Tasmanian Public Finance Corporation

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4 November 2025

Hon Ruth Forrest MLC
Chair
Parliamentary Standing Committee
of Public Accounts
Parliament House
Hobart TAS 7001

Dear Chair,

Inquiry into the TT-Line Spirits Project – Operational Viability – Questions on Notice

I refer to your letter dated 29 October 2025. TASCORP's responses to the Committee's requests for information are outlined below.

1. A copy of any correspondence from TASCORP to the Government with respect to the Board's views on TT-Line's ongoing solvency and financial performance

TASCORP has sent the following letters regarding the above, which are attached.

- Letter to the Treasurer dated 12 December 2023
- Letter to the Treasurer dated 25 June 2025
- Letter to the Treasurer dated 1 September 2025

2. A copy of the relevant sections of Board minutes and/or other records around any decision making with respect to TT-Line's request/application for additional borrowings, ongoing solvency and financial performance

I attach a table of certified extracts of minutes of Board and management committee meeting discussions relating to TT-Line from 19 February 2025 to date. Extracts of minutes for meetings prior to this period were provided to the Committee in April 2025. It is requested that the Committee receive these records in camera and that they be treated as confidential as they discuss client matters, and the disclosure or publication of the records may be damaging to TASCORP's relationship with its client. If the Committee is not willing to keep the entirety of the records confidential, it is requested that at minimum, the text highlighted in yellow be treated as such.

3. Confirmation on how many times and when TASCORP has had* [sic] *with the new Treasurer Hon Eric Abetz MP to date.

As at the date of this letter, TASCORP has met with Minister Abetz once, on 29 September. TASCORP's Chair and CEO attended. TASCORP's Post-Board Report submitted to the Treasurer for August mentioned that the Board had received a report about recent going concern considerations highlighted by the Auditor General regarding TT-Line. This, and TASCORP's letter to the Treasurer dated 1 September 2025 were discussed at the meeting.

4. Details of TT-Line's projected loan covenants agreements forecasts based on updated financial projections.

I attach a briefing note about TASCORP's review of TT-Line's Borrowing limit in June 2025 which outlines TT-Lines projected loan covenant agreement forecasts. These financial forecasts were provided to TASCORP by TT-Line on 30 April 2025.

On 27 October 2025, TT-Line advised TASCORP that, following a comprehensive review of its current financial forecasts and operational projections, it anticipates remaining in breach of both the Interest Coverage Ratio and the Financial Leverage Ratio through to 30 June 2026. In response to this advice, TASCORP formally requested that TT-Line provide the updated financial forecasts underpinning this assessment. As of the date of this submission, TASCORP has not yet received the requested information.

I trust that the information provided addresses the Committee's request. TASCORP would be happy to clarify any details as required.

Yours sincerely

[redacted]

Heath Baker
Chief Executive Officer

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The Hon Michael Ferguson
Treasurer
Level 10, Executive Building
15 Murray Street
HOBART TAS 7000

12 December 2023

Dear Treasurer

TT-Line – Increase in Borrowing Limit

At its recent meeting, the TASCORP Board considered a request from TT-Line Company Pty Ltd (TT-Line) for an increase in its borrowing limit. This has been sought to finance the increase in project cost estimates for works at berth three in Devonport.

Under the TASCORP credit assessment, it was noted that TT-Line's business model assumes it to incur high levels of debt in the initial years of the Vessel Replacement Project (VRP), with this debt is expected to be repaid over a term consistent with the useful life of the new vessels. However, it is TASCORP'S assessment that TT-Line's financial ratios will not be within investment grade parameters for a period of time and TASCORP approval of the increased borrowings is dependent upon receipt of a guarantee.

Subject to your written confirmation in your capacity as Treasurer, that the maximum amount guaranteed for TT-Line under section 15A of the *Tasmanian Public Finance Corporation Act 1985,* is increased to $1,035 million, TASCORP's Board has approved the following:

- an increase in the VRP Loan Facility limit from $700 million to $990 million and maintenance of the $45 million Working Capital Facility;
- an amendment of the VRP Loan Facility's term limit from 15 years to 25 years, with an amortising schedule to be determined once the VRP is fully drawn; and

- releasing the existing Deed of Guarantee and associated Term Sheets dated on or about 21 March 2023.

TASCORP has advised TT-Line that the approval of the increased borrowing limit and term are subject to the receipt of your written confirmation of the above.

TASCORP does not yet have clarity as to the expected repayment schedule noting that TT-Line's base case credit assessment assumes that sale proceeds from the existing vessels and any dividend payments will be used to retire debt. It should be noted that, TASCORP's credit assessment assumes that the government's current dividend policy applies to TT-Line, consistent with the General Government Sector Forward Estimates.

TASCORP will continue to work with and provide officers of the Department of Treasury and Finance with the necessary information to allow them to provide formal advice to you in relation to this matter.

Yours sincerely

[redacted]

Tony Ferrall
Chair

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The Hon Guy Barnett
Treasurer
Level 10, Executive Building
15 Murray Street
HOBART TAS 7000

25 June 2025

Dear Treasurer

<u>TT-Line – Increase in Borrowing Limit</u>

At its recent meeting, the TASCORP Board considered a request from TT-Line Company Pty Ltd (TT-Line) for an increase in its borrowing limit to fund the cost escalations in the Vessel Replacement Project (VRP), most notably for works relating to berth three in Devonport.

TASCORP's credit assessment has identified that TT-Line's revised business model now anticipates significantly higher levels of debt than originally forecast. The TASCORP Board is of the view that such an elevated level of debt is not sustainable for TT-Line over the long term. TASCORP's assessment, based off forecasts provided by TT-Line, shows that their financial ratios will remain below investment grade parameters for an extended period of time, some until 2038/39, which clearly demonstrates TT-Line has limited ability to service its forecast debt levels let alone navigate any further deterioration from its base case forecasts. TASCORP is of the view that the Government should consider alternate funding structures, such as the provision of equity to restore TT-Line's financial sustainability. However, noting that the Government is currently operating under caretaker conventions, which require that the Government should avoid making policy decisions that bind an incoming Government, TASCORP intends to progress this matter with the Treasurer of the incoming Government. While the TASCORP Board has considered a range of alternative funding structures to address TT-Line's long term financial sustainability, it has determined that a temporary solution is the most appropriate course of action available at this time.

Accordingly, subject to written confirmation from an incoming Treasurer, that the maximum amount guaranteed for TT-Line under section 15A of the *Tasmanian Public Finance Corporation Act 1985,* is increased to $1,445 million, TASCORP's Board has approved:

- a temporary increase in the VRP Loan Facility limit from $990 million to $1,400 million till 31 October 2026; and
- maintenance of the $45 million Working Capital Facility.

TASCORP has advised TT-Line that the temporary approval of the increased borrowing limit is subject to the receipt of written confirmation of the guarantee increase which is expected to be received after the election.

The short-term nature of this approval is designed to provide TT-Line with the immediate funding commitment it requires, while allowing the Government sufficient time to consider and approve any necessary equity injection to address the underlying concerns with TT-Line's capital structure.

TASCORP will continue to work closely with the officers of the Department of Treasury and Finance to ensure you are provided with all the necessary information and formal advice regarding this matter.

Yours sincerely

[redacted]

Gary Swain
Chair

PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

TT-LINE SPIRITS PROJECT

BRIEFING NOTE- Borrowing limit review June 2025

Financial Covenants are the promises/agreements entered into by a borrowing party that are financial in nature. An example of a financial covenant is when a borrowing entity agrees to maintain (staying above or below) an agreed ratio.

Table A: Master Loan Facility Agreement (MLFA) Compliance

MLFA Covenants	Min. Requirements	FY24	1H25	FY25
Material Adverse Change	-10%	-4%	-2%	-4%
Financial Leverage Ratio	75%	57%	63%	68%
Interest Coverage Ratio	1.0x	0.95	0.15	0.35
Third Party Financial Indebtedness[1]	< $410 million	Met	Met	Met

1. This Covenant relates to TT-Line lease obligations in relation to the Geelong Port Facilities.

Table B: Definition of the Financial Covenants

Continuing Operations	means the core activities undertaken by the Borrower in the normal course of its business which the Borrower has a reasonable expectation will continue into the future.
Financial Leverage Ratio	means long term debt, plus current maturities and other short-term borrowings divided by long term debt plus current maturities and other short-term borrowings plus shareholders equity. Long term debt and short-term borrowings includes lease liabilities.
Interest Coverage Ratio	means earnings from Continuing Operations before interest, taxes and depreciation (excluding one off abnormal items), divided by interest expense. Interest includes interest on lease liabilities.
Material Adverse Change	means a reduction in the net assets of the Borrower in excess of 10% of the amount reported in the preceding financial year.

As additional information, TT-line is forecast to remain in breach of the MLFA's key financial ratios for an extended period based on its long term financial forecast provided to TASCORP on 30 April 2025.

Figure 1: Interest Coverage Ratio MLFA Compliance

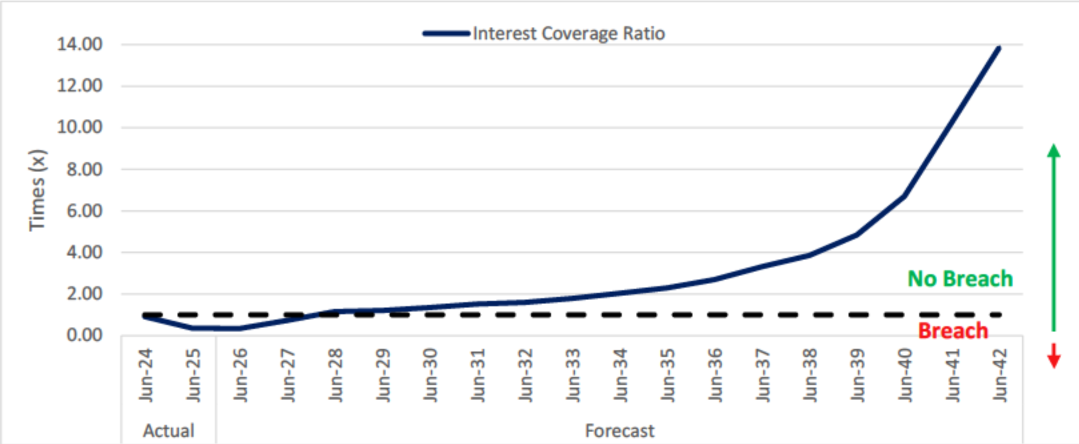


Figure 2: Financial Leverage Ratio MLFA Compliance

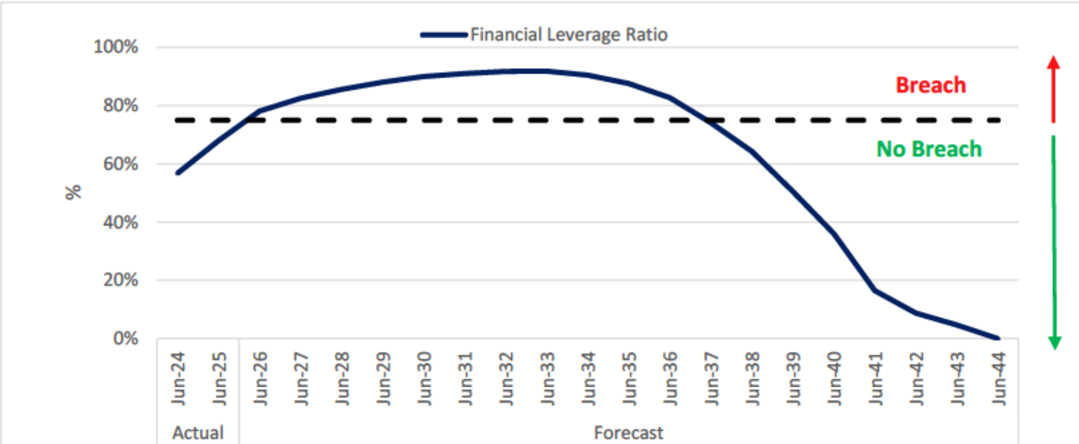
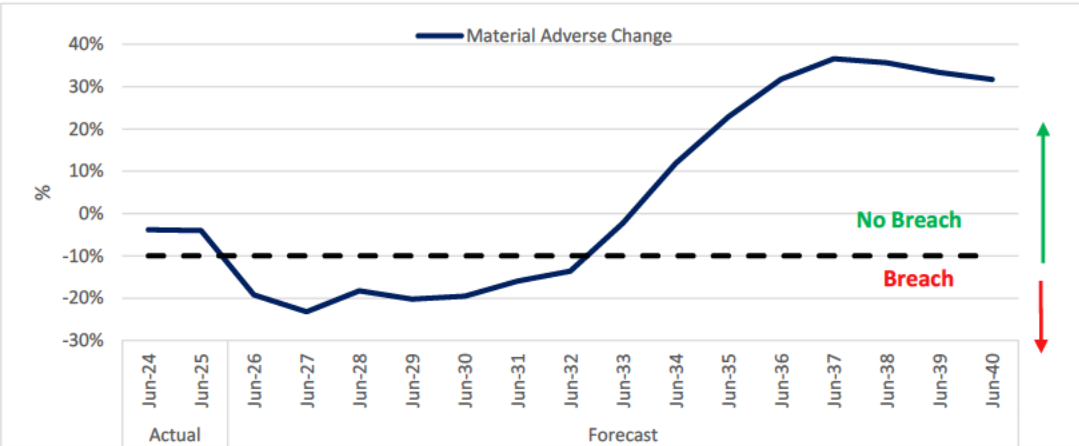


Figure 3: Material Adverse Change MLFA Compliance



Under the current MLFA, both the EBITDA Interest Coverage and Financial Leverage ratios are not considered notice of acceleration events whilst

TASCORP holds a legislative guarantee from the Treasurer. Additionally, the Material Adverse Change clause is not considered a notice of acceleration event during the period of TT-Line's temporary borrowing limit increase, which ends in October 2026.