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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY, 9 SEPTEMBER 2024

INQUIRY INTO THE TT-LINE SPIRITS PROJECT

CHAIR - Welcome, Damian and your team, to the Public Accounts Committee, ongoing inquiry into the TT-Line *Spirit* replacement, including the berth infrastructure at Devonport, obviously. This is a public hearing. It is covered by parliamentary privilege. Everything that's said in this room may not extend beyond that.

Anything you wish to discuss with the Committee of a confidential nature, you can make that request and the Committee will consider that, otherwise it is all public. It's being broadcast and transcribed by *Hansard*. We are using voice to text, so if anyone speaking could use their microphone fairly accurately so we can get an accurate representation of what's said, it would be great.

Do you have any questions before we start?

Dr BUGG - Yes, I do. Before we start in a public hearing, Chair, I would ask that we have the opportunity to make submissions for some matters during the proceedings to be heard in camera and I can indicate that the nature of them - and they cover three areas - is commercial-in-confidence. Without going into any further detail, I would like to satisfy you in camera that they are commercial-in-confidence and that may facilitate a much more, shall I say, cohesive hearing from that point onwards.

CHAIR - Okay. When we are at that point, we'd like to keep as much public as we possibly can.

Dr BUGG - Certainly.

CHAIR - But if we get to a point where you feel that something needs to be of a confidential nature, we need to hear your reasoning of why it should be commercially sensitive information and then the Committee will deliberate.

Before we go there, I will ask you all to take the statutory declaration so we can actually commence the hearing. Then if you wish to make a request now to go in camera, you can do so for the reasons that you wish to, and the Committee will deliberate on that.

Dr BUGG - Thank you.

MS KIM SAYERS, CHIEF FINANCIAL OFFICER, TT-LINE;
Dr DAMIAN BUGG AM KC, ACTING CHAIRPERSON; **MR RICHARD HALL**,
GENERAL MANAGER MARINE OPERATIONS, SPIRIT OF TASMANIA;
MR STEVEN MAYCOCK, GENERAL COUNSEL/COMPANY SECRETARY, TT-LINE;
Mr WILLIAM HARPER, SENIOR PROJECT MANAGER, SPIRIT OF TASMANIA
WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

CHAIR - You may wish to say who's representing what across the table because we don't have your CEO here.

PUBLIC

Dr BUGG - That's right. We're all here to represent the company. I'm the interim Chair. The CEO is not here and I'll explain that in a moment.

We have our Chief Financial Officer who you've heard before. We have Captain Hall, who is our Chief of Marine Operations. The Company Secretary you know, Mr Maycock, and we have Will Harper who is Project Engineer on the site at Devonport.

There are three areas of material which I'm sure we will cover this morning which are, from our perspective, commercial-in-confidence and I would like to make a submission to you about that. If I have to make that in open hearing, then it relates to the sensitivities of three areas of commercial activity where the matters were conducted on a confidential basis and they are not, as far as we are concerned at any stage since, amenable to public disclosure because of the nature of it.

The first one relates to negotiations with TasPorts for the terms and conditions of our lease at Devonport.

The second relates to the inquiry that was made available to us into the financial viability of Rauma Marine when submissions were made to us as to the ability of Rauma Marine to conclude the construction of the two vessels.

The third is in relation to the reasoning that we adopted for the change of contractual relationship from the preferred tenderer at the construction of the facilities at Devonport. There are commercial reasons there which we are not prepared to disclose publicly but to disclose to the Committee in a closed session.

CHAIR - Sure. There are some of those matters that we would like to hear in public session, I think. The question I have for you is what can we discuss and get some clarity on in public session, particularly around the timelines, the communication, the role, without going into specific details which you know the Committee will deliberate on in terms of receiving some of that information. But, in order for the community to have a public and open process here, we need to be able to put some information on the public record that is relevant to the timing of decisions, the knowledge of the Board, the knowledge of the business as to when there were delays, and that sort of thing.

Dr BUGG - As far as delays are concerned, there is not a problem. It is the detail and content of those commercial negotiations and the ultimate document which are highly confidential. We can talk about the timing when this was undertaken and when that was undertaken, but what we have a real difficulty with - quite understandably - is disclosing matters that we know, for example with the lease agreement. TasPorts know that they have negotiated with us at arm's length as they are obliged to, because there are other parties involved in leasing and commercial arrangements at Devonport who have had similar discussions and negotiations. From our perspective, the terms that we arrived at with them - that is, the conditions and lease arrangements that we have with them - are highly confidential.

CHAIR - What I am hearing you say is that the terms of the lease and the nature of those discussions to agree the terms of the lease are confidential.

Dr BUGG - Yes.

PUBLIC

CHAIR - But, we can surely talk about the dates on which these things occurred and what the outcome of it was.

Dr BUGG - Yes.

CHAIR - Certainly in public session, we need to go through that.

Dr BUGG - I think it is better to have the traffic signals before you so that when you come to that questioning, we are not saying, 'Look, we will argue about this or hear about this if you would not mind, in closed session'. If we could define those parameters now, as I said, I think it facilitates the hearing if you are comfortable with that. You are in charge of it.

We are saying - from our perspective - there are some areas, for example a company that is still trading in Finland has given us a right of access to financial information which no other member of the public can access. We would not want to disclose the extent of what that information is other than that, for example, on this day we undertook an inspection or examination of records and at the end of it, a particular concluded view was reached. But, what we saw and what was made available to us was on a very confidential basis, so we do not want to talk about that.

CHAIR - No, but you have provided some confidential information to the Committee after the previous hearing related to these matters -

Dr BUGG - Yes.

CHAIR - which the Committee has resolved and will maintain confidentiality of.

Dr BUGG - There is a bit of a difference in us providing you with documentation which we say, 'Look, that is confidential'. We are speaking to one another through a publicly broadcast - if I can use that term - hearing, and on that basis the spontaneity of it makes it extremely difficult, first of all, to make the request that we hear it in confidence. But, if you know exactly what it is that is confidential, then we can stay clear of it. If we could define that in closed session, if I've got to make the request that we close to deal with the confidentiality of it, it already gives notice of what it is, 'Oh look, we can't go there'. The media knows and the public know that a particular thing is a taboo confidential area and if you uphold that, the conclusion is that we weren't allowed to talk about that or we weren't allowed to find out about it. I'm really trying to -

CHAIR - Can I just clarify, so we don't use too much time on this, that you are requesting to go into camera now to explain more fully those confidential matters and then we'll go back into public hearings after that?

Dr BUGG - Yes.

CHAIR - Okay, so that's the request to the Committee. I'll just ask now that we stop the broadcast and we clear the room. Everyone needs to pop back out.

Mr BUGG - I'm happy for one person you know to stay.

PUBLIC

CHAIR - No, we'll need all of you to go while the Committee deliberate. Then we'll invite you back and you can bring in who you wish at that point.

Public hearing suspended at 9:11 am.

Public hearing resumed at 9:17 am.

CHAIR - The Committee has resolved to take some evidence in camera. We will go in camera in just a moment, but we ask you to make sure that the information provided is only that which needs to be confidential and we do it in as succinct and prompt a way as possible so we can go back into public session.

Public hearing suspended at 9:17 am.

Public Hearing resumed at 9:30 am.

CHAIR - Thank you for that explanation. We'd like you now to make some opening comments in public session around any update you'd like to provide to the Committee since the last hearing. Noting the last hearing was mostly around the new ships themselves, and the decision to pay additional money to secure those to the shipbuilder, but since that time there's been a lot more interest in the Devonport berth, Berth 3. That is an area of particular interest to the Committee at the moment. I invite you to make any updated comments from the previous hearing, and then we will have questions for you.

Dr BUGG - Thank you, Chair. The situation is that because the negotiations and the activities in Devonport overlap with the new vessels, and their construct and the external influences that were prevailing at the time, I feel I've got to put it all in context. Some of what I may say to you in opening may appear repetitive, but it becomes relevant to the process.

CHAIR - Let's try to keep it succinct.

Dr BUGG - I will. The first thing I want to say is that the former Chair of the company, Michael Grainger, is absent from the table today. He is present in the Committee room. His resignation and the circumstances of it were well publicised at the time.

What the Committee is not aware of in a public sense is that last Saturday morning, I was notified by Mr Bernard Dwyer, our CEO - I say our CEO because he still is - that he wished to resign from his position with the company. I have accepted that resignation, but it is dated to coincide with the expiry of his contract with the company, which is 3 November 2024. He is still CEO.

To explain why he is not present in the room, I just want to say very briefly that in the discussions I had with Bernard on Saturday morning, it was clear that the pressures that he has been operating under - some of what I will outline in context - will give you some better indication of what that is. He ought not be here for his own wellbeing. I won't go into any further detail than that. Bernard, as you know, has been ready and available to come to this Committee on a number of occasions and answer every question you put to him. I wouldn't put him through that this morning because although the ABC says we are going to be grilled, I am confident that we will be treated with fairness and respect.

The original plan for the arrival or the creation of two new vessels in Tasmania to replace those which the company has goes back to about 2017. A business case was put. That business case contained within it the understanding that there would be upgrades to our facilities in Devonport and at Station Pier.

The emphasis in all of the business case was that the costs of infrastructure upgrades at both ports would be the responsibility of the Port Authority. In Tasmania that is TasPorts. The negotiations we entered into with TasPorts, you have heard some evidence from Mr Donald and Mr Bernard, the Chair of that company. There are two sides to any story, and some of what was said to you -

CHAIR - I think you meant Mr Bradford.

Dr BUGG - I am sorry. I haven't met him. I have spoken to him on the phone twice.

The situation as far as we're concerned is that we don't entirely agree with it, but we don't want to turn this into a rock fight where you said this and we said that. What we want to do to give you context of what was happening is give you some indication of what the emphasis of the company was. That is, we are a ferry company. We are not a port infrastructure company. Therefore, to minimise the cost of any upgrade in Devonport our wish was that we stay at Berth 1 because at Berth 1 we have all our infrastructure headquarters, our terminal and all those facilities.

We were met with, and I think it is an understandable proposition from TasPorts, that we couldn't stay at Berth 1 and do a complete upgrade because it is a working port at which we have a vessel every day loading and leaving. Therefore, the proposition put to us from TasPorts was that we go to a newly established Berth 3 and that we would be responsible for above pavement infrastructure, a term used often by TasPorts.

We were reluctant to do that and there were strong negotiations and some of the things that you heard were correct. At one stage, TasPorts did offer to transfer some land to us at Devonport - at the port facility - so that we could build our infrastructure on land which we owned. But, once again we were reluctant to be involved in building infrastructure. There was a conversation on, I think it was 4 June 2020, between Mr Dwyer and Mr Donald about what our position would be if the land was transferred to us. I think it's probably at that point that the relationship between us - and we're two state-owned companies, you would think we had the same footy jumpers on and we'd be kicking in the same direction, but we've also got commercial imperatives. We've got to operate at a profit and operate a safe and functioning ferry service across Bass Strait.

TasPorts have to operate hopefully at a profit and provide safe and replenished port facilities around the State. Clearly, from their perspective, they did not want to meet the full cost of the infrastructure build at Devonport which we needed. That's where the tension arose and that's where it stayed.

CHAIR - So the conversation on 4 June 2020 -

Dr BUGG - We put to TasPorts that we would be interested in taking some land at Devonport and we were contemplating engaging with a commercial entity to build the infrastructure and then lease it from that commercial entity. When that disclosure was made -

PUBLIC

and we'll happily make available the notes of that - and then the two emails which flowed from it on 24 June - one from TT-Line to TasPorts and the other from TasPorts to TT-Line - where the words that concluded the first paragraph were with regard to the bespoke capital, and that's the build infrastructure items:

Following your board's resolution, these will remain the full responsibility of TT-Line from design, development, through procurement, construction, installation and maintenance.

Now, we are not a design, construct, installation company.

Other than sensible communication associated with integration of these assets with other components, TasPorts will have no role or responsibility.

We were at arm's length. In a sense, we've remained that way since. So, in a contextual position, that really is, I guess, the genesis of where we fell apart. We became contracting parties and negotiated, and a lot happened over that period of time that you need to understand in terms of what our activities were. We still had to maintain a functioning operating ferry company.

CHAIR - So at that point, was the Minister informed?

Dr BUGG - We were still negotiating with TasPorts. I cannot be confident that the Minister was informed of all the detail of that, but the Minister was informed that we were negotiating and that we were trying to come to terms with TasPorts as to who would be responsible for what at Devonport.

Mr WILLIE - If you had concerns that you weren't a design and construct company, did you make the Minister aware of that?

Dr BUGG - Look, I can't tell you with confidence because some of that negotiation was happening before I was a member of the board, but I will undertake to examine that and report back to you so that you -

CHAIR - So, any communication between TT-Line and the Minister with regard to this matter, your concerns are about not being an infrastructure builder?

Mr WILLIE - There's one person here that both companies report to and they're accountable to.

Dr BUGG - Yes.

Mr WILLIE - Potentially there was a role for the Minister at this point in 2020.

Dr BUGG - That may or may not be so, because if you think about our remit, we are an independently operating company and we're entering into negotiations for a projected development of Devonport Port and we are trying to come to terms that we will regard as appropriately commercial and appropriate for our company.

PUBLIC

One of the things we did not want to do was to build infrastructure. We wanted TasPorts to do it. TasPorts didn't want to, and that was their commercial remit. Do we need to buy the Minister in? I don't know what happened there. I'll check that.

Mr WILLIE - We've seen in recent times a Ministerial direction issued for a particular direction to be taken. Potentially, if there was an impasse, the Minister could have intervened at that point.

Dr BUGG - Well, if he was aware of it.

CHAIR - As I understand it, there are monthly meetings with the Minister, by the CEO and/or Chair of the board. There would have been a monthly meeting in June or July 2020. Is there a record of that meeting?

Dr BUGG - We kept on our company records - that is, board meeting records contained record of minutes of meetings with the Minister. They were our minutes - that is, not as an ordinary board minute would be where it's distributed. So, it's one party's note of what was said. Yes, there will be minutes of that.

CHAIR - Can you provide those notes that relate to any information provided to the Minister in relation to this initial concern in 2020, and beyond, that relate to this particular matter.

Dr BUGG - Certainly. As you'll hear in the evidence, one of the issues we have had trouble with was gaining access to the site for geotechnical study. I think Will is probably the best person to talk about that when we get to it. I know from looking at those minutes that that question of access was something that was mentioned at the meetings. Certainly through 2023 it was a fairly constant comment made by the company's representatives.

CHAIR - When was access finally granted to the port to enable TasPorts to do work beyond testing?

Dr BUGG - Work beyond testing, Will can perhaps -

Mr HARPER - Is this for TasPorts or for TT-Line?

CHAIR - For TT-Line to access the Berth 3 area?

Mr HARPER - There was access available to specific areas probably from the commencement of the lease, but there were certain provisions that had to be satisfied to be able to get that access. Those were all listed throughout the agreement for lease. The overarching consideration was that the access was not to disrupt, delay, or impact any of the TasPorts works that were in progress at the time, which has been the challenge with that.

CHAIR - With regard to the works that TasPorts had to do for TT-Line to enable you to do the on-wharf or whatever you call it, above-deck construction, when was that completed?

Mr HARPER - The TasPorts works?

CHAIR - Yes.

Mr HARPER - It was broken up into two main portions. There is the wharf, which was completed, I think practical completion was around July [2024] of this year. Then there was the reclamation and dredging which I believe was around December [2023] of last year.

CHAIR - Was that later than anticipated?

Mr HARPER - The dredging and reclamation was later.

CHAIR - How much later?

Mr HARPER - About six months. Five to six months, depending on the exact day.

CHAIR - And the other work?

Mr HARPER - I can't remember what the exact date that it was planned to be complete was. The wharf, I think, was around two months late.

Ms THOMAS - Can I go to another point? Or do you want to keep going on that?

CHAIR - Did you want to finish the story?

Dr BUGG - I'll try and zip through it. I'm sorry.

CHAIR - Yes, if you wouldn't mind.

Dr BUGG - At that stage, clearly it was being put to us that there was an estimate from TasPorts that it would be \$169 million for the total project, with the exception of the buildings that we would build, which they estimated would cost \$10 million to \$20 million. If you add that up and say that about half that was going to be our responsibility, we were looking at about \$90 million at that time. That's where the \$90 million has come from. Later it was particularised at about \$75.5 million which we loosely added to round it up to \$90 million to cover contingencies. TasPorts has finished the work that it particularised in that \$169 million, about half of which it was going to do. It's just finished it for a contract that came in at something like \$240 million, a bit under three times what they had estimated their commitment would be. That's similar to what we're looking at in terms of the work that was contained in that contract.

CHAIR - Just to clarify, and you may not be able to answer this, but the \$240 million as I understand, that was for the whole QuayLink project, not just the works that need to be done at Berth 3.

Dr BUGG - That's how it appears in the announcement that was made when the work was completed. It's hard to determine whether or not that covers any of the work that we are obliged to make in Berth 3. If you look at the photography that was released at the time that announcement was made, they show a *Spirit of Tasmania* vessel in Berth 3 with a lot of the infrastructure that we've yet to build under our above-pavement contract, some of which will involve us drilling down to 43 metres at water level. It's not just above-pavement that we find ourselves obliged to undertake.

We then signed an MOU on Christmas Eve 2019 with TasPorts. That MOU was to work towards signing a complete contract on 30 June 2020. To do that, to sign a complete contract that is an AFL, we had to have the design and specs of the ships we were building to come to Tasmania. At that time, that design and specs was with Flensburg FSG. Flensburg went broke two months later and withdrew from the contract. We then moved to the second tenderer, RMC, and began negotiating. That's from February 2020. That involved undertaking probity of the tender and examining what would happen in terms of the construction of the two vessels, what their design would be and what have you.

Then COVID hit. For the next three years through COVID, with Victoria locked down, we continued to trade every day. The impact on that was that over the 2020-21 financial year to 2022-23, we lost \$100 million in profits. In two years, 2020-21 and 2021-22, we actually made red ink losses of a total of \$20 million.

In April 2020 we signed an agreement with Geelong Ports to prepare that port. That was completed and we opened it with the arrival of a vessel in October 2022, a bit over two years. There was a big difference with that. It wasn't a working port where it was being built and a lot of the infrastructure was there. We did not have to pay for any infrastructure. People might say, well why didn't you move to Geelong? It would have been very attractive to us because in Geelong at the moment, if you want to use a tug with the Port Authority, the hourly charge is \$6800. If we want to use a tug in Devonport, the hourly charge is \$15,800 and those tugs have 40 per cent less capacity than the ones in Geelong. The TasPorts calculation of the bespoke cost for our part at that time was \$77.58 million and we added approximately \$12 million to round it up to \$90 million. I've referred to those emails.

In mid-June 2020, we agreed to buy two ships from RMC for €263 million and €256 million respectively. We were told by the government one month later that the government would not approve us signing those contracts, and they established the Vessel Replacement Taskforce to see whether or not we had any alternative manufacturing capacity in this country, which we strongly advised they did not.

Mr WILLIE - Has the company ever evaluated that decision on what it cost the company and Tasmania?

Dr BUGG - Yes, it cost us \$40 million.

Mr WILLIE - It cost you \$40 million?

Dr BUGG - Because when the vessel replacement taskforce finally came back with its findings, we were provided with increased costs from RMC on those ones I just mentioned, the total of which was, I think, around €26 million. If you put that into Australian dollars it's \$40 million.

Mr WILLIE - That's not counting the bailout figure because of the steel prices. It's not counting the increase in the port costs so there's probably a lot of cumulative costs that came out.

Dr BUGG - I will try to hurry through to that. But, we're not saying that that delay cost us anything more than the \$40 million which the increased price was on what we had to go back to negotiate with RMC to get the two purpose-built vessels for this run. So, \$40 million.

In the meantime, we'd lost \$100 million in profit. You could say that COVID not only affected us in terms of loss of profit, but also the federal and state governments' desire to try and spend as much money as possible in Australia, and the delay in evaluating whether that could happen, cost us, as I say, \$40 million.

We now had the design of the vessels and we could go ahead again to negotiate. Of course, it was widely publicised that we were in halt and there was a vessel replacement taskforce, but in December 2020, TasPorts unilaterally cancelled - if you want to be emotive, tore up - the MOU.

We wrote back to them and said, 'look, you haven't explained why you've torn it up and it's pretty obvious it was a six-month MOU for us to sign a contract'. Well, we couldn't possibly sign a contract when we didn't know whether we were going to have catamarans, single hull steel vessels built by a company in Western Australia at its base in the Philippines and towed to Western Australia to be fitted out, or what. So, we could not move on our negotiations with TasPorts.

CHAIR - Did you seek to extend the MOU at that point?

Dr BUGG - Well, we didn't feel we had to, if you think about it.

CHAIR - What do you mean?

Dr BUGG - They know we've got a difficulty. We don't have the design specs or anything like that, and we felt comfortable that it was being - by just absence of action - being extended because it expired on 30 June and it wasn't until December that year that they actually cancelled the MOU. We emailed straight back and said 'look, we object to that and we contend that you shouldn't have cancelled the MOU'.

So, the the nature of our relationship was strictly commercial, at arm's length. Am I complaining about it? No, I'm not. I'm just trying to outline to you what the circumstances were. We felt disappointed, but in our dealings with TasPorts it wasn't all sweetness and light as painted, too.

CHAIR - At that point there's no contract or MOU in place?

Dr BUGG - No.

CHAIR - What impact did that have?

Dr BUGG - Well, that we had to start from scratch again and renegotiate and that's precisely what we did. We had by then the design of the vessels and finer details for Berth 3 and there were further negotiations with TasPorts. There was a question about geotech analysis and discussions of efficacy and we were just getting up to an even keel, and in early 2022, Russia invaded Ukraine and steel prices went through the roof.

Each night we watched a steel mill in Ukraine being bombarded by Russia and that was one of the mills that was to supply RMC with steel for the vessels. Consequently, we were met

in April 2022 with a request from RMC that we increase that contract price for the first vessel so that they could meet the higher demand price for steel. That was discussed with the Minister.

Mr WILLIE - You sent a letter at the time to the Minister.

Dr BUGG - Sorry?

Mr WILLIE - You sent a letter at the time to the Minister.

Dr BUGG - We communicated with the Minister and indicated that we had to do it. In briefing with the Minister, we indicated that the €8 million/\$12-13 million Australian dollars was a bit over 2 per cent of the contract price on that particular vessel. At the time the Minister was satisfied, as we were, that we had to do that to break a logjam.

CHAIR - Was that a letter or a meeting note?

Dr BUGG - There's a meeting note of that. And a letter, yes.

CHAIR - So you'll provide the letter?

Mr WILLIE - I think you sent a letter to him on 25 April 2024. The approximately six months after he received that advice from you, he was asked in this place, at a parliamentary Committee, whether there was any change in the cost. He said it was a fixed price contract, despite the impacts the Chair indicated earlier, it is a fixed price. Therefore, there is not a view that the price has changed.

Dr BUGG - Look, I wasn't in the house, I didn't hear it. That's what our records show.

Mr WILLIE - Okay. It will be a matter for the Parliament to determine whether he was misleading in that statement. He had advice to the contrary.

Dr BUGG - Well, I've just told you what we did. We informed both the Minister and the Treasurer. My note of our records.

CHAIR - What date was that?

Dr BUGG - April 2022, late April. I think I've got the date.

Mr MAYCOCK - 25 April [2022].

Dr BUGG - I'm sorry this is taking some time but it's also providing the Committee with information that it desires. Then we had, as I say, no contract, but we were looking for access to the site, and we were looking for tenders to undertake the work. The job that we felt we had to do because of where we were at went out to tender. We accepted, by indication of preferred tendering, a joint venture of Hazell Brady Marine, which for brevity is HBJV. There were a number of attractions about that. The first was the price. The second, which appealed to us, is that they were working on a working port for modifications across this development, and we had to finger joint in somewhere with those works for the completion of the works we were required to undertake to make this a working port that we could use.

The questions of delay around access and what that meant to us, and how it affected us, I would be grateful if we could come to that when we go to open question session. Will started work with us in August 2022, and he's there for that exercise and what it means. When, in the later part of 2023, there was communication between representatives of our MC and the company, they were indicating that there was financial difficulty. There was no particularity in it in a sense of, 'This is where we're at, this is what our profit loss looks like, this is what the build is costing us' and what have you. We were getting bank guarantees for every payment we made, which is a fair indication that they have equity to underwrite or back those guarantees with their bankers.

The problem we were confronted with at that stage was on three fronts. We were dealing with a shipbuilder, we were dealing with Geelong Ports, which we opened in October 2022, and we were dealing with TasPorts and the works that were going on there.

We agreed to a figure under our negotiations with HBJV of \$152.3 million. That was their tender price for the works. In 2023, and I cannot give you the precise date, it was indicated that that price was actually going to be \$229 million not \$152.3 million. That created some difficulties as far as the company was concerned. By the time we withdrew from the preferred tenderer position we had with HBJV, the government had chosen to go to the polls and we were in caretaker mode, and we were also receiving pressure from RMC in Finland for more assistance with their builds of our two vessels.

When we talk about a bailout of the company, there was no aspect of that money, that €50 million that we paid, that went to any other aspect of the company other than their contractual commitment to build for us the two vessels.

How do we go through that? We ran probity past it. We had legal checks being undertaken on a weekly basis from our solicitors in Europe to determine whether there were any rumblings about the financial viability of the company, it being a recognised tactic that you sometimes negotiate towards the end of a contract like that for a price increase. We needed to determine whether what we were dealing with was a genuine situation or some tobacco chewing.

The negotiations that then were undertaken involved both Mr Dwyer and Ms Kim Sayers, who is with me - our Chief Financial Officer - travelling to Finland to undertake their own inquiries at a very close level of the correctness or not of the position that was being put to us. We satisfied ourselves that that was the position. By March, which was when we were in caretaker mode, the board had to have two seriously important sessions to consider whether or not we made the recommendation.

We obtained Treasury advice that because we were operating with an existing contract, what we were proposing to do did not require observation of the normal caretaker convention of notification. I think we've informed you of that already. As far as that is concerned, as I say, we are in consultation with Treasury and we proceeded then to negotiate that increased payment to RMC.

CHAIR - Just in that caretaker mode, you still had a caretaker Minister during that period?

Dr BUGG - Yes.

CHAIR - So there was no information provided to the caretaker treasurer and caretaker shareholder with regard to this?

Dr BUGG - We had communications not specific with both the Opposition and the Government and caretaker -

CHAIR - I want to focus on this. I know there were discussions with them. We talked about that last hearing.

Dr BUGG - Yes.

CHAIR - But there was no information directly to the Caretaker Treasurer -

Dr BUGG - That's right.

CHAIR - At this point.

Dr BUGG - That was on the advice that we received from Treasury as to how we should proceed - whether we had to go through that process or not because we were moving - we had to move really quickly.

CHAIR - Clearly there was evidence from RMC that there were world challenges that they were facing, the Ukraine war particularly.

Dr BUGG - It was more than that. What RMC put to us that accelerated our consideration of it was - and they have similar corporate provisions in Finland that we have here - was that they were getting very close to the risk of trading whilst insolvent.

CHAIR - I understand that. So, when was that first indicated to TT-Line?

Dr BUGG - That level of emphasis was in March 2023. We met on 15 March, from memory, because I missed that meeting. I was out of the State and I couldn't operate.

CHAIR - I want to take you to - that's the crisis.

Dr BUGG - Yes.

CHAIR - Crises rarely occur without some lead-in. When was the management first aware there were challenges with RMC in the price of steel, all those areas?

Dr BUGG - Look, late the year before but it wasn't seen, and I think with some justification, as being a red flag. We were not provided with anything that would make us feel that it was anything other than a negotiating attempt.

CHAIR - When did the management notify the board that this was something we needed to watch?

PUBLIC

Dr BUGG - Part of the communication was at board level. There was some discussion at the launch of vessel number one between a board representative and the chair of RMC, and it was seen as nothing more than, 'Look, things are tight.'

CHAIR - So when was this?

Dr BUGG - That was in October 2023.

CHAIR - Okay. In October 2023, was there any information provided to the shareholder Minister at that time? In the monthly meeting that you have, was there any flag? Clearly, it's not a red flag, not a crisis at the moment, but there's concern at board level. This could be obviously a massive financial commitment from TT-Line.

Dr BUGG - We had no indication at that stage, of any amount of money.

CHAIR - I'm not saying you had an indication of that, but there was concern.

Dr BUGG - But you're saying a massive financial commitment -

CHAIR - You've got a massive financial commitment in buying two vessels.

Dr BUGG - We've got a massive financial commitment, but it is all underwritten by bank guarantee, every cent.

CHAIR - Yes, I understand that.

Dr BUGG - If they went under, we would get our money back but we would then be two years behind, nearly three behind the eight ball. So, what we were -

CHAIR - So because of that, was the Minister informed of those concerns? If they had become insolvent and the vessels, whatever stage of construction they were at, were tied up in the legal carry-ons, as we know happens, that was obviously a risk. Surely that was a risk that the Board would have considered?

Dr BUGG - We certainly were aware of it at a board level but the emphasis of it at that stage was not that we were looking at a trading whilst insolvent situation, a need for X amount of euros, but what we were hearing from the Chairman in a casual social conversation at the launch of the vessel that things were tight. As a consequence, rather than push a red button, we were aware of it and we then engaged our European lawyers to undertake some monitoring, and we required our people on the ground in Finland - we've got employees at the yard - to be abreast of that.

CHAIR - I will go back to my question. Did you inform the Minister -

Dr BUGG - I can't tell you because -

CHAIR - In their monthly meetings?

Dr BUGG - I would need to check the minutes of those meetings, our records of those meetings, but -

CHAIR - Perhaps if you could provide copies of those minutes of those meetings, TT-Lines' records of the meetings?

Dr BUGG - It was certainly not a red button, but it was a concern to this extent that someone in the company was saying this. It still wasn't either a crisis or something that you would elevate on your risk register to a point where you would be notifying the shareholders in a corporate sense.

CHAIR - Yes, in a corporate sense, but operating under the government's principles that GBEs and state-owned companies are required to, there is a different level of onus, if you like, to keep that relationship with the Minister on behalf of the people of Tasmania.

Dr BUGG - What had happened over this period was that we had had a request because of the way a shipyard runs with subcontractors because a lot of the work was being built at the CRIST shipyard in Poland and you've got to pay for the receipt of the blocks that were coming from CRIST.

They asked us to alter the schedule of payments so that their revenue was in place to pay for these items as they arrived and what did that indicate to us? Not that they were unable to pay because they were paying on the basis of forward payments from us, for which we got bank guarantees. That's how it works. Therefore, we altered the payments to meet the schedule that they asked for. Then there was a slight variation of that at the beginning of 2024. I can't give you the precise dates.

CHAIR - We've got some of this information already. I'm just trying to understand the communication between the company and the shareholder Minister.

Dr BUGG - Okay, but you're saying did it trigger the need to? (handed advice) Thanks, well, that's helpful. On 17 January -

CHAIR - 2024?

Dr BUGG - 2024. Let me go back to a comment that is important to understand. A social comment at a ship launch and then some changes to the schedule of payments is no indication that the company's -

CHAIR - I'm not suggesting that. I am just trying to understand how you've operated the company in relation to the people of Tasmania. Through the Minister.

Dr BUGG - Okay. Was there a cause for us to push a red button? In my judgment, no.

CHAIR - I'm not talking about pressing the red button. I'm talking about informing the stakeholder Minister.

Dr BUGG - Okay, but at that stage I would have said not, because this is part of a commercial transaction which is guaranteed by bank guarantees. However, we received a letter from RMC on 16 January [2024] actually stating the financial position of the company. Up until then there had been nothing to indicate that there was that level of problem and on 17 January [2024] the Chairman phoned the Minister to let him know.

PUBLIC

CHAIR - I'm sure the Chairman would have kept records of that.

Dr BUGG - He did and I think he should tender it in due course.

CHAIR - No, no.

Dr BUGG - He's got records.

CHAIR - Right, but he's no longer a member of the company. When he appears at a later time, I'm not sure he's at liberty to provide that information. If it's a record of the company, maybe you need to provide it.

Dr BUGG - Well, I haven't read it and I'll provide it when I've had an opportunity to read it. I think anyone would say you don't tender documents until you know what's in them and I think I'm entitled to that level of fairness.

CHAIR - I'm not suggesting that you're not, but I'm just trying to understand what was in that communication.

Dr BUGG - I will assure you that the -

CHAIR - Well we'd like it today.

Dr BUGG - Certainly.

CHAIR - I assume you are nearly finished.

Dr BUGG - Yes, I have.

CHAIR - Because we're running out of time to get to questions.

Dr BUGG - We will make available to you the email which we received from RMC on 16 January [2024] and I will make available to you the file note that was made by the chairman in relation to that, what his reaction was to that email. Then, there was an additional teleconference with the Minister regarding that situation the following day on 18 January [2024], and that followed a videoconference that the chairman had had with RMC that day, so it was an updating of information. We were now looking at a situation that had problems for us to consider.

CHAIR - It is fair to say at this meeting then - without you telling us exactly what's in that - that the Minister was informed of the serious nature of the financial situation there?

Dr BUGG - Certainly, what was being put to us, which in itself would indicate that RMC needed extra resources to complete our contracts, so that's serious.

CHAIR - So, the Minister was made aware that there was likely, or there was a live request -

Dr BUGG - Yes.

PUBLIC

CHAIR - for additional money to help RNC complete the job on 17 January [2024]?

Dr BUGG - 17 January at nine minutes past midday.

CHAIR - Right. Do you want to finish?

Dr BUGG - I'll very quickly finish that because it covers the situation that you've obviously started this review about. That was the complaint that we'd breached caretaker convention in relation to the payment that we ultimately made. I'm happy to answer any question about why we determined that we had to do it or whether we waited for the bank guarantees to come back and start again.

That summarises the environment which the company was operating in at that time. We tend to overlook the impact of COVID on a company whose other port of call is Victoria, which was in lockdown, but freight was not. If it hadn't been for freight, I think we would have had real difficulties in justifying our continuing to operate during that time, which would have put people out of work and what have you.

CHAIR - We're keen to look at the financial impact of the increased payment to RMC, but also the work at the Devonport port. I know Bec had some questions on this and I'm sure you have.

A member - I have questions on the Devonport port.

Ms THOMAS - I come back to one of the things you raised earlier in relation to the role of TT-Line not as a port infrastructure company, but as a ferry company. I just want to be clear about a couple of things there. What led TT-Line to the decision to undertake the capital works despite one, not owning the land and two, not being a port infrastructure company? You've talked about that perhaps TasPorts didn't want to, and you were reluctant to take on that work. Can you be really clear about what led to that decision?

Dr BUGG - We had no choice. We had embarked upon a consideration of our business case in 2017 and part of that was a consideration of what was the appropriate port facility, and what was an emergency port facility in the event that we needed it. The only available facility that we can run our business out of in Tasmania is Devonport. We're a captive audience. Who owns the site? TasPorts. How do we negotiate a comfortable position with them? Well, what do they want and what are we prepared to go to? We explored every way possible that someone else would build this infrastructure for us, including, as I read to you from the emails, which I'm happy to disclose, that we take the land and then engage with another party independent of TasPorts to build the facility for us, and we lease it from them.

There are good reasons why TasPorts wouldn't like that, but there are good reasons why we would because we wouldn't have to build the infrastructure. We finished up, as part of the AFL which we ultimately signed, there was an understanding within that document that was given to CCMC or something.

Mr HARPER - The construction management agreement.

PUBLIC

Dr BUGG - A construction management agreement where we were loosely committed to have TasPorts supervise or project manage the construction of our allocated works. In the end, for reasons which I'm happy for you to ask questions of Will about, it was deemed not the best way forward.

Ms THOMAS - TasPorts suggests that at numerous points they offered to manage the project. Are you saying that's not the case?

Dr BUGG - They were prepared to enter into an agreement with us to manage it. They were quite amenable to having those discussions. We actually took them up on it. When the Board approved the signing of the AFL in July 2022, part of the yet-to-be resolved provision was what level of supervision and responsibility TasPorts would take for that work. It was always in the background that TasPorts would, might, and in the end not, supervise those works.

Ms THOMAS - That was all, in essence, part of how the AFL ended up, how that agreement ended up was that TT-Line would manage the project and TasPorts -

Dr BUGG - Yes. We would engage resources to do that ourselves.

Ms THOMAS - You're saying that's because TasPorts didn't want to manage it?

Mr BUGG - No, not that they didn't want to, but that the terms under which they were proposing to do it were in the end not suitable from our perspective. I would ask Will to comment about that.

Ms THOMAS - So TT-Line considered that there was more risk associated with the terms that under which TasPorts were offering to manage it, than TT-Line taking on the project despite not having the experience or qualifications to do so?

Mr HARPER - The way that agreement worked was it was more of just a schedule of rates of different people with a price per hour. It wasn't as if all the risk associated with doing the work would become TasPorts' to bear. It was more that they would source people to be able to perform certain functions under direction of TT-Line to complete those works. It wasn't as if they were doing the work, as in taking all the risk for it. They were just providing people externally to work within TT-Line.

Ms THOMAS - Thank you. I guess I'm just trying to understand, not having seen what one of these types of agreements for lease looks like, how the responsibility is allocated across them.

Mr HARPER - All the risk with the development was still sitting with TT-Line.

Ms THOMAS - That's what TasPorts didn't want to take on despite being the owner of the infrastructure?

Mr HARPER - Correct.

CHAIR - Can I just follow up - when TasPorts say they offered, more than once, to take on the whole project, it seems a bit contrary to what we're hearing. Can you clarify what the

barrier was here? As you said, Damian, you are a ferry operator, you don't deliver infrastructure generally. TasPorts said to us that they offered more than once to take over that job and deliver the infrastructure.

Dr BUGG - No, I don't think that's quite how it was ever put to us, that they would take it over and deliver it to us. We were going to carry the risk of the project and the cost, and that was something that we needed to be satisfied about. Hence, we were happy to sign. Well, not happy, but we signed the AFL, but didn't finalise the terms of what level of supervision or assistance we would be paying for, for TasPorts to undertake the work that they were proposing.

CHAIR - So you reached a stalemate basically, is that what you're saying?

Dr BUGG - We reached the point where we were looking at an agreement that would trigger when it was needed for us to commence our work. The more we looked at it, as we got closer to it, as Will says, there was no point in proceeding with it. We might as well, if we're going to carry the risk for it, have a direct control of the people who are doing the work.

CHAIR - Is that the reason then that you declined TasPorts' offer?

Dr BUGG - In the end, yes.

CHAIR - Then it all fell to TT-Line to complete the work, and now we haven't got the work. We have a vessel on the way and no port for it to berth in.

Dr BUGG - We cancelled the construction contract management agreement on 6 February 2023. After that, I would say we had regular reports at a board level that we were having difficulty gaining access to the relevant portions of the site to enable us to undertake the geotech surveys.

CHAIR - As TasPorts will claim, and have claimed in writing to us, we've always had access for geotechnical assessment. Are you saying that you were denied access?

Dr BUGG - We had access for some geotechnical assessment, but not in the critical area we needed to do. As part of this above pavement construct, we're putting in a 1,500 tonne gantry. As we all know, it has to have good foundations. That's where the geotech work that we've now undertaken has shown that we would have been foolhardy to rely on the geotech information that was provided to us by TasPorts in the best will in the world, expecting that there would be a consistency in the subterranean element that we were dealing with.

In fact, I was on site up there about a week and a half ago and I was informed by the engineer from the new company that the differences from me to you are such that we're looking at, instead of an ordinary pile-driven pile to make the foundation, we've got to drill down 45 metres to find -

CHAIR - And some of it's quite solid rock, as I understand.

Dr BUGG - Yes, and it can't be pile-driven, it's got to be drilled. We would not have known that if we had just relied on those portions. There was a big barge in the way and William

PUBLIC

could probably demonstrate that. I've got some black and whites which are not much use but we'll make that available -

CHAIR - I'd be happy to hear from William as to what the actual barriers were here. What couldn't TT-Line do with the access they had that may have impacted on the delivery of this project?

Dr BUGG - Certainly.

Mr HARPER - Yes. We were unable to complete the geotechnical investigations at the relevant areas. Given the site has such a variable underground profile with the rock materials, it's incredibly critical that you get the study done at the particular locations where the foundations are located and most of the critical foundations for us are located around what they call the 'berth pocket', which is a little bit north of where the reclamation was constructed. That's an area in the water that access to do this work was restricted due to the ongoing work to construct the wharf through TasPort's contract. So, in that work it had quite a significant barge and other material and plant floating around that prevented access to do the investigation at those particular locations where we required it the most.

CHAIR - And that's created a delay?

Mr HARPER - Correct.

CHAIR - So what sort of delay?

Mr HARPER - Significant. We wanted to get access to complete that investigation in that area at the end of 2022. We've only been able to get access to complete that in May [2024] of this year.

CHAIR - So May 2024?

Mr HARPER - Yes.

CHAIR - Obviously that's created a significant delay. We know there's a proposal - this is going on a slightly different tack - there's another proposal from TasPorts to spend a lot of money on Berth 1 to try to make it fit for purpose for both vessels, and then do some work for Berth 2 to accommodate Chas Kelly's requirements, and prioritise that work and let Berth 3 roll on.

I don't know how much you can answer this but -

Dr BUGG - I'm sorry to interrupt, Chair, but we're not prioritising -

CHAIR - No, you're not. No, no. Let me get to the question. In terms of Berth 3, if it was all hands to the till, you had full access to do what you needed to do, how long do you reasonably think it would take now to deliver that infrastructure that TT-Line is responsible for?

Mr HARPER - It was an 18-month program.

PUBLIC

CHAIR - So from now or from a date prior, like May 2024?

Mr HARPER - So, the date that we signed the contract with BMD was July [2024] and that had a completion date of January 2026, so it's roughly 18 months.

CHAIR - Regardless, that's how long it's going to take?

Mr HARPER - Correct.

CHAIR - Even if it was all hands to the till?

Mr HARPER - Yes, correct.

CHAIR - Right. Did you have a question about that, Josh?

Mr WILLIE - Yes. I'm interested in your advice to the Minister at the time around these timelines. He appeared before this Committee and acted like he was surprised that the preferred tender had been cancelled and that it was his expectation, during the caretaker period, that you'd be operational in August 2024.

What sort of advice were you providing to him around the construction timelines and when you'd be operational at Berth 3?

Dr BUGG - The advice to the Minister varied towards the end of 2023 when we were starting to look at alternatives if we were not finished on time, and a term that was used was 'at grade' or 'around the world', which were different loading methods that would enable us to bring the new vessel to Berth 3 without the completed gantry position so that it could be loaded and unloaded. They were the terms used, but we were looking at them as alternatives if we didn't have the job finished by the arrival date of the new vessel. That was towards the end of 2023. I'm happy to make those minutes available if they haven't already been.

Mr WILLIE - For people who aren't experts on loading ships, can you go into detail what 'at grade' and 'around the world' means in practical terms?

Dr BUGG - I can do 'around the world' because I know the former chairman expressed intense irritation at the term, but what it means is that you load the vessel from one deck to the next, which is like a hurdy gurdy, I guess.

CHAIR - Spiral.

Dr BUGG - A spiral. Thank you, better word.

Mr WILLIE - That takes longer?

Dr BUGG - It takes longer, yes. 'At grade' is - Will, do you have a better definition for 'at grade'?

Mr HARPER - That's how I've always referred to it, deck three loading.

Dr BUGG - 'At grade' or 'around the world'?

Mr HARPER - It is without the gantry and all the other overarching ramps in place.

Ms SAYERS - It is entry and discharge at one level as opposed to the three levels.

Mr HARPER - At once, which takes longer too.

Dr BUGG - Yes.

Mr HALL - There are internal ramps on the ship which can be modified to allow vehicles to enter and then work their way up to higher decks where normally they would have gone straight into those higher and lower decks at different times.

Mr WILLIE - You were providing advice to the Minister in December 2023 that you weren't going to be fully operational with the gantry by August 2024?

Dr BUGG - I'm not certain about that. We were certainly indicating that time was getting tight and that we were looking at alternatives. When you say we were looking at not being able to have the vessel berth at 3, I would need to go back to that minute, but I know we were talking about alternatives.

Mr WILLIE - The assessment of the Minister when he appeared before the Committee was that he was surprised that the tender had been cancelled in caretaker, and it was his expectation prior to caretaker that you'd be operational at Berth 3. It seems like there were other options being discussed.

Dr BUGG - We weren't considering the termination of the preferred tenderer position at that stage. The preferred tenderer position became a question for us to examine when price point and timing became important to us. Well, they were always important to us, but something we needed to reconsider and that was after Christmas and in the new year of 2024.

Mr WILLIE - But we've just heard that it was about 18 months to go down that path and have it ready for operation, so the Minister was fully aware of that.

Dr BUGG - I don't know whether he'd ever been advised of the term from start to finish of the contract. I wasn't a party to those meetings. I'd need to check the records we have. I'll make them available to you.

Mr WILLIE - Taking on notice, any advice provided to the Minister around construction timelines for Berth 3 and when it was provided.

CHAIR - According to a response from the Treasurer that we received following that hearing, he refers to joint CEO reports and CEO reports to him as Minister.

Dr BUGG - Sorry, when you say following, this is a submission to you?

CHAIR - Yes, he provided some information to the Committee.

Dr BUGG - Alright, I haven't seen that.

PUBLIC

CHAIR - No, it's not in the public realm as yet.

He was responding to questions he took on notice around communications. He also talked about that the meeting on 10 November [2023] where there was an expectation that both TasPorts and TT-Line would work together to deliver this project. There were to be monthly reports. I assume their reports would be in writing, in reporting to the Minister on the progress?

Dr BUGG - Yes.

CHAIR - I'll ask first if you can provide the reports from your perspective, the company's perspective.

Dr BUGG - Yes, if you can give me the date of the report.

CHAIR - There was a report that was apparently received on 28 February 2024. The month of January's report was received on 1 March [2024], which seems a bit strange. So, I am not, if you could -

Dr BUGG - 28 February - a report dated 28 February [2024], or received?

CHAIR - Dated 28 February.

Dr BUGG - Yes.

CHAIR - I would like to see that report.

Dr BUGG - Yes. And there was one in January [2024], you say?

CHAIR - The January one was apparently received in March. I am interested in seeing both those two reports, but also were they sent late or were they lost in the system?

Dr BUGG - I will make inquiries.

CHAIR - If you could tell us when those reports were sent to the Minister -

Dr BUGG - I do not know whether they were sent from TasPorts or TT-Line or both. I suspect they were joint reports, so it would depend on who signed off on it last.

CHAIR - That is the question. I am just asking what TT-Line know about that.

Dr BUGG - Well, I will see if we can answer it. If we cannot, we will notify you and TasPorts can answer it. Does the Minister say when in March [2024] that was received?

CHAIR - It was 1 March [2024]. There was also a March report. I am not sure what date that report was prepared, that report as well, the date it was prepared. That was, and obviously we know what happened in March, in the middle of March. There was an election called. That was received later in April [2024]. But I would be interested in those reports that were provided and the dates on which they were sent.

Dr BUGG - When the reports were prepared and when sent -

CHAIR - We'll write to you with this information to seek that.

Dr BUGG - We will try to obtain that. As I say, there may be a qualification and that is that the final copy, the original of the report left TasPorts to go to the Minister and not us.

CHAIR - It could be. In which case we can ask them for that.

Dr BUGG - Of course we have the same Minister.

CHAIR - Yes. But I understand that some of these reports were delivered during the caretaker period. You spoke about taking advice during the caretaker period, you said you went to Treasury for advice.

Dr BUGG - About the payment to RMC.

CHAIR - That was the only matter you went to Treasury about advice, not anything to do with this likely issue in terms of the cost escalations at Berth 3?

Dr BUGG - There had not been a cost escalation until we received the notification from HBJV, and I am not sure when that is, because they were the preferred tenderer, they were the only one there, they had come in with a price of \$150-odd million and suddenly it went up to \$227 million, I think.

CHAIR - That is right. You have already mentioned that.

Dr BUGG - I need to get the date for that for you.

CHAIR - So, you did not seek advice around that matter under the caretaker convention, if it came in during that period?

Dr BUGG - No.

CHAIR - Can I just ask why you went to Treasury for caretaker convention advice as opposed to DPAC? DPAC generally manages that.

Dr BUGG - I could not tell you, but it was because we were looking at a payment, and a payment of some substance. I suspect our first port of call would be Treasury.

CHAIR - And Treasury provided the advice, not DPAC?

Dr BUGG - Treasury provided the advice to us. They examined the caretaker convention and said to us that it was not a transaction, that it was a new transaction, it was under an existing contract. That is the simple summary of it.

CHAIR - I will come back to you, Josh, if you are going to touch in on this.

Mr WILLIE - On 12 August [2024], the former chair issued a statement saying that the company disputed some of the evidence presented on that day, and that they were looking

PUBLIC

forward to setting the record straight. What part of the Minister's testimony does the company dispute?

Dr BUGG - I did not see that press release before it went out. You need to ask the former chairman.

Mr WILLIE - He was later asked to resign. Why do you believe he was asked to resign?

Dr BUGG - Well, you had better ask the people who asked him to resign.

Mr WILLIE - So does the company have concerns around the timelines that the Minister was talking about and the advice provided to him?

Dr BUGG - What do you mean?

Mr WILLIE - Well, he acted like he was surprised that the tender had been ripped up in caretaker. He's saying that he was expecting to be operational at Berth 3 in August [2024], knowing that it might have taken 18 months to construct the gantry and everything required.

Dr BUGG - Look, the preferred tender document was not ripped up. It's a position we reached with the company, that they were the preferred tenderer for the reasons I've outlined. We also gave them a letter of comfort which effectively said, 'look, there are preliminary works you can do and although we don't have a contract with you, if you do them we will meet or' - letter of commitment, not comfort, letter of commitment - 'we will meet the cost of those works' and we've actually done that.

Mr HARPER - Yes.

Mr BUGG - How much have we agreed?

Mr HARPER - How much have we paid?

Mr BUGG - No, we cannot say that publicly I am told, but we have therefore, not torn up a document, our commitment with them was that letter of commitment. Their understanding that that provided them with was the assurance that any preliminary work they did would be paid for irrespective of the outcome because they were still a tenderer, but the preferred tenderer.

When we reopened tenders, we didn't rip something up but what we said was 'look, we need to just check this, we've just had an indicated price increase, we'd better go back to the tenderers'. So, it was a legitimate commercial decision on the part of the company.

Now, what were the reasons? I think I've tried to explain the need for us to clarify with ourselves whether we were getting value for money. We then had the tender process and when I say 'ripped up', we had the tender process examined by our expert advisers, we had it examined for correctness regarding what we were doing, and we were advised that we would have better value for money in accepting the alternative tender.

PUBLIC

Mr WILLIE - I understand all of that and let's say that you proceeded with that company, the timelines that the Minister stated here under testimony were not accurate. We're hearing it might have taken 18 months.

Mr HARPER - I should probably just add something to that. The 18 months was what we learnt from the contract that we signed. That incorporated a lot of the recent information from the site and some other elements. So, what might have been communicated prior to that would have been the advice, potentially, from the previous contractor that we were working with. So, it wasn't always 18 months. Throughout the course of the project as we learned more we learned things would take longer.

Mr WILLIE - Unrealistic to have it operational by August 2024 as he stated.

Dr BUGG - Could you tell me what it is you're saying the Minister said?

Mr WILLIE - The Minister came to this Committee. He said that he was surprised that the tender had been ripped up, I'm not exactly sure of the terms -

Dr BUGG - I'd really like to know what the evidence is because, quite honestly, I haven't read everything that's in the newspaper. I currently don't get the newspaper delivered because I'm having an arm wrestle with Rupert Murdoch over delivery costs.

Mr WILLIE - I think he said that he was disappointed that it hadn't progressed, that he was surprised that it had happened in caretaker, and up until April 11 [2024], it was his expectation that things were progressing as planned and that you'd be operational at Berth 3 in August 2024.

Dr BUGG - I will undertake to examine what level of communication there was between the company and the Minister during caretaker mode.

Mr WILLIE - And prior.

Dr BUGG - And prior.

Mr WILLIE - Around the timelines for delivery?

Mr BUGG - Yes.

Mr WILLIE - Okay.

Mr EDMUNDS - I want go back to something a bit earlier.

CHAIR - Just follow this little bit and I'll come to you, Luke. Just to get it clear, when did management know that there was going to be a delay to the berth infrastructure? When did the management first become aware?

Dr BUGG - That Berth 3 would not be completed in time for the arrival?

CHAIR - In time to receive the new *Spirit*.

PUBLIC

Dr BUGG - We were becoming concerned towards the end of 2023. That's when we started to look at alternatives. When I say, we're becoming concerned not knowing -

CHAIR - You're talking on behalf of the Board or the management?

Dr BUGG - Well, the feedback to us, to the Board was from management.

CHAIR - So then the Board was first notified at the end of 2023?

Dr BUGG - Sometime in late 2023.

CHAIR - That would have been then reflected in the board minutes?

Dr BUGG - Yes.

CHAIR - Can you indicate which board minutes that I would look at, acknowledging that we've got those confidentially and we certainly won't be disclosing them. I'm just interested in which ones I should look at. I can't access anything on my computer right now, which is extremely frustrating.

Dr BUGG - No, no.

Mr WILLIE - There was a meeting with the Minister on 21 December [2023]. The former Chair, when he appeared here last said:

the CEO and I advised the Minister that running Berth 3 prior to assembly of the gantry - that's the main infrastructure that is required - is being considered

which is the at ground -

Dr BUGG - And around the world.

Mr WILLIE - And around the world, yes.

and TasPorts have suggested running both the new and old vessels from Berth 1 in the meantime until Berth 3 is available and the Company is investigating that option, noting that the process will need sign-off by the Harbour Master and any impact on SeaRoad will have to be considered.

So, it sounds like at that meeting the Minister was being informed of the challenges that you were facing.

Dr BUGG - Yes. And that if we couldn't properly load and unload from Berth 3 with that at grade around the world, then obviously TasPorts were saying to us, 'You should look at Berth 1'. That's the matter that's under review at the moment.

Mr WILLIE - Yes. I'll look forward to the question on notice, but we do have evidence that what the Minister was saying might not have been entirely accurate.

CHAIR - We'll have to line that all up.

PUBLIC

Dr BUGG - That's a matter for you to decide. I will not resist any application for evidence because we respect the work of this Committee.

CHAIR - Can I just take you back, you said that the Board was first made aware at the end of 2023 of the delays likely to the delivery of Berth 3. I'm just saying when were you first concerned?

Dr BUGG - I can't tell you when I was first concerned, I can tell you when in approximate terms and it was towards the end of 2023.

CHAIR - Prior to then there was no concern that it was going to be delayed?

Dr BUGG - Well, we were concerned and had expressed concern about the lack of access to the site to enable us to undertake the surveying but, as has been pointed out to you by the Chair of TasPorts, we still didn't have a contract with either HBJV or as it now turns out BMD. We couldn't have a contract with them until we had the finer detail from the geotech because no contractor's going to sign a contract to build a 1,500-tonne gantry without proper geotech. So, the signing of a contract became a problem but to advance it we gave them the letter of commitment so that they could actually start doing preliminary work to hit the ground running when we had a contract and proper geotech. We were doing things to facilitate the proper completion of the works even though we were still in the water, so to speak. We were standing still waiting for proper geotech responses and there seems to have been a lack of understanding of what we were on about.

CHAIR - Let me cut through a bit here. It's been clear for some time that it's going be impossible to deliver a fully operational Berth 3 with all the graded boarding or whatever you call it.

Ms THOMAS - Loading and discharge.

CHAIR - Yes, that's right, on the expected date, as the first new vessel arrives and subsequently the second one. That's been pretty apparent for some time to the board, it would seem. During that time, has the Minister been advised? One would suggest, yes, because on 10 November [2023] - according to his evidence - he called a meeting of both TT-Line and TasPorts and then appointed Mr Gemell as an interrogator to actually look at this situation. Now his report's been provided to the Committee.

Dr BUGG - Actually, an 'integrator', not an 'interrogator'.

CHAIR - It was something like that.

Dr BUGG - Well, it probably feels like that.

CHAIR - Yes, integrator. It's a weird name.

Clearly, on 10 November [2023], there was concern enough for the Minister to do that, so something must have led to that concern and that's why we're keen to see these minutes of your meetings to say, what's been going on here?

PUBLIC

Dr BUGG - Well, the Minister's reasons for appointing the integrator I always interpreted as being a consequence of the inability of the two companies to come to some point of commonality.

CHAIR - Which has been going on since 2022.

Dr BUGG - For access, yes.

CHAIR - I'll go to you then.

Mr EDMUNDS - If you want to stay on related stuff, it's fine.

Mr BEHRAKIS - My understanding was that the Minister's expectation was that the upgrade solution would be ready by August - not the full build - and that the August 2024 timeline was communicated to the Minister by TT-Line prior to the election and the decision to rescind the previous tenderer.

Dr BUGG - I don't think there was a communication before caretaker to rescind because -

Mr BEHRAKIS - No, sorry. The August 2024 timeline that was communicated to the Minister - and up until the election that was the advice from TT-Line and the subsequent decision to change tenderer - is that correct?

Up until the election got underway and caretaker started, the advice that was being provided from TT-Line to Government, to the Minister, was that the timeline - as the Minister understood it - was August 2024.

Dr BUGG - It was achievable.

Mr BEHRAKIS - Yes.

Dr BUGG - Look, I need to check the record on that because, as I say, there was discussion around the alternative process and whether or not we would be able to facilitate loading and unloading of the new vessel at whatever existed at Berth 3. I don't have a record of that in my mind. I will need to check the record.

CHAIR - When you talk about the alternative options, one of them was running the current *Spirits* for longer until this could be constructed, as you said earlier, and I understand that those vessels are to be sold, so, are they under contract to be sold?

Dr BUGG - No.

CHAIR - They will go on the market at a later time?

Dr BUGG - We've indicated that when we're up and running with the two new vessels, we will have two well maintained and functioning ferries for sale.

CHAIR - So there is no contract for sale?

Dr BUGG - There's no contract for sale. There's been interest and actual visits to Tasmania to inspect the ferries by interested parties. No figure has been mentioned to us and we've not sought, at this stage, the indication of a figure because we're really not in a position to do so.

What we're looking at in concertinaed form is a progress of change interference - and I don't say that in any sense other than pandemics and wars and other issues - over a period of three years. If you look on the internet, you'll see the sort of problems that confront any organisation that sets about improving port infrastructure and replacing ferries. New Zealand is the closest one at hand. Just google the 'Cook Strait Ferries debacle' in New Zealand, where the Government has intervened and actually stopped the contract for two new ferries and the upgrading of the northern and southern berth facilities for them. Estimated cost as at this moment is \$3 billion.

Now you know, they are the waters we've been navigating and we've been trying to navigate them in a way that we have a level of understanding and there are some things that happen, as I said to you, someone comes up to you and talks at a vessel launch about how tough things are. Do you report that back to the Minister or do you -

CHAIR - No, we're circling back, no.

Dr BUGG - Yes, I know, but you seem to be looking for a higher level of notification or communication about some happenings.

CHAIR - No, I asked a question about the sale of the other vessels. We'll go to Luke.

Dr BUGG - Yes, well, we haven't sold them. They're not on the market at the moment.

CHAIR - Sure, that'll do.

Mr EDMUNDS - I just want to go back to earlier when we were talking about the first adjustment to the contract with the extra €8 million and A\$13 million. As we've been over already that was communicated to Minister Ferguson on Anzac Day 2022, but the statement that Mr Willie read out at was at Government Business Estimates later that year. Can I just confirm that between that letter in April [2024] to when Mr Ferguson appeared at Government Business Estimates, there was no adjustment to that advice, that the advice that he received on Anzac Day that year was still relevant when he appeared before that Committee?

Dr BUGG - I assume so because we made the payment.

Mr EDMUNDS - Yes. I'm just confirming that the price had changed, the Minister was aware of that fact and therefore his statement that there had been no change has to be untrue.

Dr BUGG - Sorry, when you say the price had changed - we had agreed to make a payment to RMC for increased costs to steel for one ferry.

Mr EDMUNDS - Yes, but then he had told the Committee that there was a fixed price contract and that that price had not changed. So that information must be false.

Dr BUGG - I'm not going to -

Mr EDMUNDS - Okay, perhaps from the advice given to the Minister by TT-Line, that information was incorrect?

Ms SAYERS - We entered a contract with RMC to potentially increase the contract price for up to €8 million based on steel, but it was subject to them proving through supplying invoices that they had actually paid that increase. There were conditions, if you like. We needed to give them that commitment for them to place the order for the steel. That was what RMC needed, but they then - we didn't make the payment at that time. I have to go back and check the date that they actually provided all the invoices and we interrogated it.

So, they had to prove; it wasn't 'Here's €8 million'. Off the top of my head, I can't remember what date we made that. There was the potential that we wouldn't make it, although personally it was a very low chance. I can come back and give you the date that we ended up actually making that. I don't know off the top of my head.

Mr EDMUNDS - So was it a fixed price contract or not?

Ms SAYERS - The contracts we entered into were fixed price contracts, yes.

Mr EDMUNDS - Until they weren't. Until you sent the letter to the Minister?

Ms SAYERS - Until we entered into a change in the contract price.

Mr BEHRAKIS - That was the meeting in December 2022.

Mr EDMUNDS - I'm referring to the letter sent from TT-Line to Minister Ferguson on 25 April 2022 which advised him of the extra payment which then feeds into him appearing at GBEs later that year, where he says that there hasn't been a change even though there appears to be evidence that there was a change.

Mr BEHRAKIS - Right, because -

Dr BUGG - I see why you're asking.

Mr EDMUNDS - Yes. I'm asking it because I'm on the Public Accounts Committee and we're dealing with public money.

Dr BUGG - Yes and we're telling you what we did. We wrote - and my notes are on 25 April letter to the Minister advising the Minister - and Treasurer - of the negotiated contract price increase of €8 million in the contract price to cover steel price increases due to the war.

Kim has just explained to you how that was affected within the contract. You asked me to say, 'well, therefore the Minister gave incorrect evidence'. I don't draw those conclusions.

Mr EDMUNDS - That's fine.

Dr BUGG - That's for you to draw.

PUBLIC

Mr EDMUNDS - I can ask the question and you can answer it how you want. That's fine. But I just wanted to join the dots in my head that there was no updated advice between that letter and the appearance of GBEs and that the statement that essentially -

CHAIR - The question -

Mr EDMUNDS - I've established what I wanted to establish, so I'm fine to move on.

CHAIR - Was there any further advice after 25 April 2022 regarding the contract variations?

Dr BUGG - I have no record of any other advice.

Mr EDMUNDS - Thank you.

CHAIR - Okay. I'll go to Bec and then back to you.

Ms THOMAS - Thank you. While we're talking about scrutiny, I guess, of the payments to RMC, Kim, thank you. You just described some of the scrutiny that was done in terms of that initial request for an additional payment with the further \$80 million payment -

Ms SAYERS - €50 million.

Ms THOMAS - Sorry, €50 million/\$80 million, our money. Did TT-Line scrutinise the reason again in a similar fashion for this request?

Ms SAYERS - It was a different agreement in terms of, they didn't need to produce invoices, but we certainly interrogated for an extensive period to establish this, in my terms, cash flow challenge which our former Chair will always tell you that is normal in shipbuilding, or was it something more serious? They certainly expressed cash flow challenges just based on the way contracts are usually executed, but where it became something more than that, we spent a lot of time going through that and working with them.

Ms THOMAS - So, you weren't just taking their word for it - that there'd been increases to the cost of building the two ships? You required them to provide evidence to satisfy TT-Line that the expenditure of this money was necessary for the completion of the ships?

Ms SAYERS - To be fair, we were well aware that the cost of construction had increased, but that didn't translate to 'We needed to pay more money'. Sorry, as I said, we were well aware that there had been cost increases throughout the build. Our position was always that it's a fixed-price contract. It wasn't until 2024 that they actually asked for anything. They'd certainly indicated, but they hadn't asked for anything so we didn't consider paying any more.

Ms THOMAS - So, the public can be assured that that interrogation was done to satisfy TT-Line - the due diligence.

Ms SAYERS - Yes.

PUBLIC

Mr BEHRAKIS - Just going back to the comments about the fixed price contract. As far as the timelines of statements that have been said, 1 December [2022] during GBE scrutiny, the now Leader of the Opposition asked:

I understand the commercial-in-confidence component to this. For scrutiny, can you identify whether the costs have gone up from what was estimated, or talk about whether this project is going to be over budget?

Mr Dwyer responded:

The contract with RMC is a fixed-price contract. Whatever is in the contract is fixed with RMC, so it won't go over budget.

The question then was:

What is the total amount of borrowings that you'll need from TASCORP?

and Mr Dwyer said:

That's the same as giving you the contract price.

That was prior to the Treasurer's presentation to scrutiny. Those comments by Mr Dwyer at that time, were they correct at that time?

Dr BUGG - I believe so, yes.

Mr BEHRAKIS - I just want to clarify what the understanding of the situation was at the time. That was the case?

Dr BUGG - Yes.

Mr BEHRAKIS - Okay.

Mr WILLIE - Going back to the statement that was put out on 12 August [2024] where the company disputed the evidence that day and was looking forward to setting the record straight, was that a Board position or was it the former Chair's position?

Dr BUGG - We had a board meeting the day before in light of the evidence that had been given on the Monday, which was reported in the Tuesday press, so we'd met for a designated and scheduled board meeting on Tuesday.

There was concern about what had been said and that concern was that our appointment before this Committee on the Friday morning of that week was something we would not be able to keep because we would have to go through company records to respond to, particularly, what had been said by TasPorts about the level of contact and encouragement that we were having through that period and therefore an adjournment was to be sought or a delay of our appearance. We needed to assure this Committee that we were not in some way just delaying or avoiding appearing before you to give evidence and we felt that because of the level of attention what had been said on Monday in the press, that our request for a delay on the Friday would be misinterpreted by the media. Therefore, a statement should be made that we were

PUBLIC

intending to attend and give evidence and that we respected the role of this Committee and we would be cooperating with it, but we needed further time to access our records to respond to what had been said.

I said to the Chairman we need to get that out, but don't send it round to the entire board because you'll have seven editors and it'll take a long time and so the Chairman sent the statement out. I didn't see it and I don't think other members of the Board saw it. What is there was not something that the Board signed off on but we had talked about getting something out there to clarify the reason why we would be asking for a delay and that's it.

Mr WILLIE - So it's a Board position, that statement? It sounds like you delegated responsibility of the Chair to make a statement for the Board on behalf of the Board.

Dr BUGG - We delegated responsibilities of the Chairman.

CHAIR - The Board minutes will reflect that a decision was made to do so?

Dr BUGG - Yes.

CHAIR - I can't access anything. I'm not sure that we have those minutes because that meeting was after we last sat. If you could also provide those minutes and we're happy to receive them in confidence.

Dr BUGG - I don't think we've vetted them yet, have we?

Mr HARPER - Are we talking about 11 August [2024]?

CHAIR - 11 August [2024]?

Dr BUGG - I haven't seen the draft minutes.

CHAIR - They might not have signed off on them yet.

Mr HARPER - They are only in draft. They haven't been approved by the board. We've had a few changes from people who approve minutes.

Mr WILLIE - You based that position by the board on media reports, not on reading *Hansard*?

Dr BUGG - What we were talking about is that it's been reported that this has been said. We need to go through our records to adequately respond to what has been said and therefore we'll need more time. That was the explanation.

Mr WILLIE - Did you look at the Minister's evidence that he presented that day?

Dr BUGG - I didn't because it wasn't printed at that time. We read it on Tuesday morning and the Chairman's press release went out on Wednesday morning.

Mr WILLIE - I'll go back to that question. What evidence did the Minister present that the Board disputes?

Dr BUGG - There was a report in the press of two lots of evidence and the one that, in particular, I was troubled about was the way in which TasPorts appeared to paint us as being this floundering corporate entity that needed help and we kept rejecting it and that was over quite a history and as a consequence that's what I wanted to see as correct. I didn't think that it was appropriate that we suddenly asked for an adjournment without an explanation, but the explanation was that we wanted to adequately examine our records for a consideration of what had been said as reported in the media, not what was in *Hansard*. I still haven't seen what the Minister said in *Hansard*.

Mr WILLIE - You said there were two things: TasPorts and what was the other?

Dr BUGG - TasPorts, and the Minister spoke as well and that was reported.

Mr WILLIE - I am asking what evidence the Minister presented that the company disputes.

Dr BUGG - I didn't see the evidence that the Minister presented, but what I saw reported of what he said was that we hadn't informed him of a certain position before the Government went into caretaker mode. That was a matter for the records of the company, and we'd check it.

Mr WILLIE - Sorry, could you repeat that? You were concerned that he said that he wasn't -

Dr BUGG - Do you have a copy of whatever the news -

CHAIR - I'll just read you the relevant bit here. He talked about Minister Ferguson before the Committee. He talked about, 'Following the end of caretaker period, a new government was formed'. I'm paraphrasing this here. The program interrogator, consultant -

Ms SAYERS - Integrator.

Dr BUGG - No, but it's interrogator in there, I think.

CHAIR - It is. Integrator, sorry. I'm reading it wrongly.

I've had the copy of advice from him on 12 February 2024. That hadn't been provided to the Government, the caretaker Minister. This occurred on 22 April 2024.

Dr BUGG - Sorry, is this advice from the integrator?

CHAIR - Yes, that was provided.

Dr BUGG - Oh, that's it. I've read that, yes.

CHAIR - So, in addition and more importantly, he said:

following receipt of the joint CEO report also received in April,

which I referred to earlier,

I was made aware of a unilateral decision taken by TT-Line during the caretaker period to rescind the preferred tenderer status of the entity that it had previously chosen to undertake the works at Berth 3. This was a surprise to me as Minister for Infrastructure and formerly the Minister for Transport.

Mr WILLIE - Is that the statement that you're concerned about as a company?

Dr BUGG - I think there was another statement that I felt our records should check. I am not concerned about that at all. I knew that we'd rescinded the preferred tenderer status, and the question of whether or not it was made in caretaker mode and we hadn't communicated with the Minister. Our records would demonstrate whether we had or we hadn't.

CHAIR - I'll take you to another part.

Mr WILLIE - Let him get to the other statement.

Dr BUGG - The other part was what we'd notified the Minister about the timing of the preparedness of the Devonport facility to take the new vessels.

CHAIR - I'll just read it out. It says:

As the letter to TT-Line Chair, Mr Michael Grainger, stated on 17 June this year, we made it clear that the Government was very disappointed in the advice from TT-Line that, even with the delays in the delivery of the vessels, the berthing infrastructure at Devonport, - for which TT-Line has had a clear responsibility - would not be ready in time for the arrival of the new vessels.

That was on 17 June this year.

Mr WILLIE - I think you're talking about the statement prior to caretaker?

Dr BUGG - I thought there was something reported that the Minister had said that there was no information or there was a paucity of information about the preparedness of it prior to Christmas.

CHAIR - Maybe, if we could provide a copy of the *Hansard* to you, and you can come back to the Committee identifying the areas that you dispute?

Dr BUGG - Oh no, I'm not saying I dispute it. I wanted to check it.

CHAIR - I think it'd probably be helpful though, regardless. We'll send you a copy which I think is published now anyway.

Dr BUGG - We have a copy, Chair.

CHAIR - So, you're able to identify the areas that you disagree with?

Dr BUGG - Well, the areas that we would need to check from our records.

CHAIR - But, that's why we gave you the extra time to do.

Dr BUGG - Well, we've provided those records, haven't we, Steve?

Mr MAYCOCK - We haven't yet, not since 12 August.

CHAIR - And that's why we're here.

Mr WILLIE - The company's put out a statement; it's been clarified it was a board position by delegation and what we're trying to do is understand what evidence was presented by the Minister that the company has an issue with.

Ms THOMAS - To 'set the record straight', which was the terminology used.

Dr BUGG - Okay.

CHAIR - I ask then that you go through the *Hansard* of the Minister and TasPorts' evidence and provide evidence that counters - I think some of this will probably be in the Ministerial briefings that you've committed to providing to the Committee. I'd suggest we take that data back to 2022 when this first all started.

Ms THOMAS - The regular monthly meetings.

CHAIR - Yes, the regular monthly meetings that TT-Line keep records of. The Minister will maybe have his own records. To make it clear what areas - there seems to be this disconnect between what the Minister and what TasPorts are saying with what TT-Line are saying. It's not about trying to bring someone down. It's about trying to understand where the problems lie and what needs to happen in the future to avoid this sort of situation. We're now seeing significant greater expenditure of public money to deliver what is highly regarded and needed for the state.

Dr BUGG - Yes, I fully understand that, Chair, and we will do that. I just wanted to check something.

CHAIR - This is why we gave you more time, though, with all due respect.

Mr WILLIE - What I'm hearing here is -

Dr BUGG - We had more time and when we asked for more time, the Chairman was in place and the Managing Director, CEO was in place. I will read to you what I said when I read that press release, I said that 'I've just read it and I think it goes further than the short, succinct statement we were discussing yesterday, has it gone out or is it just gone to staff?'. I thought the Chair said more in that statement.

You're asking me whether the Board approved the content of that statement and it did not. It did not come to the Board for approval, but I accept some responsibility for that because I encouraged the Chair to get something out quickly in the terms that I talked about, but what went out did not come back to the Board for its approval. I know one other member of the Board said something similar to what I said.

PUBLIC

CHAIR - In any event there was a statement made that there were areas that were contested and what we're trying to understand is which areas they are particularly.

Dr BUGG - Okay. I can certainly talk to you about the areas that were in the statement that were contested and you called Mr Granger as a witness, I noticed, in October and there's material that he's handed to me, which I know from reading it, is the text of some of the Ministerial minutes of the meetings that were held between the CEO, the Chairman and the Minister over a period of time.

CHAIR - Are you able to table that to the Committee now?

Dr BUGG - They've been handed to me. I'd like to look at them because they appear to be those minutes. I would need to check them against what my records are. I'm not being perverse, I'm being cautious. They start on 21 December 2020 and finish on 14 August 2023, but they can't be all of them.

CHAIR - These were extracts of TT-Line's records?

Dr BUGG - What I'm looking at appear to be extracts of our records.

CHAIR - So you doubt that?

Dr BUGG - Well, they've just been handed to me. I'm just looking at them. Can you understand my caution, Chair?

CHAIR - I do understand this, but the reality is we gave you more time to go back and get this information. Respectfully, the Committee did that. You've had this extra time. I know there's been staff changes, but the Committee has been very interested in trying to get a clear, succinct timeline and know who was aware when.

Dr BUGG - Yes.

CHAIR - I would say that information would probably be very informative for the Committee.

Dr BUGG - Yes, and what I've tried to do was take you through that timeline and say this is when we had difficulties about access to the site, which was the evidence that was given by TasPorts. This is the evidence about our change of preferred tenderer. This is our evidence about the negotiations for who would be responsible for what. That was half the evidence you heard, which, from my perspective I wanted to look at. I have looked at it and I've accounted it to you and you're suggesting that in some way I haven't complied with the request.

CHAIR - I'm not suggesting that, I'm asking whether you're able to provide those documents or the full document that relates to those meetings.

Dr BUGG - I can provide them to you as a full record over the period of time from when we entered into an understanding with TasPorts as to the use of Berth 3 until early August this year.

CHAIR - When can you provide those records?

Dr BUGG - I can have them to you within 24 hours.

CHAIR - That's all right.

Mr WILLIE - Going back to my question though. The company had concerns about some of the statements made by the Minister, did that relate to the advice provided to the Minister prior to caretaker?

Dr BUGG - We had concerns that a number of statements had been made which we needed to check against.

Mr WILLIE - A public statement has been made on behalf of the board's name. I'm trying to get to the bottom of what the Minister said that the company has concerns with.

Dr BUGG - Okay, Josh at the meeting on 13 August [2024].

Mr WILLIE - 12 August [2024].

Dr BUGG - 12 August. We had a press report that morning. Steve said, 'I've made notes but I haven't written them up yet and *Hansard* will be available soon'. So, we had nothing other than what had been read in the press, and no one had that press report with them at the meeting. But there was a clear statement of criticism of the company by the Minister. There was a clear statement of criticism of the company by TasPorts. When I say statement, it was over the full text of what had been said. What we wanted to do, was to check what had been said, to come back and respond, if we could, to what had been said. I will make available the minutes of the records. I didn't attend any of those meetings. Steve would have, he took the notes.

Mr WILLIE - You were getting close to pointing out a particular statement from the Minister earlier, and I'm interested in what that was.

Dr BUGG - The general statement that we hadn't notified him of things, when in fact the minutes suggested that in fact he was aware that there was a problem with the delivery because he appointed Peter Gammell in November to terminate us.

Mr WILLIE - 23. To terminate you?

Dr BUGG - To interrogate us, or integrate us, whatever you want to say. We had someone appointed to facilitate dialogue between the two of us because we were separate and we were not making progress and the best thing it needed was for someone to -

CHAIR - Bang heads together.

Dr BUGG - That's exactly right. It was becoming somewhat galling that we were not making progress over what appeared to be a very simple thing. Now, our position in response to all of that - that is, what TasPorts said about our access to the site - does it bear scrutiny? He was there, he was at the site day after day, and he can tell you whether we had proper access to enable us to get the geotechnical surveys done, and he will tell you we didn't.

It's not a question of saying, look, we let him have access, as I said before. We didn't get the full access we needed because it's been demonstrated from that, and one of the geotech surveys that was provided to us - helpfully, I hasten to add - look, this is not some gun fight with TasPorts. When it said we bent over backwards to help them, well, we were, I would have to say negotiating from a position of disadvantage.

When Bec asked me what the situation was, where else could we go? There's no other facility available. It's my game, these are the rules. We had to try and adopt them as best we could and avoid that which is now being pointed out as a pretty clear problem, that we are not an infrastructure building company, but we were trying to avoid that by having someone do it for us, so that we would be tenants of it.

In other words, we didn't want to own the infrastructure, which is not the position we had at Devonport Berth 1, not the position we had at Station Pier, nor the position we were developing at Geelong. That's the difficulty. Let me read this passage to you, and this is an evaluation of the geotech that was provided -

Mr WILLIE - We're getting a bit off topic. I have two really quick questions.

CHAIR - Simon has a couple too.

Mr WILLIE - If we could just go to one last topic because I know we're about to run out of time.

Berth 1 - is it feasible to park the new ships at Berth 1? I've heard Chas Kelly on radio saying the harbour master originally said 'no', which is why you had to move to Berth 3. That's my first question. The second question is, who's paying?

Dr BUGG - I can't answer either of those questions, but I'll explain why.

First of all, there is a lot of work going on at the moment at a very high level to determine whether or not there can be modifications to Berth 1. The big issues are interruption of SeaRoad service because if you put the new vessel there, it's longer than the current vessel and it intrudes into SeaRoad space.

Mr WILLIE - Yes.

Dr BUGG - So, if there is interruption of either his service or ours, then it becomes less feasible as a proposition because we're both running ferry services that have to arrive on time, load, unload, load and leave on time. If there's an interruption to our loading or unloading, it makes it very, very difficult as -

CHAIR - We understand that; it was already covered.

Dr BUGG - The second thing is the cost. Who's paying. That's not been determined. It has to be paid for, if it happens. One of the things that will determine whether it happens or not is you weigh up what the cost is, what the period of time is before it becomes functional in this hybrid way, and if it's not very long before the new Berth 3 is open, then you start to say, would it not be better to see if that money could be spent advancing the time, if that's at all possible, on Berth 3 so that it comes closer to a point? Then, as I've said on a number of occasions to

PUBLIC

people, we have got a ferry company with two working ferries that operate very successfully out of Berth 1. It would be risky from a shipping point of view as -

CHAIR - I believe we have gone there. If I can go to Simon, please.

Mr BEHRAKIS - Thank you. Just a couple of quick questions. On those documents that you've committed to provide within 24 hours, has the Minister's office been provided with any of those?

Dr BUGG - Yes.

Mr BEHRAKIS - They have? Okay.

Continuing on, just to clarify, did you inform the Minister of your decision regarding the preferred tenderer before or after the election?

Dr BUGG - We had not made a decision about the preferred tenderer before the election. Our decision was made during the election. I have no record myself of that notification going to the Minister.

Mr BEHRAKIS - While you guys were going through the process, whilst TT-Line was going through the process of coming to a conclusion or coming to a decision regarding that -

Dr BUGG - Yes.

Mr BEHRAKIS - and from when you guys were aware that a decision needed to be made, at any point, was the Minister's office or the Minister informed?

Dr BUGG - I would need to check that. If I could take that on notice?

Mr BEHRAKIS - Can you clarify what your understanding is regarding your obligations to provide shareholder Ministers with continuous disclosure of material information?

Dr BUGG - I believe we have an obligation as a state-owned company to make disclosures to our shareholder Ministers of those things that are likely to affect or impact the company - not if we've had a car accident in one of our vehicles, but at a significant level.

Mr BEHRAKIS - Which I think this would classify as. At which point did TT-Line become aware that this was an issue that needed a decision to be made around, and at which point did you inform the Minister, by date?

Dr BUGG - I'll take that on notice.

Mr BEHRAKIS - Thank you.

CHAIR - Can I just respond to Simon's question? When did you send the minutes of the meetings to the Minister? Was it after each meeting or were they sent as a bulk at some stage?

Dr BUGG - As I said to you in the opening, they were not joint minutes.

PUBLIC

CHAIR - I know that.

Dr BUGG - No. They were not sent to the Minister at all. They were sent to him on, I think it was Friday of last week.

CHAIR - Okay, as a bulk lot.

Dr BUGG - Yes.

CHAIR - Okay.

CHAIR - Any pressing urgent matters at this point? Anything you want to say Damian in closing?

Dr BUGG - No, other than to indicate that I have the sense that you feel we're being slightly obstructive about this. The position that I saw was one where there's a broad scope of review or inquiry now that covers a lot of territory. I believe that we have a detailed account for you of how this project unfolded and that we had straightened relationships with TasPorts that didn't assist. Who's to blame there? I'm not going to blame anyone. I need to explain it as I see it and as the company sees it and we've really got to focus on resolving what's ahead of us rather than trying to determine who critically is at fault from behind us.

Would I do things differently? Yes, I would. I would at the start of this transaction have said we've got two state owned companies that are being forced into a joint build, almost like two stratum titles where one is being asked to build it but not own it, and the other one is building the other stratum title and will own it and the other stratum title and then charge rent to the person who built the other one for something that they've paid for. That's ridiculous and I find it still sticks in my throat, but that's the consequence of what happened.

What I would be asking for with the benefit of hindsight is an overarching project manager who has authority to direct people to finger-joint their projects in so that they come in together and not, as we found, be way behind the other one. TasPorts will say it's our fault. I'll say that maybe we didn't agitate loudly enough to get access to the site.

Is it a problem? Well, it is, but is it going to disadvantage the State? Not in my view because we still have a functioning berth 1 with two very well maintained and operating ferries.

CHAIR - Just before we finish, if you could provide a summary of the timeline. We picked up bits of it, but if you could give us detailed dates when those matters -

Dr BUGG - I won't do that within 24 hours but I will do it.

CHAIR - No, but the dates with regard to the Berth 3 project, that would help us to line the dates up on that.

Dr BUGG - And it would be just the Berth 3 project without the interfacing of COVID, the war in Ukraine, and the problems we had with the other vessels?

CHAIR - No, we've got a lot of that.

PUBLIC

Mr WILLIE - Before we go, Chair, to the minutes, can we have those by the end of the day? Presumably the Ministers have access to them?

CHAIR - They were all sent to them last Friday. It shouldn't be too hard to send it to us.

Dr BUGG - I'll have to get on to the network, they're safe on our internal network.

Mr WILLIE - Also the advice provided to the Minister around those questions taken on notice. The Minister has it. We'll follow up with the questions.

Dr BUGG - If you could follow up with the questions on notice.

Mr WILLIE - I don't see why it has to be 24 hours when you've already endeavoured to take it on notice, the Ministers have a copy.

Dr BUGG - If we don't get it to you at 5:00 pm we will get it to you at 9:00 am tomorrow. That's 21 hours.

CHAIR - Thanks very much for your time. It's been fairly intense, so thank you. You can stop the broadcast.

Dr BUGG - Before you finish, I'd just like to place on record.

CHAIR - Start the broadcast.

Dr BUGG - I'd just like to place on record a proper acknowledgement of the work that Mike Grainger and Bernard Dwyer have done for the company and the state, and the problems we are now experiencing in Devonport ought not be reflected as a failing on them.

What we have, as I've tried to explain, is a process that didn't work. But we will get this thing built. We're not like New Zealand. The government hasn't intervened and severed the contracts. We've got two ships on the way. We've got the port in Geelong done. All we're waiting for is the port in Devonport to be fixed. But it's still a working port with two ferries going to it. What we had to go through as a company to achieve that - we didn't seek government aid when we lost our profits of \$100 million, or our price went up another \$40 million because of the delay - we pressed on and, okay, we've got some problems, but they're not insurmountable and they'll be fixed.

CHAIR - Thank you.

THE WITNESSES WITHDREW.

The Committee adjourned at 11:37 am.