modification Option 1 are considered too high and not practical to mitigate. While both Options 1 and 2 are detailed below, advice received at completion of this report demonstrated that Option 2 was the only viable option to enable temporary operation of the New SPOT Vessels prior to completion of Berth 3.¹⁴⁸

On 18 October 2024, the *Berths for New Vessels Spirit of Tasmania – Devonport Port* (the Gemell and Moloney Report) was received by the Tasmanian Government. The Premier stated:

The Tasmanian Government has received the Gemell and Moloney Report on the challenges around delays in berthing facilities for the new Spirit of Tasmania vessels.

I want to thank Mr Moloney and Mr Gemell and their team for their detailed and extensive work.

We will be considering the report over coming days, and will outline the plan forward on Thursday.

I have been clear, our Government will sort the spirits, fix the GBEs and back our tourism industry.¹⁴⁹

On 24 October 2024, this was followed up by a dual announcement through Hon Jeremy Rockliff MP (Premier) and Hon Eric Abetz MP (then Minister for Transport):

The Tasmanian Government will prioritise the construction of berthing infrastructure at Berth 3E, proceeding with the most cost-effective and efficient recommendation provided by engineering and infrastructure experts Ben Moloney and Peter Gemell.

Revised timelines show the new Terminal 3 may not be completed until February 2027 unless risks are appropriately managed or mitigated. By accepting opportunities to accelerate the construction of Berth 3E infrastructure, it is anticipated that the completion date can potentially be brought forward to October 2026, in time for the 2026-27 peak summer period.

Announcing the way forward, Premier Jeremy Rockliff said that the Tasmanian Government would focus its resources on delivering the permanent berthing infrastructure as soon as possible.

¹⁴⁸ See 'Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0', Department of State Growth, https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths_for_New_Vessels_-_Spirit_of_Tasmania_-_Devonport_Port_-_Version_1.0_October_2024.pdf, [Accessed 23 October 2025]

¹⁴⁹ 'Pathway forward for the Spirits' Media Release, Hon Jeremy Rockliff MP, Liberal Party (18 October 2024), <https://www.premier.tas.gov.au/latest-news/2024/october/pathway-forward-for-the-spirits>

“This situation we are in is extremely regrettable – but Tasmanians want us to deliver a solution,” the Premier said.

“We have said we will sort the spirits, fix the GBEs and back Tasmania’s tourism industry, and that’s what we are doing today.

“Without the intervention of the Government and inserting Ben Moloney and Peter Gemell into the Project, it is likely that this project may not have been finished until much later, with several timing and risk mitigations already instigated.”

Minister for Transport, Eric Abetz, said while modifying Berth 1E was investigated in order to bring the vessels to Devonport sooner, the Report has found it would be unsafe.

“Options to modify both Berth 1E and Berth 2E were also investigated but found any modifications would provide limited benefits, cost the taxpayer up to \$60 million and would require significant timely and costly compensation and renegotiation of agreements. It would also pose risks of vessel collision,” Minister Abetz said.

“Ultimately, any financial investment into Berth 1E and Berth 2E would outweigh the benefits of bringing forward the timeline.

“With the first new Spirit of Tasmania vessel due to depart Finland in the coming weeks, TT-Line is now exploring opportunities to lease or charter the vessel during the interim period.

“It is still planned that the vessels will come to Tasmania for finalisation of fit-out.”

By leasing the vessels, Tasmanians will directly benefit from the financial returns and avoid the need for vessel storage costs. Leasing of the second vessel – which is expected to be delivered by the second half of 2025 - will also be explored.

Should leasing opportunities not prove financially beneficial, TT-Line will seek a cost-effective medium-term storage option in Tasmania. If this eventuates, the Tasmanian Government will ensure that TasPorts will not charge TT-Line to store the vessels.

Minister Abetz said the Government expects TasPorts and TT-Line to work together and act in the best interests of Tasmanians.

“We will continue to oversee the delivery of this project, with the support of infrastructure delivery experts Ben Moloney and Peter Gemell,” Minister Abetz said.

“Despite the challenges, Tasmanians can be confident that Peter and Ben will get this project back on track and delivered.”

The Government has also released a significant tourism and hospitality package that will drive visitation, support our regional communities and boost Tasmania’s economy.

The Premier said we absolutely expect that visitor demand will continue to increase as more and more people realise that Tasmania is the best place in the world.

“I will also be bringing forward further proposed reforms to our government businesses shortly so that Tasmanians don’t experience a situation like this again,” Premier Rockliff said.

The full report will be publicly available on the Department of State Growth’s website.

A new webpage will also be launched, hosting regular project updates, tracking and information. This will be available on the Department of State Growth’s website in the coming days.^{150 151}

On 3 November 2024, Premier Rockliff announced the Government will consider the proposed merger of TasPorts, TT-Line and TasRail into a unified government owned entity.¹⁵²

A report by Deloitte dated May 2025, *Assessment of feasibility of potential merger of TasRail, TasPorts and TT-Line Public Report*, published on the Department of Treasury and Finance website found:

*... a merger between two or three of the entities is unlikely to deliver sufficient economic benefits when considered alongside the associated costs and risks to the broader supply chain.*¹⁵³

As reported by the ABC on 29 May 2025, the then Treasurer, Hon Guy Barnett MP, ruled out the merger following consideration of the Deloitte report.¹⁵⁴

¹⁵⁰ ‘The way forward: Spirit of Tasmania vessels’, Hon Jeremy Rockliff MP and Hon Eric Abetz MP, Liberal Party (24 October 2024), <https://www.premier.tas.gov.au/latest-news/2024/october/the-way-forward-spirit-of-tasmania-vessels>

¹⁵¹ A copy of the Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0 Report is available here: [https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths for New Vessels - Spirit of Tasmania - Devonport Port - Version 1.0 October 2024.pdf](https://www.infrastructure.tas.gov.au/_data/assets/pdf_file/0004/547213/Berths_for_New_Vessels_-_Spirit_of_Tasmania_-_Devonport_Port_-_Version_1.0_October_2024.pdf)

¹⁵² ‘Better together’, Hon Jeremy Rockliff MP, Liberal Party (3 November 2024), <https://www.premier.tas.gov.au/latest-news/2024/november/better-together>

¹⁵³ See ‘Deloitte - Assessment of feasibility of potential merger of TasRail, TasPorts and TT-Line - Draft Report (May 2025)’, <https://www.treasury.tas.gov.au/Documents/Deloitte%20-%20Assessment%20of%20feasibility%20of%20potential%20merger%20of%20TasRail,%20TasPorts%20and%20TT-Line%20-%20Public%20Report.pdf> [Accessed 21 October 2025]

¹⁵⁴ See ‘Tasmanian state budget flags big challenges, with major savings that must be found’, ABC News, <https://www.abc.net.au/news/2025-05-29/2025-tasmanian-budget-explainer/105337842> [Accessed 21 October 2025]

Committee Findings

- F29. In 2017, TT-Line's business case for vessel replacement included the understanding that infrastructure upgrades at Devonport and Melbourne would be the responsibility of the relevant port authorities (TasPorts and Port of Melbourne), contrary to what eventuated with the QuayLink project.
- F30. TasPorts' 2018 Port Master Plan included a \$50-60 million development to extend berthing facilities, with the TasPort's CEO advising the Legislative Council on 6 December 2019 that TasPorts would fund and construct the infrastructure on a cost recovery basis from tenants.
- F31. In July 2019, TasPorts advised TT-Line that it was not feasible to retain the existing terminal at Berth 1 at Devonport, and the scope of TasPorts' works at Berth 3 would only incorporate requirements 'from the ground down' and did not include buildings. TT-Line would need to fund above-ground tenant works including terminal buildings and passenger facilities.
- F32. TT-Line consistently maintained from June 2020 that they were 'ferry operators and not in the business of building infrastructure'. TT-Line maintained TasPorts, as the port operator, should construct all required infrastructure and lease it back to TT-Line.
- F33. In May 2020, TasPorts proposed to increase TT-Line's Terminal Operating Agreement costs by 250 per cent (from \$3.5 million to over \$13 million annually) with a separate bespoke capital charge of \$77.58 million payable over 25 years at 8.4 per cent return to TasPorts, which TT-Line disputed as excessive.
- F34. By June 2020, the parties reached an impasse on commercial arrangements, with TasPorts stating there would be no project progression without a commercial agreement as this was a prerequisite for TasPorts' funding arrangements.
- F35. On 29 June 2021, the parties signed a term sheet delineating responsibilities: TasPorts as landlord would deliver marine works, dredging, reclamation and basic wharf infrastructure, while TT-Line would deliver leasehold improvements including ramps, buildings, services, automatic mooring units and all works to enable terminal occupation and operation.
- F36. The term sheet agreed on 29 June 2021 required TasPorts to project manage TT-Line's leasehold improvement works on behalf of TT-Line, with TT-Line funding the agreed works - an arrangement Mr Peter Gemell (Strategic Infrastructure Development and Procurement Adviser) described as consistent with industry norms.
- F37. In June 2021, the Government approved the \$241 million QuayLink Devonport redevelopment project, with TasPorts receiving approval from TasCorp to borrow the full \$241 million in addition to an existing \$45 million working capital facility, conditional on a Government guarantee which was subsequently provided.

- F38. At the December 2021 Legislative Council hearings, TasPorts' Chairman confirmed that over a 30-year period the infrastructure would be fully paid for by tenants (TT-Line and SeaRoad) through commercial agreements, with TasPorts developing critical infrastructure and leasing it back to tenants.
- F39. On 11 December 2023, TASCORP advised TT-Line of an increased borrowing limit to \$1.035 billion, comprising a Vessel Replacement Project facility increase from \$700 million to \$990 million and the maintenance of a \$45 million working capital facility.
- F40. Following termination of the Flensburger Schiffbau-Gesellschaft (FSG) contract in February 2020, port infrastructure design could not progress as detailed designs of the new Spirit vessels were in hiatus, contributing to project delays.
- F41. On 28 July 2022, an Agreement for Lease between TasPorts and TT-Line was executed and provided TT-Line with access to Berth 3 for construction of critical path works to commence on 26 June 2023, particularly for drilling in and around the berth pocket area.
- F42. By August 2022, TT-Line indicated the agreed Construction Management services from TasPorts were unlikely to be required, with this formally taking effect on 8 March 2023, meaning TT-Line would self-manage the tenant works.
- F43. In October 2022, TT-Line claimed they were prevented from conducting geotechnical studies in and around the berth pocket due to ongoing dredging and barge operations in the vicinity, though TasPorts later advised that floating material and plant could have been halted and relocated to allow geotechnical work to progress.
- F44. In April 2023, TasPorts contractor Hazel Brady Joint Venture (HBJV) offered to undertake TT-Line's marine piling works after a design oversight placed scour protection around areas where TT-Line needed to undertake foundation works: TT-Line declined this offer after receiving consultant advice.
- F45. On 27 September 2023, TasPorts completed the main dredging to allow TT-Line to commence works, some 12 weeks late, though TasPorts' Chairman noted this delay was immaterial as TT-Line had only recently signed their construction contract.
- F46. On 27 October 2023, TT-Line appointed the preferred tenderer HBJV. This followed TT-Line issuing an Expression of Interest for berth works on 21 December 2022, with the main tender closing in August 2023 (behind the original June 2023 schedule).
- F47. In October 2023, the then Minister for Infrastructure, Hon Michael Ferguson MP, became aware of concerns in the civil-contracting industry about TT-Line's Berth 3 works and was advised by TT-Line on 23 October 2023 that site access due in June 2023 had still not been provided.

F48. On 10 November 2023, the then Shareholder Minister, Hon Michael Ferguson MP convened a meeting in Launceston with TT-Line and TasPorts which resulted in:

- a Program Integrator Support role through the Department of State Growth
- greater departmental involvement and oversight, and
- regular monthly joint CEO reporting to the Minister.

F49. On 18 December 2023, Mr Peter Gemell commenced as the Program Integrator Consultant, with his first report on 20 December 2023 showing TT-Line advising that interim berthing at Berth 3 was expected to be delivered by 30 August 2024.

F50. By early February 2024, TT-Line's advice to Mr Gemell had changed to Berth 3 being operational on 9 May 2025, with the tenant works contract execution anticipated on 16 February 2024. This contract was not executed at that date.

F51. On 12 February 2024 report of the Integrator, Mr Gemell, recommended termination of the integrator role as in his view circumstances where an integrator could materially improve outcomes had passed.

F52. The report provided by Mr Gemell with regard to the integrator role was not provided by the Secretary, Department of State Growth to the then Shareholder Minister Hon Michael Ferguson MP until 22 April 2024, after the caretaker period ended, despite the Minister's expectation of greater departmental involvement and oversight.

F53. On 22 February 2024, during the caretaker period, HBJV submitted an updated offer to TT-Line showing a \$76.7 million increase on the original tender (a total of now \$229 million) with program alterations.

F54. On 26 March 2024, during the caretaker period, independent advisor North Projects recommended that HBJV's preferred tenderer status be revoked and TT-Line re-engage with BMD, the company that was contracted to construct berthing facilities for TT-line in Geelong, in a competitive open-book tendering process.

F55. The TT-Line CEO monthly reports continued to report that Automatic Mooring Units would be commissioned by 16 August 2024: the relevant monthly CEO reports to the then Shareholder Minister Hon Michael Ferguson MP were received by the Minister as follows -

- January report on 1 March 2024
- February report on 28 February 2024, and
- March report on 22 April 2024 (the caretaker period having ended on 11 April 2024).

F56. The March 2024 monthly CEO report to the then Shareholder Minister Hon Michael Ferguson MP, which the Minister received on 22 April 2024 (the

caretaker period ended on 11 April 2024), referenced the rescission of the preferred tenderer status of HBJV.

F57. On 15 May 2024, the then TT-Line CEO Mr Dwyer emailed an apology to the Secretary of State Growth acknowledging he was wrong in stating TT-Line had written to the Minister's office regarding rescinding preferred tenderer status during caretaker, noting this information was only included in the monthly update received after caretaker ended.

F58. On 26 April 2024, the Secretary of State Growth was directed by both Hon Michael Ferguson MP (then Minister for Infrastructure) and Hon Eric Abetz MP (then Minister for Transport) to take a more active role in project management and ensure a project assurance function following the Government's concerns about project capability and communication quality.

F59. On 27 May 2024, after a due probity process, BMD was appointed as preferred tenderer for the Berth 3 redevelopment project, with the contract signed on 31 July 2024, for approximately 18 months build time.

F60. On 17 June 2024, Shareholder Ministers issued directions and wrote to both TT-Line and TasPorts emphasising:

- the strategic importance of timely infrastructure completion
- the need to take all necessary action to facilitate and ensure the completion of Berth 1 and Berth 2 port infrastructure at Devonport that is required to support the new TT-Line vessels in Tasmania, prior to the arrival of the vessels
- the need to take all necessary action to support TT-Line in its undertaking of necessary Berth 3 infrastructure works and refuelling infrastructure so far as it is reasonably possible to do so
- provide and continue to provide all information within the possession or control of the Company which is necessary to enable the Members to have effective oversight of the Berth 1 and Berth 2 infrastructure projects
- provide immediate and full advice if there are any matters that may prevent the completion of the Berth 1 and Berth 2 infrastructure prior to the arrival of the new TT-Line vessels, and
- expressing disappointment that berthing infrastructure would not be ready for vessel arrival, noting TT-Line's unilateral decision to rescind preferred tenderer status during caretaker without notifying Government had caused further delays.

F61. On 3 July 2024, TT-Line fully executed a contract with BMD for the Berth 3 construction works in Devonport.

F62. On 8 July 2024, TasPorts completed the marine and dredging contract with HBJV, and granted access to Berth 3 to TT-Line on 16 July 2024.

- F63. On 14 August 2024, the Government intervened in the delivery of temporary berthing facilities at Devonport ahead of the arrival of the new Spirits of Tasmania appointing two infrastructure/industry experts, Mr Peter Gemmel and Mr Ben Maloney, to oversee the project. TT-Line was not informed of this intervention prior to the public announcement.
- F64. On 14 August 2024, former TT-Line Chairman Mr Grainger publicly disputed elements of evidence presented to the Committee on 12 August 2024, indicating the Board stood by its decisions, particularly regarding Berth 3 terminal development. Later the same day, Mr Grainger was requested by Shareholder Minister, Hon Eric Abetz MP, to resign by 7:00pm or face termination. Mr Grainger tendered his resignation at 6:39 pm.
- F65. Between August and October 2024, key personnel departed or announced departures from their positions:
- Hon Michael Ferguson MP resigned as Minister for Infrastructure on 26 August 2024
 - TT-Line CEO Mr Dwyer tendered his resignation on 7 September 2024 (effective 3 November 2024 coinciding with the end of his contract)
 - Hon Michael Ferguson MP resigned from Cabinet on 14 October 2024, and
 - TasPorts Chairman Mr Bradford announced retirement on 17 October 2024.
- F66. On 24 October 2024, the Government announced it would proceed with construction of permanent Berth 3 infrastructure with revised timelines showing completion may not occur until February 2027 unless risks are mitigated, potentially accelerated to October 2026 by accepting opportunities to fast-track construction.
- F67. The October 2024 Department of State Growth Report, Berths for New Vessels Spirit of Tasmania – Devonport Port, prepared by Mr Gemell and Mr Moloney found that modifying Berth 1 to accommodate new vessels would be unsafe. Modifications required to Berths 1 and 2 would cost up to \$60 million, provide limited benefits, pose vessel allision risks, and require costly renegotiation of agreements, with financial investment outweighing timeline benefits.
- F68. On 24 October 2024, the Government announced TT-Line would explore leasing or chartering the first Spirit of Tasmania vessel, Spirit IV (due to depart Finland imminently) during the interim period, noting the vessels still planned to come to Tasmania for finalisation of fit-out. The Government stated it would ensure TasPorts would not charge TT-Line to store the vessels.
- F69. On 3 November 2024, the Premier announced the Government would consider merging TasPorts, TT-Line and TasRail into a unified government-owned entity. Following a review and report by Deloitte that found such a merger was unlikely to deliver sufficient economic benefits when considered alongside the associated costs and risks to the broader supply chain, the merger was not progressed.

The Committee also makes the following overarching finding –

F70. The failure to deliver suitable berthing infrastructure for the new Spirit of Tasmania vessels represents a fundamental breakdown of governance in, and collaboration between, two government-owned entities. Despite both TasPorts and TT-Line being wholly owned by the Tasmanian Government, the following systemic failures occurred:

- **Unresolved commercial arrangements** - Critical commercial agreements remained unresolved for four years (2017-2021), with fundamental disagreements about infrastructure delivery responsibility persisting despite common Government ownership
- **Inadequate governance framework** - No overarching governance structure existed to coordinate delivery of interdependent infrastructure to support the new vessels, with both entities operating in silos despite critical project dependencies
- **Absence of independent oversight** - Until April 2024, when project failure was already evident, no independent project assurance function existed to identify risks or escalate concerns
- **Capability deficiencies** - TT-Line self-managed a major infrastructure project without necessary expertise or project management capability
- **Interface management breakdown** - Coordination between TasPorts' and TT Line's works remained problematic throughout, with unresolved disputes over site access, geotechnical investigations, and work sequencing continuing through 2023-2024, and
- **Information flow failures** - Critical decisions and deteriorating project conditions overall, were not appropriately conveyed to shareholder ministers, with monthly reporting masking failures and an absence of transparent risk disclosure.

Committee Recommendations

R3. The Government further investigate:

- the circumstances that led to the 12-week delay in TasPorts completing dredging works and the extended period before TT-Line could access the berth pocket for critical geotechnical investigations, and
- the decision-making timeline for TT-Line's Berth 3 tenant works, including:
 - the 18-month period between the July 2022 Agreement for Lease and appointing a preferred tenderer in October 2023
 - factors contributing to the four-month period between preferred tenderer appointment and contract execution discussions, and
 - the February 2024 decision to rescind preferred tenderer status.

R4. The Government ensure future major infrastructure projects involving multiple Government owned businesses have, from inception:

- integrated project governance structures and reporting arrangements (including to the relevant Ministers)
- independent project assurance functions
- clear commercial agreements prior to design commencement, and
- resolution mechanisms for commercial and interface disputes.

R5. The Government ensure that reporting requirements for major capital projects by Government owned businesses include:

- specific milestone achievement updates
- material changes to project timelines or budgets, and
- early warning indicators of project delivery risks,

with consequences for providing implausible or misleading information.