

PUBLIC

THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY
12 MAY 2026.

INQUIRY INTO TT-LINE'S *SPIRITS* PROJECT

Minister for Infrastructure and Transport & TT-Line

The Committee met at 8:58 am.

CHAIR - I will open the meeting and acknowledge that you've made a request to provide some in camera information to us.

I will get all of you to take the statute of declaration while we're in the public session and then the Committee has a standing resolution that will go into camera to receive matters that are commercially sensitive, et cetera. Minister, you don't need to do the statute of declaration, but I'll ask the others to do so.

Mr KENNETH JOHN KANOFSKI, CHAIR; **Mr CHRISTOPHER DAVID CARBONE**, CHIEF EXECUTIVE OFFICER; AND **Mr PAUL LAWRENCE KIRKWOOD**, PROJECT MANAGER, TT-LINE. **Mr SHANE TROY GREGORY**, ACTING SECRETARY; AND **Mr BENJAMEN LUKE MOLONEY**, PROJECT ASSURANCE, DEPARTMENT OF STATE GROWTH REPRESENTATIVES, WERE CALLED, READ THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - It'll be nice to have Ben back with us, we've missed you the last few.

Mr MOLONEY - I think I was present, I just didn't say a lot.

CHAIR - Maybe that was it. Minister, did you want to make an opening comment at this stage or save it for later?

Mr VINCENT - [inaudible]

CHAIR - Thank you. We'll now go into camera as per the request.

The Committee suspended at 9:00 am.

The Committee resumed at 9:34 am.

CHAIR - Welcome, Minister and your team. We've done something slightly differently this morning: we've had an in camera session with you and your team earlier to cover some of the confidential matters you've requested be covered in camera. This is now the start of our public session.

You've already sworn and are aware of the Committee procedures, so I will invite you, Minister, perhaps to introduce the people at the table and then invite you to make an opening statement. Then I understand Mr Kirkwood has an update for us.

PUBLIC

Mr VINCENT - Thank you very much. On my right, I have acting Secretary of State Growth, Shane Gregory, and Ben Moloney, and I'll ask Ken to run down his team there.

Mr KANOFSKI - Ken Kanofski, I'm the chair of TT-Line: we've got Chris Carbone, who's the CEO, and Paul Kirkwood, who's the Project Director for the Berth 3 project.

Mr VINCENT - Happy to be here today to give an update on the *Spirit* projects and Berth 3 in Devonport. I understand you were on the site last week for a look around, I was down there myself last week and it's a hive of activity right around the site. Just yesterday the last section of gantry was put in place, representing 740 tonnes of steel, standing 27 metres high and 38 metres wide. It's certainly an imposing structure, but that's a fantastic milestone and one of those risk points that we've now reached that we can tick off -

CHAIR - They're fitted in one go?

Mr VINCENT - It's sitting there in place. Bolts are going in now.

CHAIR - I thought you might have done it Sunday: it was a very nice day on Sunday.

Mr VINCENT - Second go, we did have a practice run. The next steps for the gantry involved the links, bands, hydraulics, handrails and guide rails. Then it'll be ready for testing.

We're approaching the budget session of Parliament and through it will be our response to the TT-Line's huge volume of work to outline their medium- and long-term financial situation. This is the work they undertook with expert advisers and briefed the shareholders on in early March and then briefed this Committee on 20 March [2026]. I won't be drawn on that today, on what the Government response to the TT-Line work is, as it is a matter for the budget process. I will reiterate though, we work closely with TT-Line through Ken and his board, and Chris and his team, and they provide an essential service for Tasmania's [inaudible] visitor economy and that's something we've never forgotten and keep our focus on, as well as our freight industry.

The recent global fuel crisis is hitting everybody and it's clear people are considering driving holidays at the moment. Ken and Chris can talk more about that, but I will say, they have taken a very professional approach to handling it. Their first report on the fuel surcharge will come to me in coming days for the month of April [2026] and it will be tabled in both Houses of Parliament. If the Committee wishes, I will also write to you with a copy each month for inclusion in your papers.

There is no new news on the recent history of TT-Line. It has been well and truly canvassed and we never shy away from the facts - there were faults. The projects are back on track and October [2026] is only five months away. While the project is humming, the last few years have taken their toll on the staff. I met with them last week and their comments haven't changed since the other times I've spent with them. The people that work at TT-Line, in their hospitality, in freight and reservations, call centre, in the engine rooms and in the office, are not to blame for any of the issues the company faces, yet they have been put through continual vitriol about the company. I found they are very proud of the company and very positive about what they do, why they do it and how they do it. It's a great part of what Tasmania needs for the tourism moving forward and as a Government, we're backing it and it was good to see that solid support down there from the staff as well.

PUBLIC

With that Chair, I'm happy to hand over to questions. I'm not sure if Ken would like to say anything as an opening address.

CHAIR - Before we move to -

Mr KANOFSKI - I've got a very brief statement.

CHAIR - Yeah. A copy of the fuel surcharge report directly to PAC would be a helpful thing, if your office could facilitate that.

Mr VINCENT - Yes, we certainly will. On a monthly basis, we're hoping that by the middle of each month around the 15th, we'll be receiving that report through the systems that the CEO has put in place. We'll be able to pass that on automatically.

CHAIR - I appreciate that, thanks. Ken.

Mr KANOFSKI - I'm pleased to report that the vessel replacement and Berth 3 Devonport project remains on target and the first commercial sailings for the *Spirit of Tasmania IV* and *V* will occur in October 2026. Operational readiness planning is well advanced and, while there is much to be done, we are confident we'll achieve this date. We're also on target to deliver the Berth 3 project within the revised budget for \$493 million, which was adopted by this current Board. The *Spirit of Tasmania IV* is alongside at Williamstown and the hull strengthening works associated with the Devonport wharf fender issue are progressing well. *Spirit of Tasmania V* is alongside at Station Pier in Melbourne. Following successful gantry trials in Geelong, *Spirit V* will head to Hobart in June [2026] for final fit-out.

Spirit of Tasmania I and *II* continue to provide great service across the strait and are also for sale. We just recently finished our doubles season, the high season, and numbers were strong, although somewhat softened by the events of the war. Those ships are currently for sale as well as being in operation.

At Berth 3, as the Committee will have seen on Friday [8 May 2026], works on the site are progressing very quickly. The gantry, as of yesterday [11 May 2026], has been fully assembled in terms of its main superstructure, and it'll now begin fitout and ultimately for testing. Terminal building is progressing at pace. It'll be at lock up shortly. In short, the project is a far cry from that which the project recovery team and the new board inherited in late 2024.

CHAIR - A couple of things for you there. *Spirit V* you said is alongside at?

Mr KANOFSKI - Station Pier.

CHAIR - *IV* is over at Williamstown?

Mr KANOFSKI - *Spirit IV* is over at Williamstown, *Spirit V* is in Station Pier.

CHAIR - Is that an expensive location for it to be?

Mr KANOFSKI - No, they're both similar. Williamstown and Station Pier are very similar in terms of the total cost, and they are substantially less expensive than being in Hobart.

PUBLIC

CHAIR - Which is a sad thing in itself. With the hull strengthening of *Spirit V*, that hasn't been done yet?

Mr KANOFSKI - No, we've called tenders, we have prices and in essence what will happen is that after *Spirit V* comes to Hobart for final fitout, *Spirit V* will then go back to Williamstown and have the hull strengthening works done in Williamstown because that's a convenient place for those to happen, and we'll move *Spirit IV* to Station Pier at that stage, so we'll swap them over.

CHAIR - What's the timeline for those? Acknowledging that they are supposed to be in operation in October [2026].

Mr KANOFSKI - They'll happen in July [2026], I think, from memory. It takes several weeks. The *Spirit IV* works total of three to four weeks all up from start to finish.

CHAIR - And they're underway now?

Mr KANOFSKI - They're underway now. They're partially complete, be complete in a week or two. *Spirit V* needs less work than *Spirit IV* because we were aware when *Spirit V* was still in Rauma, some works were done there in the shipyard, so there's less to do on the *Spirit V* than there was on the *Spirit IV*.

CHAIR - Okay, and you said you were quite confident now that the last piece of the jigsaw is up. I did see the rigging on it on Sunday when I drove past - or some of the rigging, probably not all of it.

Have you opened up the bookings for the extra capacity now, because that's one of the things you were waiting for?

Mr KANOFSKI - We're going to wait until we've done gantry testing. Probably, let's say August. We would hope maybe to do a bit quicker, but let's say August [2026] is the target date. We'll do gantry testing of both *Spirits* and both *Spirits IV* and *V* will go to Devonport and be tested on the new gantry, and once we've done that, then we'll open the rest of the inventory for the new vessels, but we're already sold to the capacity of the ships.

CHAIR - You have?

Mr KANOFSKI - We're not completely sold out, but we've sold substantial numbers of bookings for the new vessels.

Mr WINTER - Thanks for the opportunity to have a look on Friday last week, it was really good. Great to see big progress going on. The cost, though, looks substantial. It is a huge build. Can you tell the Committee what the total cost overrun is of this project versus of the entire project, replacing the *Spirits* versus the original business case?

Mr KANOFSKI - On our calculation going back through the documents as we see them - obviously none of us were here - we believe the total vessel replacement and the two Berths have an overrun of about \$717 million. That's made-up of just a shade under \$400 million for Devonport. I've said before in this Committee that the original \$95 million

PUBLIC

estimate for Devonport was somewhat fanciful, in my view. I don't think anyone who's been on the site in the last week.

Mr WINTER - Doesn't look like a \$95 million project.

Mr KANOFSKI - It doesn't look like a \$95 million project, right. That's the first thing. There was about \$34 million in additional cost on Geelong compared to original business for Geelong.

Mr WINTER - How much was that?

Mr KANOFSKI - About \$34.6 million. And *Spirit IV* and *V* are a total of \$280 million more than the original business case.

Mr WINTER - Are you including in that the holding costs?

Mr KANOFSKI - No. That's the capital cost.

Mr WINTER - So, what's the \$280 million overrun? We're aware that you're including the, I think, €50 million in that.

Mr KANOFSKI - There's three elements to it. Mr Carbone might be able to provide more detail, although, he wasn't there, either, so we're going from records, essentially. There was the €50 million, which was a 9 per cent price increase agreed to support Rauma Marine Constructions (RMC) and its orderly delivery of the vessels.

Mr WINTER - Have you got that in AUD?

CHAIR - \$80 million. That's what we were told previously.

Mr KANOFSKI - Yes, and it obviously it depends on the exchange rate of the day, but I think it was \$80 million when we paid it. \$8 million force majeure adjustment for the rise of energy and commodity prices caused by the Ukraine war, and the €25 million increased cost in renegotiating a supply agreement with RMC - I don't have any more detail on that. That's the split up. I'm sorry, one's in euros one's in dollars, but that's the split up.

Mr WINTER - The 25 million was in euro, was it?

Mr KANOFSKI - Yes, that's euros.

Mr WINTER - That, to me, still doesn't get us to \$280 million.

Mr KANOFSKI - No, it doesn't: that only gets you to \$83 million.

CHAIR - Holding costs, are they included in that number? The fees at Leith, the fees now to Berth them at Station Pier.

Mr KANOFSKI - I'm not sure. Can we take that on notice and we'll provide you with detail on that? Because I didn't think that holding costs were in that number, but there is a discrepancy in that number. My apologies.

PUBLIC

Mr WINTER - The \$717 million looks to be pretty close to what you've outlined: \$400 million at Devonport - I assume we're rounding these out - then there was the \$280 million on the ships themselves, which includes \$80 million for the support to RMC; €8 million associated with Ukraine, then €25 million in the supply agreement with RMC. I acknowledge you weren't there, but is anyone able to explain to me what the supply agreement was with RMC?

Mr KANOFSKI - Do you have a view?

Mr CARBONE - [shakes head]

CHAIR - Maybe you could take that on notice, if you could give us a breakdown of -

Mr KANOFSKI - We'll take it on notice and give you as much as we can give you on that. As I said, we're really basing it on records.

CHAIR - We need to also include the holding costs that have been incurred since the vessels have been finished and left Rauma.

Mr WINTER - We have got a bit of time left in the hearing, so if we're able to get the answer - if someone watching is able to provide an answer, that'd be fantastic. I've got lots of other questions, but I'm conscious others will as well, Chair.

CHAIR - We might get an update from Mr Kirkwood, and then we'll come back to it.

Mr KIRKWOOD - Chair, what we've put together again, as we did last time, is a short presentation just taking you through the various aspects of the site and hopefully give some confidence of our completion in October [2026] this year.

As a straight summary: construction is on track to be completed by 14 September [2026]. What we will see with the various contractors is a phased completion and handover of different aspects of the site from the end of July [2026]. As that progressively hands over until we get to 14 September, when we will then hand it over to TT-Line's operations to get it ready for sailings. For sailings, as has been announced: end of October 2026. We are within the [\$] 493 [million] budget - and we'll just clarify that includes the \$9 million the hull strengthening - and I think comfortably within the -

CHAIR - And the fenders on the wharf?

Mr KIRKWOOD - And the fenders on the Berth, yes. In terms of progress: as people have said, and for those that need to see the pictures, there is the top section, the final section of the gantry installed. That went in yesterday. It went in without any difficulty or any hitches. It fits, and they're just going through the process now of making the final bolt connections and then the fitout will start. This gantry is substantially larger than the gantry at Geelong because of the geometry of the ships and is the last major risk item on the site that we were keen to get out of the way. The rest of it now is fitout and some of the more straightforward works across the rest of the site.

In terms of the marine works, we are, again, largely complete in these areas. The outstanding works are the areas marked in blue, which is what we call the 'guide dolphin'. This

PUBLIC

work has been partially completed. The photograph is a little bit out of date on this one, but we couldn't finish this until the gantry and the Deck 3 link span were installed. That's now happened and we'll see the guide dolphin completed over the next four to six weeks, including the fenders in that area. The rest of the marine works will be completed by July at the end. So, AMU, dry commissioning, that's the final piece of work we need to do to make the Berth operational. Again, that's scheduled for 17 July [2026]. That then opens the door for us to start bringing vessels in in August [2026] to do the commissioning of the gantry with vessels.

Freight yards are well advanced. One of the reasons we've had to push ahead with these is that we are coming into the colder weather season. We have to get the asphalt down. As part of the global fuel crisis, there is some rationing of bitumen across the states, so we have to accelerate to make sure that we're not impacted by any of that later. Again, we will see the freight yards and the buildings all completed by June this year.

One new item that we didn't put forward last time, but I think the Committee saw when you were on site, is all of the ancillary buildings. These are well progressed. Buildings such as the freight building and the stevedores' and vessel operations buildings are at lock-up and the Committee will have seen that there's furniture and joinery going in; that they're largely complete and will be completed. Although it's saying July [2026], I expect those buildings to be completed in the next two to three weeks.

The passenger-facing buildings: again, well out of the ground. The ticket booths are now being built. The canopies over the ticket booths are close to completion. The security screening lanes, check-in/check-out booths, motorcycle shelters are all well advanced and will all be finished in the next four to six weeks.

Passenger boarding areas: the Committee will have seen that the asphalt is down in the passenger boarding areas. Certainly, the entrance way, the vehicle entrances, all aspects of this are well progressed and again, we intend to see all of these areas finished within the next four to six weeks. This is part of the progressive handover of these areas that will occur from the end of July [2026].

The terminal building, I believe, is looking pretty good. It's been a lot of work with the team to make this something that has some significance to it. It is very much a focus on Tasmanian building materials and Tasmanian environment. It's a Tasmanian timber frame and the Tasmanian materials that will form the finishes. It's already coming together nicely, and it will be an impressive building when it's done. It will be at lock-up in the next four weeks and that will then see the completion of that work by, again, most of it will be commissioned by the end of July, but we expect to see that building handed over to us in August [2026].

A little bit high level, but commissioning activities are well in train at the moment. In terms of planning, we have the commissioning plan now with all of the contractors on site. There's a dedicated commissioning team within the Terminal 3 project team. Commissioning includes everything from testing of systems, bringing vessels in, through to training of staff. All of these processes and systems are now in place. They will start to progressively occur from the end of July, as those parts of the site get completed, all the way through to the end of August and into September [2026] when we start to hand over to the TT-Line operational teams for them to take the operational phases of that training and commissioning forward to the end.

PUBLIC

Mr KANOFSKI - Chair, I have an update on the numbers. It's a pretty simple thing that the numbers I was quoting in euros are for each ship, so it's multiplied by two. So, that's €25 million, €8 million and €50 million, for a total there of €83 million. You double that to 166 and then that converts to \$280 million Australian dollars. As I suggested, it doesn't include the holding costs.

CHAIR - Are you able to provide those to the Committee?

Mr KANOFSKI - Yes, I'll take that on notice.

CHAIR - I'm not saying right now, but today?

Mr KANOFSKI - Yes.

Mr WINTER - So, the €50 million - I thought that was for both ships. That's the funding for -

Mr KANOFSKI - No, my understanding is it's each.

Mr WINTER - So, it wasn't \$80 million to bail out the Finnish shipbuilder. It was \$160 million.

Mr KANOFSKI - That's the information I have.

CHAIR - That's contrary to the evidence we've heard previously.

Mr KANOFSKI - Can we take that on notice, just to clarify? That's the number we've got in front of us. We don't have any personal knowledge of the thing, so it's a bit difficult.

CHAIR - The evidence that we received and that is in our previous interim report on this matter -

Ms THOMAS - And in the Parliament.

CHAIR - And in the Parliament, it's pretty stepped out.

Mr WINTER - In terms of the holding costs, we don't think that's included. Are you able to quantify the holding costs for keeping four ships going?

Mr KANOFSKI - We will take it on notice and we'll provide that information.

Mr WINTER - Okay. In terms of, in particular, part of the holding costs, we've been keeping *Spirit V* in Scotland for a long period of time. Do you have the total amount?

Mr KANOFSKI - We don't have the total amount as yet, but we can give you the total amount. As I said, and I think we've talked about this a number of times. The cost per month, which is the cost of crew, fuel and berthing costs in Leith for *Spirit V* was around \$600,000 per month. That compares favourably with any of the Australian storage costs, and it's not because of berthing fees. I really want to stress this. Leith is a locked port, which enables us to have far

PUBLIC

fewer crew on board, and even despite having to fly a crew around the world to get there, I think it had four or six crew on it, whereas if you're in Hobart you need 14 or 16.

CHAIR - Even if you're alongside?

Mr KANOFSKI - Yes, because it's an active berth here and you need to be ready to move off that berth at any point, where in Leith we didn't have to do that. It's just a very different set of arrangements.

Mr WINTER - Previously we've talked about it costing around \$900,000 to keep *Spirit IV* in Geelong. Is that going to be a similar cost with *Spirit V*?

Mr KANOFSKI - While we were at anchor in Geelong harbour, it was about \$900,000 a month total - again, including crew and fuel. At Williamstown and Station Pier, it's about \$700,000 a month. Again, it's a crewing issue and a fuel issue as well. At anchor you use more fuel because you need to run the engines, depending on the weather conditions. Whereas if you're alongside, you're obviously much more sheltered and you use less fuel, but you also need fewer crew. Station Pier and Williamstown are both around \$700,000 a month. Geelong harbour was about \$900,000 a month.

Mr WINTER - There's been contention from the Auditor-General that the company is insolvent. Have you heard anything from ASIC in relation to this?

Mr KANOFSKI - No.

Mr WINTER - Okay. I wanted to go onto your mid-year update that you provided. As I understand, it's the first time TT-Line has had to do a mid-year update as part of the GBE reforms. Can you take me through, particularly, the financial position. How would you describe the financial position? Because when I read through, particularly, your beta numbers, for example, things look like they're very difficult. Can you take the Committee through the current financial situation that you arrive at? Then perhaps out of that, you could give the Committee an update on what support you've asked from Government in relation to your financial position?

Mr KANOFSKI - I would describe the current financial position as very challenging. Obviously, we've inherited a position where because of delays in the berthing project in particular, we're in a situation where we're running four vessels. I took on notice the exact number, but it's a lot in terms of the cost of running four vessels when only two of them are revenue generating. So, that has a substantial impact on the business.

We're also obviously carrying a substantial amount of debt, and so our interest payments are quite high. So, I would describe our financial position as difficult and challenging, and I guess we've never shied away from that. That's what we inherited. We've never shied away from it. I'll stress that at all times TT-Line has been able to pay its debts as and when they fall due. That has always been the case, and it remains the case today.

We have looked at our long-term financial forecasts. We think there are substantial improvements that can be made to the business, but we've taken a realistic view of all of the possible financial outcomes. We're taking a realistic view of all the options that are available in terms of service delivery and things of that nature, and we've submitted that information to

PUBLIC

Government on 2 March [2026]. We've always been confident that, based on ongoing discussions and on assurances, both written and verbal from the Government, that we'd be able to come to an agreement on how the business should be structured, and, as I said, that's under consideration by Government at the moment.

I'm not able to give any details of that. It's part of the budget process, so it's not my place to speculate on the budget. But what I'd say is we've put our position to Government, they've heard that position, they're considering it, and we think we've put realistic positions on the table.

Mr WINTER - It's been speculated publicly that that position is in the hundreds of millions of dollars in equity required to get the company out of the financial trouble it's in. Is that in the realms of the conversation you're having?

Mr KANOFSKI - I'm not going to speculate on what's in the proposal. The position that we put is Cabinet-in-confidence, and so we've put that position to the Government. The Government will respond. We believe the Government will respond via the budget process.

Mr WINTER - It's a pretty extraordinary situation. We have the Auditor-General, whose belief is that you're insolvent. We have a financial position that's said it's very difficult. What are the issues for TT-Line if it doesn't get Government support, and what position does that put your board in?

Mr KANOFSKI - I'm not going to speculate on that. What I've said is we've always been confident, based on discussions and assurances both written and verbal, and we've always been confident that, based on the essential services nature of what we do, we've always been confident that we would come to an agreement with Government.

We've analysed a whole range of options. We've put a preferred option to Government. We'll see what Government says about that preferred option and then we as a board will consider whatever the Government decides at that point in time. I'm not going to speculate on what that might be.

Mr WINTER - Since you're half-year performance targets, operating cashflow was negative \$20 million, for example, and since then we've had the, completely out of control, war in Iran, which has pushed up fuel prices. Do you have a latest update for us on your financial position, particularly around EBITDA¹ numbers and operating cash flow?

Mr KANOFSKI - We'll provide those as we're required in the next update.

CHAIR - In light of those unexpected global events, have they required an adjustment to the request to Government?

Mr KANOFSKI - No, we have considered that matter. At this time - and I say, you know, none of us has a crystal ball, right? So, none of us knows how long this goes on for. None of us knows what the ongoing implications are - but based on the actions we've taken to date, which is to put in place a fuel levy and based on continued reasonable performance in bookings, although they are slightly soft, we don't think that we need to make any adjustment

¹ Earnings Before Interest, Taxes, Depreciation, and Amortisation

PUBLIC

to the long-term financial forecasting, which is what we put to Government. That forecasting included some buffering, as you would expect, around things that happen in the business from year to year. The position we put to Government was not one that's so finely balanced that if anything changes then we need to go back and change it. It has robust buffers.

CHAIR - Safe to say, even if the war ended today, there's going to be a long lag because of the nature of the Strait of Hormuz. In your scenario modelling around this going to Dean's point about what modelling and scenario planning have you done around this, because even if even if the war ends, there's still going to be a significant lag and impact on fuel costs and perhaps people's willingness to travel?

Mr KANOFSKI - Based on what we know today, we're comfortable that we can sustain the current position within the buffer. As I said, none of us has a crystal ball.

CHAIR - But you have done scenario modelling if the war continues for six months or -

Mr KANOFSKI - The modelling always included downside modelling for a whole range of possible events. This just happens to be one of them. When we did the original modelling, we didn't model for a war in Iran because that wasn't known but we did model around what happens -

CHAIR - For an international disaster.

Mr KANOFSKI - if we have a downturn - all of those sorts of things.

Mr EDMUNDS - Just on the levy, is the 15 per cent across the board? That's passenger, car, whatever; everything has a 15 per cent levy?

Mr KANOFSKI - Yes, correct. It doesn't apply to freight and that's because freight was already subject to a rise and fall under the contract, so fuel cost variations have always been recovered from freight customers. They've just never been individually recovered from passengers.

Mr EDMUNDS - I see on your website you have 30 per cent off car fares at the moment. I'm wondering how those two things mesh.

Was that something that you decided before the levy came along?

Mr KANOFSKI - This is where it gets a little bit complicated, in the sense that we have a pricing schedule and then we have many businesses. We have promotions that go from time to time. What has happened is that our base fares have had a fuel levy attached to them, so our price book, if you like, has had a fuel levy attached. We will still from time to time discount those fares -

CHAIR - In the low-season times.

Mr KANOFSKI - In the normal course of running a commercial business. Obviously, we'll still run promotions and things like that. What I would say is at the moment, yes, our base fare is in that promotion discounted by 30 per cent, but then the fuel levy is added back on, so it's a net 15 per cent.

PUBLIC

Mr EDMUNDS - So, the 30 per cent is applied before the 15 per cent rather than 15 per cent before the 30 per cent?

Mr KANOFSKI - It doesn't matter, does it mathematically?

CHAIR - I'm not a mathematician.

Mr EDMUNDS - It would, wouldn't it? Because they're different figures.

Mr KANOFSKI - Sorry, 30 per cent comes off first and then the 15 per cent goes on. Sorry, it does matter. You're right.

Mr EDMUNDS - I thought of all the people at the table I'd be the last one to be right.

Mr KANOFSKI - No, you're right.

Mr WINTER - I'll stick with the fuel surcharge.

You've announced from early April [2026] that the fuel surcharge will come online. Is that planned to be a continuing part of your business or is this just during the Iran conflict?

Mr KANOFSKI - We'll continue to monitor it. This is specifically for the current unusual fuel pricing. What we've said is that because of the huge lag in our business and a varying lag between when people buy their ticket and when they travel, it's not as simple as saying, 'Well if you put this on, it just recovers the cost and that's how it works'. There are time lags and changes over time.

All we've said is our goal is to seek to recover 100 per cent of what we would regard as the additional fuel cost. How long we need to keep a fuel levy on in order to do that and at what rate is something we continue to monitor on a monthly basis.

Mr WINTER - How far are you booked into the future?

Mr KANOFSKI - We are booked up to 11 months.

Mr WINTER - Every new passenger booking includes a 15 per cent surcharge.

Mr KANOFSKI - Correct.

Mr WINTER - Is the surcharge purely a response to the Iran conflict or were you considering a fuel surcharge before that?

Mr KANOFSKI - No, we weren't considering a fuel surcharge before that. Like most businesses, we had to respond to what was in front of us at the time essentially. What we've said is that we're not seeking to profit from that process, we're just seeking to recover the additional costs.

Mr WINTER - Sure.

PUBLIC

CHAIR - Can I just ask a couple of questions about that? The new vessels can run on diesel, LNG² or combination, so assuming the new vessels come online in October-November, do you intend to run them on a combination or what do you intend to run them on, and what does that mean for the fuel surcharge then?

Mr KANOFSKI - I'll let Mr Carbone talk in detail about this, but in general we intend to run them on a combination of the two. There are issues with supply of LNG, but I'll let Mr Carbone talk to the detail of that.

Mr CARBONE - Chair, the intention is to run the vessels on a combination. At the moment, we have contracted about one-third of our base LNG requirements from the Westbury plant in Tasmania and so then we're looking to seek additional LNG supply from the mainland where required. But, the intention is to run the vessels on a combination of marine diesel and LNG.

CHAIR - What will that mean then for the surcharge on the vessels that are running on a mix, or a combined fuel source?

Mr CARBONE - I think the simple fact is we'll continue to review the surcharge on a month-to-month basis and certainly there's no guarantee that the Iran conflict will be continuing when we go live in October.

CHAIR - Let's hope not, but the impacts could still be there.

People are booking now for this period when the new vessels will be online. So, if they know that the vessel is being run on a combination of diesel and gas - or LNG - then are they likely to ask questions about, why am I paying 15 per cent on my ticket when the person who booked on the old vessel that's entirely diesel was also paying 15 per cent?

Mr KANOFSKI - I think this gets to the complexity of we can't individually price every customer. It's simply not possible and nor can any transport business, essentially. We make decisions about pricing that we try to make as fair and as reasonable as possible. People buy a ticket today - there's no guarantee of what the fuel price is on the day that they travel. That is just the reality.

CHAIR - Are we seeing people delay booking, do you think, for that reason?

Mr KANOFSKI - We've had a combination of things - and Mr Carbone can talk in more detail - we've had people who are pushing their bookings out.

CHAIR - Delaying and going perhaps next year rather than this year?

Mr KANOFSKI - Yes, delaying and going next year. We have had people cancelling. Although, interestingly, if people delay rather than cancel, then if they cancel and then rebook, then they'll pay the fuel levy: whereas if they delay, provided they delay in a timely fashion, they won't pay the fuel levy. But this is just the reality. I think any sense that you can kind of equate the fuel price on a particular day that the passenger travels to the ticket price they pay six months before that is pretty challenging, as it is for airlines and everybody else.

² Liquid natural gas

PUBLIC

Mr WINTER - Again, in your midyear report, freight volumes decreased by 14 per cent for the first half of the year. You put that down to competition. Are we seeing any change in that since that point in time and how does that impact your financial performance this year?

Mr KANOFSKI - Clearly, there is competition in the freight market, and increasing competition in the freight market. I'll let Mr Carbone talk to the detail of that, but there is, and we've made no secret of the fact that there's increasing competition in the freight market.

Mr CARBONE - I think the freight volumes since the report of the first half have not materially changed. I guess what I would say is those reductions in freight volumes have allowed us to convert quite a bit of that space into passengers, which is hence why in the first half, when we published our results, you would have seen that we moved more than 10,000 passengers more versus the prior year. Certainly, we saw that trend continue in January, February and March, where we moved more passengers, caravans, cars and RVs than the previous year.

Mr WINTER - Is there a measure that you use to measure your freight capacity - how much extra spare capacity you have on the ships every year? If so, can you tell us what that is?

Mr CARBONE - We measure our lane metres on each vessel sailing, and certainly we have the ability to switch those lane metres between passengers and freight, and we do that on an almost daily basis depending on where the volumes hit. We simply reprioritised a lot of metreage where we had soft freight volumes to passengers.

Mr WINTER - How do you report that? It's not in your half-yearly report. Is that in your annual report?

Mr KANOFSKI - We don't report it at that level. Clearly, there is a freight market and freight competitors. So, like all of the freight operators, we're probably pretty reluctant to completely declare our hand in terms of those commercial decisions.

Mr WINTER - I'm glad you talked about passenger capacity. We've heard a lot of rhetoric from Government in particular about there being 40 per cent additional capacity from the new ships. But I want to talk about how our new ships will compare in terms of the number of passengers that will actually come to Tasmania.

When comparing the new ships that aren't doing day sailings with the old ships that are doing day sailings, what's the modelling for the number of passengers per year once the new ships are fully operational against the old ships running day sailings? How many additional passengers are we getting per year through that?

Mr CARBONE - The modelling we have anticipates we will see modest growth on the new vessels, but we also do expect to see a short honeymoon spike where there'll be particular interest in people travelling on the new vessels.

CHAIR - On their honeymoon perhaps.

Mr WINTER - Rather than projecting and talking, what's the actual capacity difference? Because we've got the older ships that are running day sailings, so adding capacity from smaller

PUBLIC

ships. What's the potential capacity for the new ships running in terms of passenger numbers compared with the old ships doing day sailings?

Mr CARBONE - In simple terms, there's over 100 more cabins on the new ships versus the old ships. And again, in terms of the metrage, we've been quite open; that's around about 40 per cent additional lane metres.

CHAIR - Are there more seats or chairs as well, though?

Mr CARBONE - Absolutely, which is why we increased passenger count by over 300 per sailing as a theoretical capacity.

Mr WINTER - But with less sailings though, which is my point, so I'm just trying to understand -

Mr KANOFSKI - I think the point I'd make in response to that is, if there is demand, we would run day sailings with the new ships as well, but our current forecasting suggests that that demand won't be there at least for a number of years.

Ultimately, probably in the future, there will be demand to run day sailings with new ships. I wouldn't want to give the impression that we lose the opportunity to run day sailings with the new ships because we don't; we can easily run day sailing with the new ships as well. What we're saying is, based on current projections, we don't need to, therefore, our cost per passenger of running them on the new ships is lower than the cost per passenger of running them on the old ships because the new ships are more efficient and because we're not running those additional - you know, we're running less sailings to move - essentially, in simple terms, we're going to run less sailings and move more people.

CHAIR - With a similar number of crew and operating costs?

Mr KANOFSKI - Similar.

CHAIR - More, I would say.

Mr KANOFSKI - It will be slightly more, but similar. But, the fuel costs will be, and this is very pertinent to the current discussion of the fuel costs - the new vessels, whether they're running on LNG or on marine diesel are way more fuel efficient than the old vessels and will, therefore, burn less fuel, full stop, on each sailing.

Mr CARBONE - Could I say, Chair, that we have seen a material spike in LNG prices as well. When you ask about fuel levy, LNG proportionally has gone up just under diesel, but certainly it's been a very detailed price spike.

Mr KANOFSKI - Not surprising, right? It's a market.

CHAIR - The fuel surcharge is likely to be a feature until that settles, if it ever does?

Mr KANOFSKI - It's likely to be a feature until it settles.

PUBLIC

Mr EDMUNDS - With the efficiency, do the new ships take less time to actually cross Bass Strait or the same time?

Mr KANOFSKI - The same time. Crossing times are kind of a factor of fuel burn, passenger comfort, a whole range of things determine that.

CHAIR - Having a decent sleep?

Mr KANOFSKI - Yes. So, no, the crossing time will remain the same.

Mr JAENSCH - Just on that earlier conversation regarding LNG supply. I have had some questions about whether there's new storage planned for LNG on the wharf or in the precinct there or if it's going to be delivered by tanker from elsewhere. Is there anything you can update us on with that?

Mr KANOFSKI - I'll let Mr Carbone talk on that. We have capacity to create storage on the site and we've allowed for that in the planning. We think it's unlikely that that will end up being the most cost-effective way of providing that service.

Mr CARBONE - I think what I can answer is that we've had really constructive conversations with the combination of TasPorts, BOC, being the operator of the Westbury plant, and also we have a workshop scheduled that involves both BOC and SeaRoad later this week to try to constructively work together on a whole-of-port solution, but certainly no outcome as yet.

Mr JAENSCH - SeaRoad takes delivery to the port, don't they, for their LNG by tanker?

Mr KANOFSKI - By tanker.

CHAIR - Which will be the same approach used by TT-Line.

Mr KANOFSKI - At least in the first instance.

CHAIR - Just on that, Roger, I'm interested in how many truck movements a day that will be onto the wharf when it is being refuelled. I know there are limitations to the supply; you've already identified.

Mr KANOFSKI - If we could get enough supply, I think we could take three a day, couldn't we? If we could get enough supply, which we can't get currently.

CHAIR - If there was enough supply, it would be three truck movements a day, yes? Roger, do you have other questions on that?

Mr JAENSCH - No, thank you.

Mr WINTER - The statement of corporate intent is out, through you, Minister. You've signed the statement of corporate intent without estimates through years two, three and four.

PUBLIC

Can you take me through your signing that and how you've met your legislated obligations under the Act?³

Mr VINCENT - We've taken advice as we've worked through that with the board and as the shareholder Ministers, and it's an ongoing document that we need to review as we get more and more numbers involved and understand the business cases going forward and we've accepted that as it is at the moment.

CHAIR - Has the corporate plan been completed?

Mr KANOFSKI - If I could add to that, we have a statement of corporate intent and a corporate plan which, as has been suggested, does not include long-term forward estimates.

CHAIR - That corporate plan doesn't?

Mr KANOFSKI - The submitted corporate plan doesn't at this point in time, although we would expect that, subsequent to any decisions the Government might make about the long-term financial structure of the business.

CHAIR - The Budget you mean?

Mr KANOFSKI - Yes, we would submit a statement of corporate intent and a corporate plan that would be reflective of that decision and our long-term forecasts.

CHAIR - So you'll update that after the Budget?

Mr KANOFSKI - The next statement of corporate intent and the next corporate plan will have the normal amount of long-term forecasts.

CHAIR - That's not till next year, is it?

Mr KANOFSKI - It's due now.

CHAIR - The next one's already due?

Mr KANOFSKI - Exactly.

CHAIR - When can we expect to see a statement of corporate intent and a corporate plan that includes the forward projections?

Mr KANOFSKI - We'll submit it to the Government when we're clear on what the Government's decision on financial structure is.

CHAIR - So this year?

Mr KANOFSKI - Yes, we will submit that to the Government and it will become public or will become available in the normal course when Shareholder Ministers have approved it.

³ Section 39, *Government Business Enterprises Act 1995* (Tas), mandates that the Board of each GBE must prepare a corporate plan every financial year, which is then subject to joint approval by the Portfolio Minister and the Treasurer.

PUBLIC

CHAIR - Yes, the statement of corporate intent, not the corporate plan.

Mr KANOFSKI - The corporate plan gets approved at the same time, but it's not a public document.

CHAIR - That's right, but will it be this financial year?

Mr KANOFSKI - Yes, it will be for the 2026-27 year going forward.

CHAIR - It will be delivered before 1 July [2026]?

Mr KANOFSKI - Yes. That is our intention.

Mr WINTER - Minister, have you received any advice about whether the statement of corporate intent complies with the Act?

Mr VINCENT - No, I haven't.

Mr WINTER - Are you aware of any other instances where a GBE hasn't submitted forward estimates in its statement of corporate intent?

Mr VINCENT - It's fair to say we know the pressures that TT-Line are under and we've been working very closely with both board and the management team to make sure that, on a continual basis, the figures are as accurate and as we can predict. There's a lot of pressure now with the fuel situation as well and we continue to work through those on a monthly basis with the Board and the management.

Mr WINTER - The GBE Act, to my understanding, requires the statement of corporate intent to be provided and also sets out that it needs to provide estimates. We've been skating on thin ice around this for a while now. There have been updates. I can't go into too much because I can't remember what was in camera and what wasn't. Certainly, we've publicly had updates from Treasury. Treasury gave us an update that they were expecting these plans, I think by the end of February [2026] at one point. We now have a statement of corporate intent that doesn't include the estimates going forward. Are you able to take on notice whether the TT-Line is currently meeting its obligations under the Act?

Mr VINCENT - I'm always happy to take it on notice to double check that but, like I said, we're working through difficult circumstances at the moment, which we've been very open and honest about. We are just making sure that every month we are complying and making sure that the numbers are as accurate as we can be to supply to everybody so there is -

Mr WINTER - But there are no numbers at all, though. There are no estimates at all. It's not that they're not accurate, it's that they don't exist. I understand the Chair, and I asked a lot of questions of the Chair, but really, it's to you, Minister. The whole problem here has been the lack of Ministerial oversight over this project from day one.

CHAIR - And the visibility of the numbers.

PUBLIC

Mr WINTER - And the visibility of the numbers. You don't have visibility of the numbers. So, how are you signing off on a statement of corporate intent where you don't actually have the estimates going forward?

CHAIR - And the corporate plan, we're told, doesn't have the numbers in it either.

Mr KANOFSKI - If I could just make a comment on that. The approach we've taken to the statement of corporate intent and the corporate plan was worked through with Treasury, and there was an agreement made that we would submit a short-term corporate plan and that we would submit long-term financial forecasts as part of the budget process and then there would be an updated corporate plan. We worked through that process with Treasury.

CHAIR - I think you can understand the concern of the Committee on this, and the people of Tasmania, because we were given - well, former Ministers - were given certain assurances by former board and CEOs that everything was swimmingly going along and the finances were fine. We concluded they weren't. So, this is, I think going to Dean's point, there's the corporate plan, which is a pretty substantial and serious document, that doesn't have these numbers in it and it's clear that nothing in the statement of corporate intent. So, you see the concern that is raised.

Mr KANOFSKI - I hear the concern. What I would say is that the set of financial forecasts that we've provided to the Government on 2 March [2026] will be the same set of financial forecasts on which the net corporate plan is based. In terms of the Government receiving forecasts from the company, I think it's a bit of a semantic exercise as to whether they're in the corporate plan or they're in a set of financial forecasts that we provided on 2 March [2026]. It's a question of form rather than substance.

What we agreed with Treasury was the most logical sequencing of this is that we would provide a short-term plan based on the modelling that we had at the time, that we provide the longer-term modelling in March [2026], as we have, the Government would consider that, the Government would make a decision and then we would submit a corporate plan based on those forecasts and that decision.

CHAIR - Minister, are you confident then you have all the information you need on which for you and the Treasurer to reach a decision - which I'm sure has almost been reached because the Budget's next week, isn't it? - that will clearly show with a high degree of confidence that the numbers that you've been presented with are accurate, even though we're not seeing any of them and the public's not seeing any of them? We'll hopefully see some numbers in a document before the end of the financial year. But this is the problem that led to the disaster that these guys have been called in to fix. Are you confident, and confident with the Treasurer, that everything you need to make an informed decision has been provided to you?

Mr VINCENT - Yes, I am. The process is that Treasury, the Treasurer and my office, alongside the Treasurer, each have the opportunity to question. So, it's not just one lot coming: it's three different people looking over that. I have no reason to doubt the accuracy of what we have been being informed by both the Board and the CEO.

CHAIR - It's not a reflection of the people at the table. I will say that. It's just that this is how we got into this problem in the first place.

PUBLIC

Mr EDMUNDS - Trying to learn our lesson.

Mr VINCENT - I've just sought some clarification there on some of the questions that Mr Winter quite rightly raised there, which I'll ask the Secretary -

Mr GREGORY - Chair, under the *TT-Line Arrangements Act 1993*, the statement of corporate intent is only for the relevant financial year.

CHAIR - Yes, I can see that.

Mr GREGORY - In terms of what's in it, it's quite open to the board to determine what's in the statement of incorporate intent. There's no requirement for the statement of corporate intent to have forward forecasts beyond the relevant financial year.

CHAIR - How does that intersect with the recent amendments to the Government business enterprises reporting requirements?

Mr GREGORY - I was going to add: I would like to go back and look at those revised arrangements and the relevant Treasurer's Instructions just to understand the overlap. But in terms of the requirement of the Act, it's only for the coming financial year.

CHAIR - I would like you to come back to the Committee then how this all measures up.

Mr GREGORY - Happy to do that.

CHAIR - Going back to Dean's point, at the outset, how do you comply with the requirements of all the relevant legislation governing Government businesses? Because all the various state-owned companies were included in that reform for the obvious reason - yeah.

Mr GREGORY - We'll take that on notice and just looking at the legislation, the *TT-Line Arrangements Act 1993* version that's current from 1 January 2026.

CHAIR - Which is one document, but there's also - as I understand it, TT-Line, whatever act it's called, sorry, was included in that act that changed the governance arrangements very necessarily and all GBEs.

Mr GREGORY - Yes, and I reiterate my comment that I'd like to go away and understand the overlap with the new arrangements and Treasurer's Instructions because this particular section of the act does refer to Treasurer's Instructions as well, so I'd like to come back with some more consultant advice.

CHAIR - Sure.

Mr KANOFSKI - Can I just add, Chair, just with regard to the information that is before the Government, which goes to one of the questions, just to be clear, the information that has been put before the Government on 2 March [2026] does include full long-term financial forecasts. It's been prepared by TT-Line with the assistance of independent expert financial advisers and that whole process has been done in conjunction with working with Treasury. There's been complete transparency with Treasury. Treasury has commented, asked questions,

PUBLIC

done all that sort of stuff. I want to be really clear that the company has put before the Government a very robust set of financials that have been subject to scrutiny by Treasury and have been prepared with the assistance of expert financial advice.

CHAIR - Who's the expert financial advice been sought from?

Mr KANOFSKI - I don't think we're at liberty to say that - that's in agreement with the adviser, but there is expert financial advice.

Ms THOMAS - Going back to the presentation you provided to us, Mr Kirkwood, thank you for that. You mentioned the gantry testing will occur in August [2026]. I'm interested in knowing what risks are associated with that gantry testing. How confident are we that the testing will be successful and there'll be no issues? Is that really the key risk remaining for the project?

Mr KIRKWOOD - Yes, it is. The gantry and the link spans and all the structures - the company that was engaged to design and build those was the same company that designed and built the Geelong gantry. We have a contractor involved who knows exactly what he needs to do in terms of this particular gantry link span and the commissioning to the vessels. The link span structures in Geelong are very similar to the ones in Devonport and they have already been tested with *Spirit IV*, so we have already done that.

You're right, it is still the last major risk we have in terms of getting operational. That planning is well underway. We will bring the vessel in August [2026] to do that and that gives us sufficient time that, if there is any fine-tuning, anything that needs tweaking, we have plenty of time before operations to make that work.

Ms THOMAS - Is there any independent assurance review confirming that October 2026 is a realistic date or is this management's internal estimates only?

Mr KIRKWOOD - It is management's internal estimates, but I would refer to the recent gateway review.

Mr KANOFSKI - I'm not at liberty to disclose the details, but obviously all projects in Tasmania are now subject to review by ITas as part of the independent assurance framework. We have recently completed a review in the last several days - the latest review - and that report is with Government.

CHAIR - Do you want to ask a question of Government about that, then?

Ms THOMAS - Yes, thank you.

Minister, you've seen that information - have you seen the information about the gateway review, and how confident are you about the October 2026 date?

Mr VINCENT - I am confident of the October 2026 date, but have we seen the last - that one, has that been presented to us yet?

Mr MOLONEY - So, it's still being finalised, Minister.

PUBLIC

Mr KANOFSKI - Sorry, my apologies -

Mr VINCENT - So we wouldn't have seen that last one - that last update that we had today on it, but at all our meetings we're still working through the similar sort of recommendations and points, so I'm still very confident and, having visited the site, that we will be on time for the October date.

Ms THOMAS - Do you receive those gateway assessments? Is there some kind of formalised process whereby those gateway assessments are provided to you as the Minister?

Mr VINCENT - Certainly, I have not received this last one as it's just being finalised, as was mentioned earlier in the day. When that is finalised by Mr Moloney, that does come and is formally addressed at one of our regular monthly meetings.

Ms THOMAS - Obviously, and hopefully this doesn't occur, but, if there are issues with the gantry for some unexpected reason, what is Plan B if it's delayed further?

Mr VINCENT - There is a contingency built in there at the moment for the date. As some of the discussions have indicated, most of the things are online to be finished early, which gives us a period of adjustment before the official start date at the end of October [2026], so there is contingency built in both in relation to the workload and the financials to make sure everything's taken care of.

Mr KANOFSKI - We have contingency both in time and cost. We expect things to go according to the plan, but if they don't, there are contingency plans in place.

The other thing I'd add to the assurance process is the board has decided at its last meeting that in the next couple of months we'll undertake or we'll commission our own independent assurance process of the operational readiness program. So, we want to have, again, to have another independent set of eyes come in and make sure that everything's in readiness and we'll do that in sufficient time that, if that review finds anything, we have sufficient time to address it.

Mr VINCENT - As Mr Kirkwood did mention before in his summary of the project management, there is a team that looks after that project readiness. I have spoken to some of the contractors myself and they are confident that they are well and truly on track, and that is a separate group that Mr Kirkwood has put in place to make sure that timelines are being met within the parameters.

Mr KANOFSKI - I think it's fair to say, the project now has what I'd call a robust assurance and governance process over all aspects of its delivery, so all of the normal best-practice checks and balances that you'd expect to see are now part of the way this project runs.

Ms THOMAS - Okay. In terms of the cost of the *Spirits* sitting idle, Minister, do you know how much we're paying each month for ferries that we can't use? Are you aware of the figure of what it costs for us to have these ferries sitting idle each month?

Mr VINCENT - Yes, I have been given an update. I don't have the full cost of what it was in Leith but, certainly, it is part of our monthly meetings and other meetings also as that

PUBLIC

information comes available. We touched on that before when we had the Berth in Geelong and then we moved it to Williamstown and then to Station Pier. Those cost variations are discussed each time, including potential savings against various models that we can use like bringing them down to Hobart.

CHAIR - I understand the CEO is going to provide more comprehensive information following the meeting.

Ms THOMAS - Okay.

Mr VINCENT - Chair, could I just point out that the Acting Secretary has an update on some of the information there.

Mr GREGORY - Chair, with regard to the requirements of the Treasurer's Instructions, there's a specific Treasurer's Instruction for statement of corporate intent, that's GBE 06-41-04 and that comes into effect for statements of corporate intent from the 2026-27 financial year onwards.

CHAIR - That's convenient, isn't it?

Mr GREGORY - Well, I would suggest it's coming out of the GBE reform as a new Treasurer's Instruction.

It lays out what must be in the corporate intent. There has to be a set of clear, measurable and consistent financial and non-financial performance measures and the annual target for each performance measure for the upcoming financial year has to be included.

CHAIR - Statement of corporate intent?

Mr GREGORY - Statement of corporate intent, so that's the question: is the statement of a corporate intent compliant with the requirements? The answer is yes. There is discretion for the business to include the following three years' performance measures.

CHAIR - In the statement of corporate intent?

Mr GREGORY - At the discretion of the business. The question of whether the statement of corporate intent is compliant by including just one year of financial performance measures ; the answer is yes.

CHAIR - Can I go to the Chair then? When you prepare the upcoming statement of corporate intent based on the challenges of the past, will you provide a statement of corporate intent that meets those three years? It's not a requirement, but in the goodness of your heart and all of that?

Mr KANOFSKI - As a Board, we'll have to consider what we submit. A statement of corporate intent comes to us prior to its submission to Government. We'll look at what we think is appropriate to disclose. I'm not able to answer the question because the board hasn't considered it.

CHAIR - Will that be something that you will take to the Board to consider?

PUBLIC

Mr KANOFSKI - Certainly, the Board will consider it. Yes, absolutely.

CHAIR - There has been a lack of faith and trust in this company prior to you guys taking it over. The challenge is, for all of us, the owners, members of this Committee, to have confidence in it, knowing that there are still challenges. You've said yourself you're facing a challenging financial position and it's not going away anytime soon. It would be helpful to have a bit more of a longer-term view.

Mr KANOFSKI - Can I say in general terms, I think it's a reasonable statement that the new Board has been very transparent, both with this Committee and in public to the extent we can be within the bounds of commercial- and cabinet-in-confidence. What I would say as a general proposition is - and I can't speak for the Board, because the Board needs to make the decision, not me - as a general proposition, we've erred on the side of trying to provide more information rather than less because we think that's in the public interest. That's been our general kind of posture on these issues.

CHAIR - What would be your expectation, Minister, on that? Would you expect to see through their three-years' projections?

Mr VINCENT - Hard to know at this point in time, but in general terms, yes, we would. That's been forming up, if you go back quite a few months now, when the corporate plan was withdrawn to adjust to new figures and the figures we know and then we talk about the figures that have been put forward. To help the financial situation, we have taken a middle-of-the-road approach to it, conservative, achievable that allows for some movement in pressures on the business which has been commendable by the board to take that. They could have taken the low-risk or high-risk options, but we've sat in the middle. That is now firming up and what we've seen in the last six months' figures is a softening of some of the demands which still fall within where budget thoughts were from the new CEO and chair. As that firms up over the next six months, we can expect to see some accuracy in the figures going forward to probably what we inherited over 12 months ago. I would expect that pattern to be more substantial for us to all view and the predictions will be more accurate as we move into that period. Three years would be feasible to do, but once again that's the board's decision on provide us with the accuracy that they feel that they can.

CHAIR - Public confidence might play a part there.

Mr VINCENT - It certainly does play a part and, as the chair touched on, the openness now is far different and trying to be very accurate with those figures and when we can't be, there's reasons why and we're working through those. As the costs of different things get finalised, we know we have to work that in, but the operations of operating four ships at the moment is so much different to what it may be in another 12 or 18 months' time and we have to be realistic about how we project those figures.

Mr WINTER - You talked about projections going forward and taking a middle-of-the-road projection. Have you been briefed by TT-Line around their forecasts and net debt projections?

Mr VINCENT - What we regularly get briefed around is where the CEO feels that the business is heading in the direction that he would also like to take it in the future. There has

PUBLIC

been a sense of confidence and accuracy on those figures, and not just from us, but also from other people involved, like the tourism industry, that the CEO and board are in a solid place with where we're at at the moment and where we are going in the future.

Mr WINTER - You've signed off on a corporate plan, is that correct? A [20]26-29 corporate plan.

Mr VINCENT - I'll just have to check with Ken on that.

CHAIR - You said you were going to do it after the Budget, didn't you?

Mr KANOFSKI - No, we signed off on the statement of corporate intent, which was a one-year view. What we've agreed with Treasury is that, after the Budget, we would submit a next corporate plan.

CHAIR - For [20]26-27?

Mr KANOFSKI - For [20]26-27 going forward.

CHAIR - Which means it's subject to the new Treasurer's Instruction?

Mr KANOFSKI - Correct.

Ms THOMAS - The only question I had was in relation to TasPorts. We haven't had, I don't think, TasPorts before the Committee for a while on this particular matter, and there's been a change of leadership certainly since we last had them before the Committee. Minister, how do you satisfy yourself now that the relationship between TasPorts and TT-Line is sound?

Mr VINCENT - With our infrastructure sub-Cabinet Committee that looks at that on a regular basis, they come in and out as required for that. I also attended recently a TasPorts board meeting, where I was able to talk to the entire board for a period of time about where their feelings were and, as the CEO indicated before, they were working through various things with their AFL (agreement for lease) and other matters. There is no indication from either board or either of the CEOs that there is any angst on any subject at all other than cooperation and sensible discussions to get to a point where everything's going to be delivered on time or discussed or worked through at the time. There is no indication from any of those people that there's anything awkward at the moment, other than firm, robust discussion about where they need to be.

There seems to be a level of cooperation also about what needs to happen with Berth 1 and with SeaRoads in conjunction with those three businesses. I have met with Chas Kelly also: that is of a professional basis and moving forward at a sensible pace.

Ms THOMAS - Is there a clear expectation, do you believe, that board chairs of these companies will alert you if there are relationship issues? Is that really explicit?

Mr VINCENT - Yes, there has been, over the period that I've been in this ministry, very blunt and forthright discussions at all levels of management and board that I expect that level of cooperation and a warning if there is a subject that is uncomfortable or doesn't quite fit. It's alright to talk about the good things, but we always have to be upfront and fix the things that

PUBLIC

may have a negative impact on things that we work through. Both parties have been very good. Other parties involved know that they can pick up the phone and ring my office - there's my chief and myself - whenever they have to. Those phone calls aren't happening other than on a professional, solid basis about the direction we're going.

Ms THOMAS - You mentioned the AFL - the agreement for lease. What's your understanding of where that's at between TT-Line and TasPorts?

Mr VINCENT - Having met with board, the TasPorts board, were very confident they were working through an agreement that would stand the test of time - if I could use that analogy - and put both companies in a better position to understand where they were now and into the future, than probably they were in the past. I haven't seen all the finer details of it yet other than both boards said they've been working through it.

Ms THOMAS - It's not yet completed?

Mr VINCENT - I think it might be from TasPorts, but I haven't seen that. I don't think it's been through both boards yet.

Mr KANOFSKI - It's being commercially settled and it's in documentation: so, it's being legally documented at the moment.

CHAIR - Will the Minister see that before it's signed?

Mr KANOFSKI - No, it's an agreement between the two organisations. We expect, and as does the TasPorts board expect, that we will sign that agreement before 30 June [2026]. There's a lot of detail in it.

Could I just add on the TasPorts role: Mr Gregory chairs a whole-of-Government oversight Committee on the Berth 3 project. Both ourselves and TasPorts attend that. At a kind of officer level, there's a process. I won't speak for Mr Gregory, but that Committee in turn reports up to the infrastructure Committee at Cabinet. So, there's oversight at a whole-of-Government level at both the Cabinet level and then at Secretary-of-department level. So that's convened by State Growth. TasPorts and we attend and provide information.

Ms THOMAS - How often does that Committee meet?

Mr GREGORY - Monthly basis. I've been on the steering Committee as a member for about 18 months and chair in the time that I've been Acting Secretary of State Growth. I would say, in a practical sense, the relationship between the two organisations is vastly different to when I joined the Committee 18 months ago.

It's fair to say under the current leadership of both organisations, what we're seeing through the assurance Committee is a very productive relationship and open relationship. I would also say that I feel much more comfortable as a member of that steering Committee in terms of the information we've been getting for quite some time, but certainly very different to 18 months ago.

CHAIR - I wanted to ask a couple of questions about the management of staff, acknowledging the Minister's comments on some of the impacts on staff now. It is a bit sad

PUBLIC

when I post on social media pictures of site visits and I tend to get all negative comments. I will say that it is a bit disappointing.

That aside, when we're talking about staff, I'm interested in how many staff you will need when there are just the two vessels running compared with how many you've got now running the two vessels across the strait but obviously manning the other vessels as well.

Mr KANOFSKI - I'll let Mr Carbone take that.

Mr CARBONE - On the current operating model, when we run day sailings, largely those sailings are crewed by casual workers, and certainly will require less casuals in the short term whilst we run PM sailings.

It certainly is a challenge at the moment trying to crew four vessels. Our crewing team has almost daily challenges in terms of rostering for those four vessels.

CHAIR - When the two current vessels go off service, regardless of whether they're sold or just sitting somewhere waiting to be sold, will the staff of the new vessels be permanent staff? Obviously, there will be a mix, but by and large permanent staff? I'm just wondering how you're going to deal with additional staff you've got now if they're casual, though; a casual position means they can actually be put on permanently if you need a position.

Mr CARBONE - Certainly, we've invested a lot of time and effort in training those casual employees, so we hope to keep as many of them as possible.

The base fostering the ship is largely through permanent employees. At the moment we're just working with AMSA.⁴ AMSA is the regulator, dictates the minimum crewing levels for a vessel for safe evacuation. And so we hope to finalise that with AMSA in the coming weeks and that'll dictate the minimum crewing required to safely evacuate the ship in all likelihood will have additional team members on top of that to provide a customer experience.

CHAIR - Are you likely to have staff that you need to let go in that?

Mr CARBONE - I don't envisage that we'll be making any permanent team members redundant.

Mr WINTER - The reason I asked that last question is I was going to ask about the TT-Line company corporate plan 2026-2029. Am I to assume that this one is now out of date - the corporate plan 2026-2029? This one that we received under RTI.⁵

Mr KANOFSKI - I think that's the first drawn plan. That would be my understanding. That was the one we withdrew. We did have a corporate plan, and then the board withdrew that corporate plan.

Mr WINTER - This version I have has been withdrawn.

Minister, did you sign off on this corporate plan that was later withdrawn?

⁴ Australian Maritime Safety Authority

⁵ Right to Information Act 2009 (Tas)

PUBLIC

Mr VINCENT - No, I don't believe so.

Mr KANOFSKI - It was never approved.

Mr WINTER - When was this produced?

Mr KANOFSKI - I'd have to take it on notice. It was produced in the statutory time-frame.

Mr WINTER - Not by your board, by the previous board.

Mr KANOFSKI - It was produced by our board and in adopting it, it was, from memory, our second meeting as a board, and it was before Mr Carbone commenced. In adopting it at the time, we wrote to the Ministers attaching the plan expressing at that time still some substantial concerns about it and said that we intended to undertake a more thorough review. At that point we accepted it for what it was, but we caveated our, kind of, position on it by saying, 'We haven't had a lot of time as a board to come to grips with this business and we have some concerns about this corporate plan, but we're submitting it because it's the best available information right now'.

Mr WINTER - Because you're required to under the Act.

Mr KANOFSKI - Right now today, yes, but we did flag that we had concerns about it. Later we crystallised those concerns and we got to a point where we decided that we should withdraw that corporate plan, but it was never approved.

Mr WINTER - Because I was utterly confused and now I understand. In terms of the data that's in it, you've modelled debt levels. One of the models shows that rather than decrease over time, debt will increase to almost \$3.5 billion dollars by 2045. Has that scenario modelling been updated?

Mr KANOFSKI - Yes, it has.

Mr WINTER - Is there a scenario still like that?

Mr KANOFSKI - No, there's not. We're talking about things that are Cabinet-in-confidence, so I'm reluctant to pursue that line of questioning because we're talking about information we have provided to the Government for the consideration of Cabinet.

Mr WINTER - This information has been released under RTI though.

CHAIR - It has been withdrawn. It is no longer relevant.

Mr KANOFSKI - What I'm saying is that information has been withdrawn.

Mr WINTER - True, but the situation we are in is still the same in that you still have very high levels of debt and you still have four ships, you still have a project that's \$700 million over budget. In terms of your scenario modelling of debt levels, what are your high base and low case?

PUBLIC

Mr KANOFSKI -As I said, there is scenario modelling of the debt levels in the information that's been provided to Government and in the information being provided this Committee in camera, I'm not at liberty to discuss Cabinet-in-confidence submissions at this point in time other than to say that we think that the debt levels within the current forecast that is before Government are sustainable for the company. They will remain challenging but sustainable.

Mr WINTER - Are you talking about the debt forecasts in the event that you're able to get the equity injection you ask for?

Mr KANOFSKI - I'm not at liberty to talk about what we've asked for. We've made a submission to the Government on our long-term financial forecasts and the Government's considering that and they will provide their response.

CHAIR - I am conscious of the time, Dean. There is a hard finish at 11 a.m.

Mr WINTER - If others have questions, I can handball.

CHAIR - We only have a couple minutes left.

Mr WINTER - Do you concede that without an equity injection, the business is unsustainable going forward.

Mr KANOFSKI - As I said, we've put forward our preferred financial position to the Government. There are a number of other scenarios that could occur. We await the Government's decision and when the Government has communicated that, then we'll be in a position to know what our financial position is.

Mr WINTER - My concern is the scenario that's modelled here that shows your debt position ballooning from \$1.5 billion to almost \$3.5 billion over the course of the next 20 years.

Mr KANOFSKI - The numbers you're quoting from are withdrawn and were withdrawn by the board. What I can say to you is we've put forward a set of financials and a set of recommendations to the Government that would see the business operating in a sustainable way.

CHAIR - We might wrap it up at that point because it very nearly is 11:00 am. Thank you for your time. We will write to you with some of those questions on notice and also do acknowledge there were some matters we covered in that in-camera session that we'll also send you that transcript, perhaps to your Minister, to have a have a look at in terms of public visibility of some of it. But thank you for your time today. We appreciate you have to leave to catch a plane.

The witnesses withdrew.

The Committee suspended at 11:00 am.