



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

TT-Line Company Pty Ltd

Monday 24 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Sarah Lovell MLC (Deputy Chair)
Hon Dean Harriss MLC
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Mr Kerry Vincent MLC, Minister for Infrastructure and Transport

TT-Line

Chris Carbone
CEO

Ken Kanofski
Chair

PUBLIC

THE LEGISLATIVE COUNCIL GOVERNMENT BUSINESS SCRUTINY COMMITTEE A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE HOBART ON MONDAY, 24 NOVEMBER 2025.

The committee met at 9.00 a.m.

TT-Line

CHAIR (Ms Forrest) - Thanks, minister and the team from TT-Line for appearing before the Government Business Scrutiny Committee. If you would like to introduce the members of your team at the table and I invite you to make a short opening statement if you wish, and if the chair has a statement as well - does he? Yes. Then we will go to questions. Thanks.

Mr VINCENT - Thank you, Chair. To my right, I have my chief of staff, Tim Lovibond; to my left, chairman of the TT-Line Board, Ken Kanofski; and the CEO, Chris Carbone. Thank you, Chair.

CHAIR - Thank you.

Mr VINCENT - In my opening statement, no one can deny the *Spirit of Tasmania* vessel replacement and berth project has been significantly difficult; even that comment feels like an understatement. The situation the government found itself in was deeply regrettable, no one is disputing that; but we said all along we would sort the *Spirits* and back the state's critically-important tourism industry, which is so important for the broader Tasmanian economy.

I'd like to commend the diligent work of the TT-Line chair, Ken Kanofski, and CEO, Chris Carbone, in their short time with the company. I'd like to acknowledge the hard work of the TT-Line Board, which was appointed in December last year. It is also important to reflect the ongoing commitment of all *Spirit of Tasmania* staff and crew, who have faced criticism about the numerous delays the projects have experienced. I've visited the berth 3 site numerous times now and I've dropped into see staff in Devonport twice as well. A few weeks ago, I joined Chris on board one of the ships in Devonport to chat with the crew and staff. Their passion and commitment to the company was very clear. They're the best in the business, but they're feeling the frustration of the situation TT-Line has put them in. Thankfully, the end is in sight.

As we know, after the meticulous work of all the people I have just mentioned, berth 3 is progressing well and is on track for completion in October 2026. *Spirit of Tasmania IV* is in Australia, and the *Spirit of Tasmania V* will travel to Tasmania for the first time next year. Of course, there is more work to do, and the government and TT-Line are in lockstep about what it looks like to get the new vessels commencing their operations on Bass Strait in October, now just 11 months away.

The ships have been designed to deliver an exceptional sailing experience with increased comfort. There will be more cabins, more recliners, including new business-class recliners, and an upgraded onboard experience with expanded catering outlets, dining and passenger lounges. Those many Tasmanians, and I hope some of this committee, who toured the *Spirit of Tasmania IV* when she was in Hobart, will have seen that for yourselves.

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The vessels are specially designed and built for Bass Strait conditions in mind. They feature an enhanced hull design, and large stabiliser fins will ensure optimal passenger comfort while travelling the 242-kilometre voyage on Bass Strait between Devonport and Geelong. When people first step on board, the interiors will provide visitors to the state with a taste of what to expect before they arrive.

I'm not saying there aren't still challenges ahead, but I'm pleased to be working with Ken, Chris and their teams to ensure we stay on track and the failures of the past not be repeated. I'd like now, Chair, to pass to Ken to make a few introductory remarks. Thank you.

Mr KANOFSKI - Thanks, minister. The *Spirit of Tasmania* is an important and iconic ferry service as part of the National Highway. It provides a vital public service and enables a substantial contribution to the state's economy by tourism and by parts of the agricultural sector.

The new directors and management of TT-Line have inherited a very challenging set of circumstances. The renewal of the entire capital base of the business, being two ships and two ferries over a three-to-four-year period, would put a financial strain on any business. Imagine if TasNetworks decided to renew all its poles and wires over a three-to-four-year period; or Metro replaced all its buses over three-to-four-year period; or TasRail replaced all its rolling stock and tracks over a three-to-four-year period. Add to this the well-documented cost overruns and delays that we've inherited, and the financial challenges are many and various.

The new board has been addressing the financial challenges it has inherited in a structured and rigorous manner. The board has, in a short 11 months since its appointment, bought the troubled berth 3 project under control and is on track to deliver the project and have the new vessels operating by October 2026 within the revised budget that the board developed and announced. We've appointed a new CEO and made substantial changes in executive function within the business. We've worked hard to restore relationships with the tourism and freight sectors. We've addressed short and medium financial challenges that were critical to the survival of the business.

We've made substantial progress on options for the government to consider that will ensure the long-term sustainability of the business. We've commissioned a root-and-branch review of all aspects of the business operation, which we expect will deliver improvements over coming months and years. We've commenced preparation for the entry into service of the new *Spirit* vessels. We've developed a strong working relationship with TasPorts, and we've made changes to management and practices and policies that were not contemporary and did not meet community expectations.

The board is expecting to present long-term options for financial sustainability to the government in January 2026. Those options will be prudent plans that aim to provide value for money for the people of Tasmania. We expect that our plans will be scrutinised by the Department of Treasury and Finance and the Department of State Growth. We expect that once agreement is reached, the agreed plan will be incorporated into our new corporate plan, and we will be held accountable for the delivery of that plan. We're excited and optimistic about the future. While there are still risks, we are on track to get the new vessels into service in October 2026. We are confident a long-term, financially-sustainable plan will be agreed with the government and Tasmanians will be able to put this whole saga behind them.

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CHAIR - Thanks, Ken. I do want to start with a matter of company solvency, which I'm sure is no surprise. I appreciate the commentary you've provided around working toward a new plan to inform your corporate plan; as you said, that will be provided to government in January.

Mr KANOFSKI - Yes.

CHAIR - Okay, so there is still a period of time before that. My first question is, and this is to the company, minister. I asked you about this last week: how did the directors satisfy themselves, as per the directors' declaration, that the financial forecasts presented to them were sufficiently robust and reliable to conclude that TT-Line was not insolvent at the relevant times?

Mr KANOFSKI - We take the matter very seriously. We've got company directors' duties, and we take them very seriously. We've taken specialist advice from some of the leading experts in the country. People can form a view and have a view, but in the end the directors need to be accountable and decide whether the company's solvent.

Solvency is not determined by an accounting formula. It is determined by careful consideration of all the facts, consideration of all the circumstances, directors making reasonable, evidence-based judgments about the future, and the correct application of the law to those facts and judgment. As noted in ASIC regulatory guidance note 217, paragraph 26, and I'm paraphrasing: whether a company is insolvent involves a consideration of complex legal and accounting issues, and that directors should consider obtaining advice from appropriately-qualified professional advisers. It is not plain and simple. That is why you need specialist advice.

We live in a real commercial world where directors' expectations about the future do not need to be in the form of binding commitments. If this was the yardstick to be used, any company that's looking to refinance its debt or raise equity in the future would be insolvent. This would be thousands, maybe tens of thousands, of companies every year. Clearly this would be an absurd interpretation of the law.

As noted in ASIC regulatory guideline 217, paragraph 23, and again, I'm paraphrasing: it may be relevant to consider the company's assets and liabilities as a whole, the ability to defer debt, and whether additional money can be realistically raised in a timely manner.

The directors have and continue to draw on expert external advice when drawing their conclusion. So in inheriting the process, we have looked very carefully at the financial forecast of the business. We're redoing the financial forecast of the business because we wanted to have a first-principles review of those. That is currently underway - but importantly, that work has been completed for the next couple of years, and we now have a robust set of forecasts for the next couple of years - and those forecasts, in the view of the board and of our external advisers, demonstrate that the business is solvent.

We've been following a structured process to deal with the financial challenges, and this is important. We had to deal with the short-term cashflow issue, which is why we got the debt ceiling raised; that had to be dealt with. We got an increase in our borrowing limit that was guaranteed by the Treasurer. The second step was to look to the medium-term cashflow and, as I said, that's why we concentrated - our external advice concentrated on that medium-term in the first instance before turning its mind to the long-term.

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Having reviewed the medium-term forecasts and now having a confident base from which to work for the next couple of years, we requested that the government inject \$100 million-worth of equity into the business. We requested that the debt maturity date of our debt in October 2026 be moved forward. We would like it to move backwards, I should say. We would like it to be moved backwards until October 2028 to allow reasonable time for the long-term plan to be implemented, but what we've said is we want it to be at least for one year. We're working with TASCORP on that debt extension. The Treasurer has indicated that he will support that extension with the required Treasurer's guarantee. So we dealt with the short-term.

We're in the process of dealing with the medium-term. We've got forecasts that we can rely on for the medium-term. We are still compiling our long-term forecasts, and when we've compiled those long-term forecasts, then we will develop and present options to the government to consider. Those long-term forecasts - forecasting a future of TT-Line is complex. It involves assumptions about growth, market share in both tourism and freight, assumptions about operating arrangements, fuel prices, business improvements, and many other factors where small changes in assumptions can lead to large changes in outcomes; bearing in mind we're dealing with vessels here that have a 40-year life and infrastructure that has at least a 50-year life.

The board is confident that we will be able to reach agreement with the government on a long-term, financially sustainable plan, and that the government will provide financial support if necessary. The government has made that clear. We're confident that we can develop a long-term, financially sustainable plan. We're confident that we have time to deliver that plan. That is the essence of the assessment that the directors have made.

CHAIR - Okay. I'm going to come back to some of those points. There's a lot of information there, but I will come to those because of some of the future stuff.

I want to go back to talk about when you signed off on last year's annual financial reports. Can you outline the specific processes, assumptions and sources of information that the board relied upon to ensure that the forecast you were using at the time, which was the then-corporate plan which has since been withdrawn, could be relied upon to ensure that forecasts accurately reflected TT-Line's financial position, and its ability to meet its debts as and when they fell due?

Mr KANOFSKI - As the audit developed, we were already in the process of developing our review of the financial forecasting. As I said, the relevant period for a going concern - and, in fact, the relevant period for solvency - is a 12-month look-ahead. It's a well-established legal principle. That is the law. That is how the law gets interpreted -

CHAIR - My understanding was the going concern had a 12-month horizon - solvency had a longer horizon. I'm not going to argue points of law across the table because I'm not a lawyer. That's my understanding from my research.

Mr KANOFSKI - It might be helpful, Chair, if I table a letter from our lawyers to the Auditor-General -

CHAIR - Sure. If you're happy to do that.

Mr KANOFSKI - which outlines our relevant concerns about the assessment.

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Ms O'CONNOR - Was that letter following his referral?

Mr KANOFSKI - It was the letter following his evidence last week.

Ms O'CONNOR - Okay.

Mr KANOFSKI - It's dated today's date. If I could quote some things from that letter:

It is well established that a period of 12 months forward is the snapshot date that is generally appropriate period of assessment of a company's ability to pay its debt as and when it becomes due and payable. It is therefore the usual period to be applied when assessing its solvency. The legal principle correctly applied or to have led you to a conclusion of solvency as at mid-August 2025.

There's a range of case law which is outlined in the letter; in particular, 2023 New South Wales Court of Appeal case in Anchorage, where the practical effect of the Court of Appeals finding is that there's different standards of proof for consideration of long- and short-term debt. Anchorage makes it clear that:

Before drawing a conclusion of insolvency based on long-term liabilities, a high degree of assuredness or probability that the company would be unable to pay them when they fall due as required. The judgment has the practical effect of diminishing the relevance of long-term future debt in assessing solvency of financially challenged companies.

I won't go through the whole letter, obviously.

CHAIR - I appreciate you providing a copy of that to me.

Mr KANOFSKI - The other relevant factor here is that, when you assess solvency, the primary test is a cash-flow test.

CHAIR - You did tell us in a previous hearing - I think it was PAC, we've had a few - that you had effectively run out of cash.

Mr KANOFSKI - No, we didn't effectively run out of cash. We needed an increase in our borrowing limit - many companies take on increased debt. That increase in the borrowing limit has been known that this would be needed for probably two years, maybe even longer. We haven't gone back to find the exact date when it was clear that additional borrowings would be required. We got those additional borrowings in July. So, the position as at the balance date and as at the audit date in August, was very, very clear: we could pay our debts as and when they fall due within the relevant snapshot period and then when developing plans to pay our debts as and when they fall due beyond that period. Correctly applied, that is the test of solvency.

CHAIR - Can I ask then, does the existence of a third-party guarantee - from the government in this case, or TASCORP on behalf of the government - mean that TT-Line will always satisfy the solvency test, or are there limitations to this approach under Australian law and practice?

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Mr KANOFSKI - I'm not a lawyer either, Chair, but what I would say is this: this is an unusual set of circumstances for the application of insolvency law because the government, relevantly, is the shareholder, is the debt holder and is the debt guarantor. So, if you actually work through the principles of this, certainly, it's legally possible for the company to become insolvent. However, it's highly unlikely, because when you consider those three roles that the government holds, if the debt guarantee is exercised by TASCORP, the Treasurer pays the money to TASCORP, TASCORP is kept whole, TT-Line then owes the money to the Treasurer; the Treasurer has broad discretion then as to how to deal with that debt. Only if the Treasurer decides to enforce that debt against the company, would you become insolvent in those circumstances.

That would seem to be highly unlikely, in my view, that the Treasurer, who is also a shareholder would do that. It is legally possible, but the board's assessment is that that's highly unlikely because - just think about this -

CHAIR - Yes, the optics would be extraordinary, but I just want to say -

Mr KANOFSKI - Can I just finish, one second, just think about it. In those circumstances the government would still have all the debt because it's guaranteed it, so the government's got all the debt. But if it let the company fail, it would lose control of the assets and the services it provides. It would be perverse. It would be absolutely perverse.

CHAIR - The point is here though, Ken - and this is not a matter for you; this is for the Treasurer who's not at this table - but there is no obvious provision in the Budget beyond the \$75 million and the extension to 2027 of your borrowing limit, your borrowing repayments, that clearly show a pathway out of insolvency.

Mr KANOFSKI - As you say, I can't comment on the Budget. What I can say is that we will be presenting a range of options to the government in January 2026, and the government has said it will consider those options. What I can say is that - when you consider the situation as a whole then the circumstances in which the company could become insolvent appear so remote as to be absurd. What I can also say is that we have advice from external experts who do this all day, every day. This is what they do for a living. Their view is we are solvent and their advice is that we are solvent.

CHAIR - You said that you would rather the debt repayment on the extra \$400 million be pushed out to 2028. Isn't that a further indication that you won't be able to meet the debts as and when they fall due in 2028?

Mr KANOFSKI - Debt refinancing is a normal part of corporate life. Corporations do things with their debt all the time. What we're saying is we want to present financial options to the government. We want to make sure there is time for whatever the government decides to do as a result of those, for those changes to be implemented. That's just acting prudently.

CHAIR - Isn't the test, though, that you can demonstrate, over the time that the debt requires repayment, that there is an avenue to achieve that?

Mr KANOFSKI - The requirement is that we have a reasonable expectation that we will be able to come to a set of arrangements that will lead to long-term financial security for the

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business. As I said, those arrangements don't have to be locked into binding commitments. That's actually not how the law works.

CHAIR - No, but have you got some sort of indication - looking at the business as it is and debt you've got, the operating costs and everything with the business - of what sort of money you would need to prevent insolvency then?

Mr KANOFSKI - I'm not going to speculate on that. I know there's been a lot of discussion about what's the number, what's the number. A couple of things I'd say about that. One is we haven't finished the work. I was very clear on the cost of berth 3 when I was at the PAC in March, when everyone was going, what's the number? What's the number? So, I'm not going to tell you the number. When we've done the work and we know what the number is, we'll tell you the number.

CHAIR - But you did assure us it would be within budget.

Mr KANOFSKI - Then, as soon as we came to a conclusion, then we told people what the number was. We're not calculating a single number here. What we're calculating is a range of options for dealing with financial sustainability. There is a number of options and I'm just not going to speculate on what's going to be in those options. We will provide that advice to the government and the government will consider that advice.

Ms O'CONNOR - I wanted to ask a question about this letter that's been sent to the Auditor-General. Do you want to talk about its contents and what TT-Line is expecting from the Auditor-General in response to this letter?

Mr KANOFSKI - I don't have any expectations. What we're doing in that letter is voicing our concerns at some of the positions the Auditor-General set out. They're our concerns. The Auditor-General doesn't have to do anything with it. The Auditor-General is free to do whatever he wishes.

Ms O'CONNOR - Okay. So, it's not like sending a legal letter to the Auditor-General that puts him on notice or anything. The company is simply laying out how it disagrees -

Mr KANOFSKI - Correct. We're expressing our view, just as he has expressed his view.

Ms O'CONNOR - But it's pretty clear that TT-Line thinks the Auditor-General got it wrong.

Mr KANOFSKI - Well, we disagree with the Auditor-General, with great respect. I have great respect for the position of the Auditor-General, but we disagree with the Auditor-General. The directors determine whether the company is solvent.

Ms LOVELL - Minister, through you to the chair, if I may. You spoke about an assurance from the government that the government had assured the Treasurer had indicated he would guarantee extensions to debt and so forth and to make sure that you can continue to trade solvently. When did you receive that assurance from the government?

Mr KANOFSKI - That specific assurance we received, I think, on about the 15th of this month, but we've had correspondence going backwards and forwards between shareholders

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and the company for a number of months on this issue as we've developed. In each one of those, the government has made clear that it supports the approach we're taking in terms of dealing with the short term, dealing with the medium term and then presenting options for the future. No one's pretending there's not challenges here. We're not pretending there's not challenges.

Ms LOVELL - I don't think anyone is suggesting that.

Mr KANOFSKI - That the specific undertaking from the Treasurer to guarantee the debt extension, I think, was 15 November.

Ms LOVELL - That was in writing, was it?

Mr KANOFSKI - Correct.

Ms LOVELL - Okay, and that was to guarantee a further debt extension?

Mr KANOFSKI - The Treasurer is aware that we're working with TASCORP to extend the date.

Ms LOVELL - Right.

Mr KANOFSKI - So at the moment we have around \$400 million of debt expiring or due in October 2026.

CHAIR - That was the additional borrowings?

Mr KANOFSKI - The additional borrowings, correct. What we're doing is seeking to extend that date. The Treasurer was aware that we are seeking that. We wrote to the Treasurer knowing - I mean, we're clearly anticipating that TASCORP will require a Treasurer's guarantee to do such a thing. We wrote to the Treasurer and said, 'Will you guarantee it?' And he wrote back to us, among other things, and said, 'Yes'.

Ms LOVELL - Was that guarantee from the Treasurer part of the board's decision that the company is solvent?

Mr KANOFSKI - Well, not just that. I mean, so solvency -

Ms LOVELL - Not just that, but was that part of it?

Mr KANOFSKI - Solvency is an ongoing consideration, right?

CHAIR - To be clear, that guarantee is not to TT-Line.

Mr KANOFSKI - No, no, no.

CHAIR - The guarantee is to TASCORP.

Mr KANOFSKI - No, but it's to secure the extension to the debt.

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Ms LOVELL - Was that guarantee part of what has informed the board's decision of all of solvency of the company?

Mr KANOFSKI - All these things are part of what informs the guarantee, yes. Clearly, the board's recognition, or the board's reasonable expectation that the government will stand behind this company is part of its assessment.

If you read the asset guidelines on how solvency is assessed, there's a primary cash-flow test and then there are other matters to be taken into consideration. That's clearly one of the other matters: 'Do you think you'd be able to defer your debt? Do you think you'd be able to raise equity or other forms of financial assistance?'

Ms LOVELL - So that was part of the decision or the determination of the board. There was a director's statement signed on 18 August that claimed or stated that the company was solvent. So you were confident without that extension guarantee from the Treasurer already?

Mr KANOFSKI - Yes, because we already had debt until October 2026.

Ms LOVELL - Okay.

Mr KANOFSKI - That director's undertaking is at August 2025.

Ms LOVELL - Okay. I wanted to go back, if I may, chair, to the timelines. There has been lots of information coming through Estimates, hearings and stuff about various timelines. When did the board first seek legal advice to determine whether the directors had breached their duty to prevent insolvent trading?

Mr KANOFSKI - When the Auditor-General raised the matter with us on 21 July.

Ms LOVELL - Yes. When did you receive that advice?

Mr KANOFSKI - We received an initial verbal advice, I think, probably the next day. We received formal written advice on 2 August.

Ms LOVELL - Will you table that advice?

Mr KANOFSKI - No.

Ms LOVELL - There was a section 11 notice sent by the Auditor-General to the Chair and CEO of TT-Line, I understand.

Mr KANOFSKI - There is a section 311 notice which the Auditor-General has forwarded to ASIC. We were provided with a copy of that. We were provided with a copy for comment, and we made some comments. The Auditor-General made some adjustments.

Can I say, when we were provided with a copy for comment, we also made the point that we don't agree with the assessment, because we don't, but we did make some comments on the statement. Some of those comments were taken into account. Some weren't; that's fine -

CHAIR - Are you willing to provide that correspondence?

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Mr KANOFSKI - I will take it on notice. Probably yes, but I want to take it on notice.

Ms LOVELL - The Premier referred to TT-Line providing shareholder ministers with written advice on 29 July. Is that the correspondence you're referring to now?

Mr KANOFSKI - I don't think the 29th had that. There's a couple of issues here, a couple of different things all happening around about the same time.

Ms LOVELL - It's complicated, yes.

Mr KANOFSKI - On the 29th, we wrote a letter to the Auditor-General - which the Premier referred to, I think - which outlined our view that we didn't agree with the issuing of the notice, but separately to that, and probably an email correspondence around about the same time, we were dealing with the notice and its wording.

Ms LOVELL - So, in the email correspondence, that was to -

Mr KANOFSKI - Probably between the Auditor-General and myself, or the Auditor-General and the CEO. I don't recall, but there was an exchange of information around the notice. Ultimately, I think on the 31st, the Auditor-General provided us with a copy of what he actually sent to ASIC.

Ms LOVELL - 31 July? Okay. So, the letter to the Auditor-General from the date of 29 July - would you be willing to table that?

Mr KANOFSKI - I will take it on notice, but probably yes. I want to seek some advice. I want to make sure that we're not prejudicing our legal position. But I don't have a particular problem with it, no.

Ms LOVELL - Thank you. Is that the same one you were talking about, Chair?

CHAIR - Sure.

Ms LOVELL - Have you provided any advice to shareholder ministers in writing, and if so, would you be willing to table that?

Mr KANOFSKI - Yes, we have provided advice to shareholder ministers in writing.

CHAIR - Have you got a timeline of when that's happened?

Ms LOVELL - Yes, that would be helpful.

Mr KANOFSKI - Let me go through my timeline. Oh - no, that's the incoming minister's brief.

Do we provide written advice - what's the question again, sorry?

Ms LOVELL - Just any written advice that you provided to the shareholder ministers about this issue from the start to finish, essentially - whether you would be willing to table that?

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CHAIR - Acknowledging that some would have happened in caretaker period, and whether -

Mr KANOFSKI - Yes. So, 30 July was the main advice that we provided to shareholder ministers, which included TT-Line's letter to the A-G on the 29th. We provided a letter to the shareholder ministers, and that included the letter that we'd sent to the A-G. As I said, I'm certainly happy to provide the letter we provided to the ministers, but I will take it on notice whether we can provide the letter of the 29th.

Ms LOVELL - Okay, thank you.

Mr KANOFSKI - Sorry, we also wrote to the shareholders on 13 November with a general update and confirmation of solvency. I understand that the Premier has already tabled that letter.

CHAIR - You might like to table it with the committee as well, if you can, or provide it to the committee.

Mr KANOFSKI - Yes, we will.

Ms LOVELL - If I could just go back. You spoke about the medium-term forecast, that the work had been done on that, and I understand work is still underway in a longer-term forecast. When was the work on those medium-term forecasts done?

Mr KANOFSKI - It commenced on 21 July, and was done prior to - I mean, we received progressive updates, so we received an update on the 29 July. We received progressive updates as we went through the - as we got more and more certainty on it. Then, by mid-October, I think, we wrote seeking the equity injection. So, it's been a progressive exercise.

I mean, the interest - we appointed specialist advisers on 21 July when the Auditor-General raised this issue with us. Interestingly, we were already about to appoint financial advisers, which we'd foreshadowed in previous correspondence with the government. The directors had foreshadowed in the letter that supported our submission of the corporate plan, which we've now withdrawn. We wrote to the shareholders and said, and I'm paraphrasing, here's the corporate plan; we've updated the forecasts for bringing the vessels into service and for Devonport, but other than that, it remains pretty much the old board's forecast.

We expressed a range of concerns about it and said that we were going to commission work to redo it. We were already intending to re-forecast the business in any event. Then the events on 21 July happened and it took a slightly different flavour, but we were always going to re-forecast the business in any event.

Ms LOVELL - Have those medium-term forecasts been provided to the Auditor-General?

Mr KANOFSKI - No, the Auditor-General hasn't requested them.

CHAIR - The Auditor-General is about to engage with you on this year's financial reports though?

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Mr KANOFSKI - I imagine so, yes.

CHAIR - So, is that something you would provide at that point or update it?

Mr KANOFSKI - I'd have to take advice. The forecast at the moment is being prepared for consideration by the government and for Cabinet considerations. I'd have to take advice on what we will provide. I mean, we will be as cooperative as we can be.

CHAIR - One would expect the Auditor-General would need that sort of information to assure himself for the going concern question he will be asked to address next year.

Mr KANOFSKI - We will provide relevant information to the Auditor-General to enable him to complete his audit.

Ms LOVELL - I have one other matter, if I can. The secretary of State Growth - I think it was his capacity, I'm trying to think which hearing it was - Craig Limkin, told an Estimates hearing last week that the first time he learned about the question of solvency or insolvency was in a phone call with you, the Chair, on 21 July. But the Auditor-General said he had only told TT-Line about his decision or determination on 22 July, I understand. Can you just walk through the timeline of when this came to your attention, who you told - who, you, what, when, essentially?

Mr KANOFSKI - Absolutely happy to. On 18 July, which was the Friday, the Auditor-General contacted the CEO and said he wanted to meet with myself and the CEO because he had some issues that he wanted to raise. That was late on Friday afternoon. We met at 8 a.m. on Monday morning, 21 July.

Ms LOVELL - That would've been the 21st, yes?

Mr KANOFSKI - 21 July we met at 8 a.m.; myself, Mr Carbone, the Auditor-General and several other people from the Audit Office were present at that meeting. It was a scheduled board meeting day, so we already had a board meeting planned. We immediately went into a board meeting, we discussed the issues that the Auditor-General had raised, and we appointed specialist advisers. We met with the shareholding ministers and appropriate advisers, I think, at 3 p.m. on that day to advise them.

CHAIR - Who did you meet? This was in caretaker.

Mr KANOFSKI - We met with both of the then shareholding ministers.

CHAIR - So, who?

Mr KANOFSKI - So, the treasurer, Guy Barnett; Mr Abetz, being a shareholder minister; and there were a number of advisers in the room. I could get the names. I have the record of meeting here somewhere if you want the names of the advisers?

CHAIR - That's okay, I just want the ministers. What date was that, sorry?

Mr KANOFSKI - It was on 21 July.

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Ms LOVELL - How does that line up the timeline then, with the borrowing limit extension?

Mr KANOFSKI - The borrowing limit extension was about a week after that.

Ms LOVELL - Was that requested at that meeting? Was that -

Mr KANOFSKI - No.

Ms LOVELL - What led to that?

Mr KANOFSKI - What happened was we were already in train to get the borrowing limit extension when the election was called. We had discussions with TASCORP and discussions amongst ourselves and we said we think this can wait till after caretaker. That was our initial view and that was the advice we provided government.

We had a number of discussions and we all were of the view that we have forecasts that said September/October was when we were likely to breach the debt ceiling. As it happens, we breached it a couple of weeks ago in the first few days of November.

CHAIR - That was the existing debt, without the extra \$400 million?

Mr KANOFSKI - The existing debt without the existing 400.

Ms LOVELL - Hope so.

Mr KANOFSKI - Yes, indeed.

CHAIR - Just to be clear.

Mr KANOFSKI - Indeed. We breached the old debt limit, but obviously, we had the new debt limit in place by that date.

We took the view that we could wait because we had that amount of time. When we put specialist advisers on, they provided us with some advice on 25 July to say that they thought that it would be prudent for us to get that debt extension in place earlier and not to wait until after caretaker for a range of reasons. We, therefore, changed our advice to the government and we said, no, we can't wait until after caretaker, we need it now.

CHAIR - On what date?

Mr KANOFSKI - On the same day, I think, on the 25th. Then the government approved, the treasurer approved the debt extension on the 27th, or the 28th. I don't have the exact date, but it's either the 27th or the 28th, but it was within several days of us requesting.

Ms LOVELL - You were already having these conversations with the government before the election and well before the question of insolvency had been raised by the Auditor-General, certainly publicly. Why was an extension to the debt limit already being considered?

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Mr KANOFSKI - The debts needed to be extended. As I said, we haven't gone back and done a forensic exercise to work out exactly what was the date at which it became clear that we were going to need more debt than what we had approved. If I was going to take a guess, I would say for at least two years, probably longer, it has been clear. It was very clear to us as directors as soon as we started. I, in fact, talked about it in March at PAC. I said, you know, we're going to go and talk to TASCORP. We're going to go through the process. We're going to see what TASCORP can do for us. If TASCORP can't do anything for us, then we're going to have to talk to Treasury and talk to the government.

As directors, it was very clear that we needed an increase in the debt limit, otherwise we were going to have to stop the construction of berth 3. At that point in time, our option was to get more debt or stop constructing berth 3.

Ms LOVELL - You also said with that specialist advice that you should proceed with that limit increase sooner, for a range of reasons. Can you talk about some of those reasons, what those reasons were?

Mr KANOFSKI - I'm not going to quote from the advice because it's privileged and confidential. What I can say is, it was really about being prudent and not getting too close to the date. The view was that we didn't want to be sitting in the middle or the end of September, needing a debt extension by mid-October because we were going to run out of money in October. It was really about being prudent and getting it earlier rather than later.

There were a few other issues as well, but that was - also the consideration of the fact that we needed to sign the audit report in August was a relevant consideration for us as well, in terms of the director's declaration in the audit report. So, that was relevant to that consideration as well.

We had always said to the government - we had always qualified our advice on - that we could wait till after caretaker provided it's by the time we have to provide our director statement. We needed it by that date.

CHAIR - It's fair to say, correct me if I'm wrong, Ken, if TASCORP is unable to extend the borrowings out to 2028, the repayment of the borrowings, because we know the vessels don't come online until October - you said in your opening statement that's still on track to occur in October 2026 - then it will become incumbent on the government to prevent insolvency by stepping in.

Mr KANOFSKI - I wouldn't put it that plainly.

CHAIR - Wouldn't you?

Mr KANOFSKI - No, I wouldn't. There is a range of factors to be considered and, clearly, we have said that as a board we would like that debt date extended. If we don't get that debt date extended, there is a range of things we'd have to consider.

CHAIR - In that then, and you talked about the work you're doing at the moment, re-forecasting and looking at options, what options do you have?

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Mr KANOFSKI - I'm not prepared to speculate on the options. We're preparing that work for the government and there is a number of options that will be presented.

CHAIR - I might go to the current vessels. Do you want to confirm the price or the value of those two vessels that will be sold?

Mr KANOFSKI - Our intention is to sell. We've appointed a broker.

CHAIR - Do we have a value of those?

Mr KANOFSKI - The market value. Mr Carbone might help me with the market value of the vessels.

Mr CARBONE - Thank you. In our annual report and our accounts for the year ended 30 June 2025, those vessels were valued at \$85 million each, AUD.

CHAIR - There was some speculation that there had been a contract signed or entered into in 2021 when there was some fanciful thought that the new vessels may be online and a berth built to facilitate them. Is that the case? I know you weren't there at the time.

Mr KANOFSKI - I don't have any knowledge. I'm happy to take it on notice and investigate, but I don't have any knowledge.

CHAIR - So, there's no knowledge that you have that there was a pre-existing contract for sale or entered into?

Mr KANOFSKI - Not to my knowledge, no.

CHAIR - Would you mind going back to your records and checking on that?

Mr KANOFSKI - Happy to take it on notice.

CHAIR - So, a broker has been engaged to try to sell them?

Mr KANOFSKI - Yes.

CHAIR - What's the arrangement with the broker?

Mr KANOFSKI - Mr Carbone will help me, but in essence, they sell on commission. If they sell, they get a commission; so, no sale, no fee. Is that correct?

Mr CARBONE - Correct.

CHAIR - In terms of the likely market they will be sold into?

Mr KANOFSKI - It's really a matter for the broker, but if you look at the use of these roll-on/roll-off ferries, you'd have to say there's a very strong likelihood that they would be sold into the Northern Hemisphere market. Simply, because there are way more ferries used in the Northern Hemisphere than there are in the Southern Hemisphere. The brokers clearly have

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a good knowledge of the market and will engage broadly with the market to try to get us the best possible price.

CHAIR - Is it the case that the international maritime pollution regulations have recently - well, I don't know how recently - but have changed to mean that these sorts of vessels operating with diesel and the engines they have can't operate in Europe after 2030?

Ms O'CONNOR - It's the bunker fuel.

CHAIR - If that's the case won't that reduce their value, if you're seeking to have them sold into that market?

Mr KANOFSKI - I'd have to take it on notice to give you a well-considered answer. Generally speaking, those types of regulations have sunset clauses in them and generally apply to new vessels after a certain date and things like that. I'm not saying that's the case here, but I'm saying, generally, those types of regulations, when they come in, are applying - what I can say is that we've had the ships valued by a licensed valuer and that's what they say the market value of the ships is, as of the balance date.

CHAIR - Now, it's up to the broker to get the money.

Mr KANOFSKI - To go and get the money.

Ms O'CONNOR - Can I check is there anything that needs to be done to the current *Spirits*? Any kind of renovation or money that needs to be spent on them before they go to market?

Mr KANOFSKI - I will let Mr Carbone comment but, not in order to take them to market. Obviously, we keep them maintained currently, because they're in operation. They're in heavy operation and they're not new ships, so we have to continue to maintain them while they're in service. Mr Carbone, I don't think there's anything we're planning to do in terms of the sale?

Mr CARBONE - Certainly, there's no plan to dry-dock either of the vessels prior to sale. However, there is some maintenance that will be required prior to the sale of the vessels.

Ms O'CONNOR - On both, obviously?

Mr CARBONE - Yes.

Ms O'CONNOR - That would be cleaning the ships up, would it, for sale?

Mr CARBONE - No, there's regular maintenance to keep the vessels in class. We also need to do some repairs to a stabiliser on one of the ships.

Ms O'CONNOR - Okay. Is there an understanding of what that might cost? Maybe you don't. Do you have a budget for that?

Mr CARBONE - We have a routine repairs and maintenance budget. Certainly, the repairs to the stabiliser, we believe, will be covered under insurance claim.

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Ms O'CONNOR - Okay, thanks. Can we have an update on *Spirit V* - exactly where it is and perhaps an understanding of -

CHAIR - Geographically, you mean?

Ms O'CONNOR - Yes. I think it is still in Leith?

Mr KANOFSKI - It is, yes.

CHAIR - It's in Leith; I've seen photos of it.

Ms O'CONNOR - It's costing about \$800,000 a month is it, to keep in Leith?

Mr KANOFSKI - First of all, yes, it's in Leith, and it's in a locked port in Leith. It's the most cost-effective way of berthing this vessel for long-term storage, because the berth is in a lock, which means it's not exposed to the tide, not exposed to open sea, doesn't need to be moved anywhere, doesn't need all that sort of stuff, which means we can minimise the number of crew that are on the vessel as opposed to, say to where *Spirit IV* is currently, which is in Geelong, at anchor. So, you need more crew on board because you might have to move at some stage, you might get bad weather, you might get - all those sorts of things.

My understanding is the cost in Leith is around about \$600,000 a month; that is the most cost-effective storage option. I really can't stress this enough, the vessels cost money to have wherever they are. They, in fact, cost less money to have in Leith than they do in Hobart or in Geelong. The reason for that is because of the nature of the port. It has nothing to do with port fees - port fees are a consideration, but they are a relatively minor part of the cost. The cost of the vessel is you have to have a crew on board to maintain the safety and operability of the vessel. The number of crew you require depends on the nature of the berth and how active it is. There are no available berths in Tasmania. We needed to get *Spirit IV* out of its berthing here -

Ms O'CONNOR - Before the cruise ships.

Mr KANOFSKI - Before the cruise season started. We were okay for about a month, I think, or bit more that we were here.

Ms O'CONNOR - It was lovely to see it there.

Mr KANOFSKI - We were there, but of course, if we were still here now, we'd be going on and off the whole time, because there's crew -

CHAIR - Which costs money.

Mr KANOFSKI - which costs money. Clearly, we are focused on the most cost-effective solution possible. It is a big drain on this business to have four vessels when only two of them are in service. I mean, nobody's trying to hide that. It's a reality: it's financially draining on the business to do that. What we're trying to do is, do it in the most cost-effective manner.

The other consideration for us with *Spirit V* was - we're in high season now - it was just availability of crews. We're in high season; we're running double sailings across Bass Strait in the old vessels; we have *Spirit IV* here, do we really want to mobilise a crew in the middle of

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high season for a six-to-eight-week journey home with a crew change because the crews have a one-month swing, so you have to do a crew change in the middle of that trip home. We need to manage our resources in a sensible way and if she's not going to get used here, then she might as well be there.

Ms O'CONNOR - The staff who are there at the moment - did you say there are eight of them?

Mr CARBONE - I think nine on *Spirit V*.

Mr KANOFSKI - Nine.

Ms O'CONNOR - Nine. So, they're TT-Line employees?

Mr KANOFSKI - They're a blend. Mr Carbone, you might want to comment on that.

Mr CARBONE - Thank you for the question. They're a combination of TT-Line employees as well as employees from ASP, who we contract out. That's part of an ongoing relationship between TT-Line and ASP.

Ms O'CONNOR - Is it the crew and the TT-Line members of the crew who are keeping an eye on the ship, or do you have representatives go over semi-regularly just to check in on how it's going and being looked after?

Mr CARBONE - We've had no management visit *Spirit V* since it's been in Leith for the past few weeks. Certainly, we do have the nine crew members including a senior captain on board the ship.

Ms O'CONNOR - Okay. What's happening with *Spirit IV* in Geelong? There was an issue wasn't there with some of the infrastructure that's in place, so it's having to move around a little bit in Geelong on the dock there, is that correct?

Mr CARBONE - *Spirit IV* is in Geelong. It's currently at anchor and twice we've brought the vessel onto the existing TT-Line terminal to test the gantry and the berth. The vessel will come on and off that berth for the foreseeable future as we plan for our operational go-live. We are looking at alternative options for the vessel but, at the moment, the Geelong anchorage is the cheapest, best option for the vessel.

Ms O'CONNOR - Can we have confirmation of when we expect to see *Spirit IV* running a Bass Strait trip, exactly?

Mr CARBONE - The intention is we're all planning for an operational go-live of both vessels in October 2026. As we've said many times, we can't guarantee, but we're certainly planning for our operational go-live.

Ms O'CONNOR - Can I just ask, is the fit-out on *IV* complete, or near complete?

Mr CARBONE - The fit-out on *IV* is all but complete.

CHAIR - How many crew are on *Spirit IV*?

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Mr CARBONE - *Spirit IV* has 15 crew on board the ship today and that will reduce to 11 in the coming weeks. We're using it as a training exercise at the moment as well.

CHAIR - So 15 is the base level of crew to keep it at anchor?

Mr CARBONE - Eleven, I believe.

CHAIR - Sorry. I meant 11.

Mr CARBONE - Fifteen today: we expect to go to 11.

Ms THOMAS - I want to go to the 'basis of preparation' section of the financials on page 19, where there's a series of dot points related to the opinion of the directors, which says:

In the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, for reasons including but not limited to -

and there's a series of seven dot points, a lot to do with the borrowings and the guarantees. Then the final two are what I wonder if you were able to expand on. The second-last dot point says:

The directors of the company have an ongoing expectation that the shareholders and guarantor will, if required, support measures to reduce the company's debt, including by way of an equity injection, sale of assets, and/or restructuring of the business and its services where required, based on the essential nature of the services provided and the statements made by government.

First, I wonder if you're able to at all expand on what sale of what assets is being considered.

Mr KANOFSKI - We need shareholder approval to sell *Spirits I* and *II*, which we have.

CHAIR - But you can't sell them until the others are in service.

Mr KANOFSKI - No, but we would consider a sale and leaseback of them. We'd consider selling them early and leasing them back. From a capital management point of view, if someone -

CHAIR - Is that on the table? Has that been promoted?

Mr KANOFSKI - Nothing's been promoted, because we only just appointed the broker.

CHAIR - So, the broker is to look at that as well.

Mr KANOFSKI - That's one of the things the broker will look at. It really depends on the buyer - what a buyer would want to do.

Ms THOMAS - Are they the only assets for which sale is being considered?

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Mr KANOFSKI - Well, they're the only assets we have approval to sell, yes.

Ms THOMAS - Okay. So is there any possibility or likelihood that the company would consider selling the new ships, or one of them?

Mr KANOFSKI - That's not currently under consideration.

Ms THOMAS - Okay, thank you. In terms of the restructuring of the business and its services, are you able to expand at all on any measures being actively considered there?

Mr KANOFSKI - We're kind of delving into, I think, what I would call what we're going to present to government in terms of options. As I said, I don't really want to speculate on those options. I really want us to finish the work and then get that signed off by the board, so that the board's happy with that work, and then present it to the government.

Ms THOMAS - Okay. What do you see as the risks associated with speculating or being open and transparent now, at this point, about that?

Mr KANOFSKI - Well, we're going to present a range of information for the consideration of Cabinet. So, it's Cabinet-in-confidence. The information we're going to present will also be highly commercially sensitive in terms of the business. Our view is that we will - and the requirement is that we present it to government and then government will consider it.

Ms THOMAS - Okay. Did you say when you were expecting to do that?

Mr KANOFSKI - We expect to present it to government in January.

Ms THOMAS - January - yes, I thought. Thank you.

Mr KANOFSKI - And just to be clear: there are no options on the table right now. Just to be really clear: there are no options on the table right now because the board has not even signed off on the options that we're going to present to government. So, when I say there are no options currently under consideration, because there are no options that have been approved by the board.

Ms THOMAS - But the board would be considering options.

Mr KANOFSKI - The board will consider options and they will consider the work, and then we will sign off on a set of options to present to the government. I just want to be clear about the process here.

Ms THOMAS - Okay. The answer to the next question may be along similar lines, but the final dot point in that statement there is:

There are a number of operational considerations and options available to the company to manage cash flow and to decrease the company's indebtedness in the medium to long-term.

Are you able to expand at all on what those operational considerations are?

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Mr KANOFSKI - As you would expect, we're conducting a root-and-branch review and as part of our consideration of options, it's what improvements can we make to this business; leaving government assistance or otherwise aside, what can we do to make this business operate better.

Ms THOMAS - Will that form part of the work that you present to government as well?

Mr KANOFSKI - Yes.

Ms THOMAS - Okay. Thank you.

CHAIR - The next question there if I might: previously, you particularly made a lot of mention of the independent advisers providing comfort to the board of TT-Line. How could the independent advisers provide comfort about solvency if the board cannot provide forecasts beyond the immediate period? You said you don't have anything on the table at the minute, you're working on it. How could the advisers have comfort in that?

Mr KANOFSKI - I think the letter to the Auditor-General makes this very clear: we have sufficient comfort to sign off on solvency within the relevant period.

CHAIR - The relevant period being to August.

Mr KANOFSKI - Within the relevant period.

CHAIR - I just want to come back and follow this.

Ms LOVELL - Yes, it's linked to this. This is my question as well: as the directors signed a statement on 18 August saying you were comfortable with solvency of the company. The Auditor-General at that point disagreed. As we know, he made his determination public, I believe, on 19 August or around that time. It seems to me that most of the work that's been done since then, the guarantee, the options that are being put on the table, the advice that you're getting, these are all things that have taken place since then. What was it at that point that gave you confidence that the company was solvent, would remain solvent?

Mr KANOFSKI - As at that point, we would have had \$500-odd million of undrawn debt, with a maturity date more than 12 months in advance. We hadn't fully drawn even the old debt at that point, so at that balance date, we would have had \$500 million of debt available to us with a maturity date beyond the relevant period.

Ms LOVELL - The relevant period is just that 12 months? That is a very short-term period.

Mr KANOFSKI - The relevant period, I think if you read the letter, it makes clear -

Ms LOVELL - Is the audit period through to August next year?

Mr KANOFSKI - That's the relevant period.

Ms LOVELL - You didn't have any medium- or long-term forecast at that stage?

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Mr KANOFSKI - No, no. We've developed those since then and we've taken further actions.

Ms LOVELL - Are you still working on those?

Mr KANOFSKI - We have developed those since and we're taking further actions. The further actions we've taken are: we requested an equity injection and we've requested to extend the maturity date of the debt.

CHAIR - Can I just come back to the advice from the independent advisers? I'm not asking you to provide the advice to you. You've given us the letter to the Auditor-General, which is a different document, obviously, from any advice they would have provided to you. Was that advice to you, or to TT-Line, subject to caveats, or was it qualified?

Mr KANOFSKI - No.

CHAIR - What specific questions did the board ask the independent advisers to address?

Mr KANOFSKI - No, I'm sorry. We're delving into legally-privileged areas here.

CHAIR - I'm not asking for the advice. I'm just asking what questions did you ask?

Mr KANOFSKI - Well, clearly the board of directors asked the legal advisers: do you think we've breached the *Corporations Act*, do you think we're solvent; to which they said, no, you haven't breached the *Corporations Act*, and yes, at all relevant times you've been solvent.

CHAIR - Okay. In terms of the longer-term projection, you talked about the short- to medium-term, which is what you're working on now.

Mr KANOFSKI - We're doing two things at the moment: one is we're preparing longer-term outcomes and, as I said -

CHAIR - When you say longer term, how long a term are we talking?

Mr KANOFSKI - What we're talking about here are developing options that would set the business up for long-term financial viability. Those are the options we're looking to present to the government. As I said, there are no options on the table right now because the board hasn't signed off on the options to present the government, but they will.

CHAIR - Just to be clear, Ken: I am trying to understand what you're actually providing to government, like a short-term management of the situation plus the medium term you referred to, but the long term is also included in this work?

Mr KANOFSKI - I would characterise it this way: the medium term, which is to deal with the next 12 to 18 months from now, is we request an equity injection and to move the expiry date of the debt. We believe that deals with the medium term.

CHAIR - So medium term is how many years?

Mr KANOFSKI - Well, it certainly deals with balance date next year.

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CHAIR - Some might call that shorter term, but anyway.

Mr KANOFSKI - That's why we've asked for it to 2028, because that would mean it would be secure until balance date 2027. That's what we've asked for. We will see what transpires in that process. The long-term options we're presenting to the government, which as I said, the board will consider and sign off on and then we will present to the government are, as the name suggests, long-term options. They are: how do we set this business up so that it is financially sustainable for the long term and has a secure financial future.

CHAIR - Are you reconsidering or redoing the business case that was previously in place to deliver the new vessels and now the berthing infrastructure?

Mr KANOFSKI - We're not redoing the business case because clearly we've got the new vessels and we've got the infrastructure we've got; but what we are doing is looking at how we use those, what are the things we can do better in the business in terms of improving the way the business operates, and what are the things we need to do to the financial structure of the business to make it financially sustainable?

CHAIR - Are you relying on the projections in that business case in terms of passenger numbers, freight, all that sort of thing, to inform you, or are you resetting that?

Mr KANOFSKI - No, we're redoing them. We're redoing all of them which is obviously why it takes some time to do this work. As I said, we're looking at growth rates, we're looking at market share, we're looking at all those sorts of information. We're looking at our cost base. It's not a five-minute job.

CHAIR - I appreciate it's not a five-minute job.

Ms LOVELL - As part of that work, are you looking at freight or fare increases?

Mr KANOFSKI - Our freight and fares are market set. The reality is pricing is always under review. Clearly, we want to price in a way that attracts customers to come on the ship, but it also is financially sustainable for the business. I've said this a number of times: people are going well, will you put up the fares in order to pay for all this? People don't have to travel on the *Spirit*. People don't have to send their freight on the *Spirit*, right. We don't have pricing power. What we have is that we operate in a market and we will price appropriately for that market.

Ms LOVELL - I've heard you say, Ken, in an interview with the ABC that the board would bring a more sophisticated approach to pricing.

Mr KANOFSKI - Yes.

Ms LOVELL - What does that look like, what do you mean by that?

Mr KANOFSKI - Probably about segmenting time and place and those sorts of things. Who knows, we might not continue with this, but at the moment we have a high-season price and a low-season price and that's kind of what we have. Most businesses that sell capacity -

Ms LOVELL - Like airlines for example.

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Mr KANOFSKI - Like airlines, for example, and others, have far more sophisticated pricing mechanisms for meeting demand in the market, for doing those things. I think it will be reasonable to assume that we would seek to go to a more sophisticated model in order to try to attract more people and more revenue. Ultimately our goal here is to get more people on the ships. The ships are much bigger and so clearly our goal is to get more people on them to generate more revenue.

Ms O'CONNOR - Can I just check on that? In your opening statement, Ken, you talked about how the company needs to raise equity in the future. We've just heard that raising cross-strait fares or freight charges is hard to do in a market. So, in terms of increasing the company's revenue, really there's only one pathway, is that correct, and that is to increase patronage on the *Spirits*, or how do we unpack how you turn around the financial situation if you can't raise money through increased fares?

Mr KANOFSKI - Yes. We've got everything under review, which is the pricing structure, the revenue structure, how do we attract more people, how do we get more revenue through the gate? We're also looking at the cost structure very carefully.

Our view is that the cost structure has been unsustainably high and we're working through that to try to work out what changes we can make in that regard. So we're working on all the things we can do and the business opportunities that there are, that present themselves because of who we are and what we do in the marketplace.

I don't think there's been much work done, really, on how to extend the brand and how to take advantage of that in terms of other business opportunities. There is a whole range of things. None of them are short-term fixes, to be frank. There is a range of things that we will be looking at in terms of the overall financial operation of the business. Clearly, we will be putting structural options to government about the financial structure of the business as well.

Ms O'CONNOR - Thank you for that. Can I ask, on the current vessels there have been electronic gaming machines -

CHAIR - They were taken off.

Ms O'CONNOR - Well, there have been.

CHAIR - They were taken off a long time ago.

Ms O'CONNOR - Well, it's not that long ago, actually. I want to check that there's no plan for the company to reinstate those -

Mr KANOFSKI - It's not currently under consideration.

Ms O'CONNOR - to reinstate those as a revenue-raising measure?

Mr KANOFSKI - It's not under consideration.

Ms O'CONNOR - Very good to hear. Thank you.

Mr KANOFSKI - It's not really our brand, to be honest, I think -

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Ms O'CONNOR - It never was.

Mr KANOFSKI - It's not something that we're even talking about.

Ms O'CONNOR - Great. Thank you. Also in your opening statement, you talked about the strong working relationship with TasPorts. Obviously there have been real challenges within that relationship. How is that manifesting? Do you have regular engagement with TasPorts? Has there been a kind of détente about the history? How does that work?

Mr KANOFSKI - I'll let Mr Carbone comment as well. I talk regularly with the chair of TasPorts. That's not a formal arrangement, but we talk relatively regularly. I'd say every few weeks or so we discuss what's going on between the two businesses and make sure we're both happy with how that's progressing. Certainly, I can't speak for them but, from our point of view, we're not interested in re-prosecuting arguments about the past.

Ms O'CONNOR - No, because what's the point?

Mr KANOFSKI - There is no point.

Ms O'CONNOR - It's what happens looking ahead, of course.

Mr KANOFSKI - Precisely. As I said, I can't speak for TasPorts, but I'm not seeing any evidence that they're interested in re-prosecuting anything from the past either. We're all focused on the future. Mr Carbone, do you want to talk about some of the regular meetings that we have?

Mr CARBONE - Yes, thanks, chair. I think I have a very good working relationship with the TasPorts CEO. We meet every week. We had coffee this morning. I attend weekly meetings with his team around all the key issues. Most of my direct reports would also have some contact with TasPorts. We've now got a very solid working relationship.

Ms O'CONNOR - That's really good to hear. How is that working for the Devonport wharf? What's the latest on -

Mr KANOFSKI - It's good. We've got some details still to be worked through with the agreement for lease with TasPorts because things have changed so much from what was originally planned, but we're working through that in good faith.

What we said to TasPorts is we need to sort this construction project out first before we can even have a discussion about this, because we need to understand what it is we need, when we need it, all that sort of stuff. Our first priority was to sort out our own project and make sure that we got that on track and we understand what our requirements are. Now we're in the process of talking to them about the agreement with the lease, and how that shapes up.

Ms O'CONNOR - Can I ask, because I haven't heard an update in a little while: exactly where are we at with wharf 3?

Mr KANOFSKI - It's on track to be complete and operational by October 2026. All the marine pile sleeves are in the river. I think all the concrete has been poured as well. I received a photo last week of the trial assembly of the gantry in China, so the gantry was trial assembled.

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It's big. It's very big and it's been trial assembled in China. It's now being pulled apart and it will be sandblasted and painted prior to shipping. It's planning to be shipped in December to arrive into Devonport late January to be unloaded and then assembled.

For us now, probably the most important part of this project is the shipping of that gantry. I'm the senior responsible officer for the project. If you talk about what the thing that -

Ms O'CONNOR - Worries you a little bit.

Mr KANOFSKI - What is the thing that worries me a little bit, but not a lot, I would say. Worries me a little bit because I'd always be worried about the shipping, right. I'm not worried because it's going badly. I'm worried just because.

Ms O'CONNOR - You want it to go well.

Mr KANOFSKI - Yes, indeed.

CHAIR - It's the highest point.

Mr KANOFSKI - It is. Once that gantry is on the wharf in Devonport, the risk of a substantial delay lessens quite dramatically because the work then is pretty much under control.

We've also awarded the contract for the terminal building. VOS has started. They're working away. BMD did some of the pre-work for them to get the site ready. It's in good shape at the moment. I would say the project is under control and functioning how I would expect a project to function.

Ms O'CONNOR - And still coming in well over budget at -?

Mr KANOFSKI - It's within the \$493 million which was the board's estimate of the cost. We did a complete reforecast of that project, complete project recovery. That was the budget that was set for the project. I mean that doesn't give anyone any joy, but that's a reality, but we are within that budget, or we are tracking within that budget.

CHAIR - I want to go back to one other point on the financial situation. As you said, can the directors continue to operate getting advice, advisers and others on courses of action to lead to a better outcome and basically effectively creating a new corporate plan because the other one's been withdrawn? Is this consistent with directors seeking Safe Harbour protection under section 588 GA of the *Corporations Act 1990*?

Mr KANOFSKI - We're not insolvent. Just to understand 'Safe Harbour'. Safe Harbour is protection. It's a defence for directors to protect themselves from personal liability in a case where they are trading a business that is insolvent.

CHAIR - So, your directors aren't relying on those Safe Harbour provisions. Is that what you're saying?

Mr KANOFSKI - What I'm saying is, we don't believe Safe Harbour is in play because we don't believe we're insolvent. Are we having regard to what those requirements would be? Yes, we're having regard to what those requirements would be, but we don't think they apply.

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CHAIR - You're applying the measures that sit under that provision in the *Corporations Act 1990*.

Mr KANOFSKI - We're having regard to those as you would expect sensible directors to do.

CHAIR - Okay. I want to go then to the Geelong port and the lease there. Acknowledged and you've said again in your response to Cassy, Ken, that you haven't got an agreement for lease with Devonport yet.

Mr KANOFSKI - Well, we have one, but it's expired and has a whole range of things in it that didn't happen.

CHAIR - Just before we go to Geelong, what's the timeline do you expect to get that agreement for lease?

Mr CARBONE - I expect we will finalise it within the next three months.

CHAIR - Okay. We don't have any idea how much that's going to be this stage, the cost of the lease?

Mr CARBONE - We do have an existing cost of lease.

CHAIR - On the current berth?

Mr CARBONE - On the current berth and for the new berth. However, we're working through a number of issues that have arisen since the AFL was originally signed. In the original lease there was some timing that was envisaged certainly were number of years behind that. So, we're working through those issues and associated costs with TasPorts.

CHAIR - What are the total lease costs in Devonport per annum?

Mr CARBONE - I think we will need take that on notice. I'm also not sure we will be able to disclose it for commercial reasons, but we'll take it on notice.

CHAIR - That includes berth 1 and berth 3?

Mr CARBONE - We're only paying for one berth at a time.

CHAIR - You are not paying anything for berth 3 now, just for berth 1.

Mr CABONE - Correct.

CHAIR - If we put that question on notice, you will provide the figure for berth 1, if you can?

Mr KANOFSKI - If we can. To be clear, there's commercial sensitivities both for us and for TasPorts. I think, at a minimum, we'd be consulting with TasPorts before we provided the information, and we may not be able to provide it for commercial reasons.

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CHAIR - Why isn't that commercial sensitivity around the Geelong lease fees because they are clearly outlined in your annual report, \$30 million per annum?

Mr KANOFSKI - It is not under any negotiation currently. And also, yes, it's a question -

CHAIR - Berth 1 is not under negotiation, is it?

Mr KANOFSKI - No. We will take it on notice.

CHAIR - Okay. With regard to the Geelong berth, under AASB16/IFRS16, how does TT-Line treat the Geelong port berth lease in its EBITDAR calculations?

Mr CARBONE - My understanding is historically it was treated as a financing cost and certainly more recently we've been bringing it into an operating cost. Let me take it on notice, but certainly it has been topical.

CHAIR - Alright. Are lease-related depreciation interest expenses on the Geelong berth added back in calculating EBITDAR or is that something you need to provide further advice to me on?

Mr CARBONE - Further advice, please.

CHAIR - On notice.

Mr CARBONE - Yes, please.

CHAIR - Again this might be the same. Given that most of teaching on the interest and depreciation expenses in 2024-25 relate to the leased Geelong port berth rather than traditional loans or freehold asset, how does this impact the meaningfulness of EBITDAR performance metric?

Mr CARBONE - I think we will take that on notice.

CHAIR - Are the lease payments for the Geelong berth included as part of operating expenses currently, therefore calculating EBITDAR, or are they excluded?

Mr CARBONE - We've included them in our future cash flows. That's certainly the case.

CHAIR - So they're included in its future cash flows?

Mr CARBONE - Cash out flows, yes.

CHAIR - Has the management provided the board with alternative performance metrics that show the true cash operating performance of the business net of lease obligations?

Mr CARBONE - I think it's fair to say management, as the chair indicated, is doing a root and branch review of the whole business, including how we report, what we report on, what are the key metrics, what are the key KPI's and that's certainly something that's under development at the moment.

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Mr KANOFSKI - Just to be clear, as you would expect, we're taking a very strong interest in cash right now. We have cash-flow forecasts that are updated regularly and are considered at each board meeting, in terms of cash flow, forget the accounting for whether things are in what bucket they're in from an accounting perspective. From a cash-flow perspective, we absolutely get cash-flow reporting at every board meeting.

CHAIR - You can probably answer this, Ken, but this is obviously to you as chair. Given that EBITDAR is not governed by any accounting standard and calculations can vary, is the board satisfied that its self-management calculation provides an accurate picture of operational performance?

Mr KANOFSKI - I think the whole concept of how we measure the performance of this business is something that we're reviewing right now. What I would say is what we are very focused on at the moment is cash and very focused on our cash position.

As we develop the new corporate plan, we certainly will look at what are the appropriate performance measures. I don't have a strong view on whether it's EBITDAR or whether it's, you know, net profit after tax, or whether it's EBITDAR adding back certain issues, I really don't have a strong view. What we need to do is review all that and say, 'What is the thing that is most important to this business?', and we will start reporting on that. Right now, the thing that's most important to the business is cash. So we're very focused on that.

CHAIR - Keep your head above the water.

Mr KANOFSKI - Well, so to speak.

CHAIR - Can we move to a slightly different point? The company paid no interest on borrowings in 2024 and with \$47.8 million capitalised. When do these capitalised costs begin hitting the profit and loss?

Mr KANOFSKI - As soon as the ships come into service, is my understanding. When the ships come into service is that correct?

Mr CABONE - Correct. *Spirit IV* is in Tasmanian waters and -

CHAIR - Is that classified as 'in service'?

Mr CARBONE - My understanding is once the vessel, *Spirit IV*, was in Tasmanian waters and the final fit-out had finished, we're no longer capitalising interest.

CHAIR - So we will see that flow through in this year's financial statements.

Mr KANOFSKI - In this financial year, yes, you will.

CHAIR - When do you expect *Spirit V* to arrive in Tasmanian waters?

Mr CARBONE - I expect *Spirit V* to arrive just after Easter.

CHAIR - So it will be also in this year then?

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Mr CARBONE - Yes.

CHAIR - That will be a not insignificant hit?

Mr CARBONE - Correct?

CHAIR - Make it even harder.

Mr KANOFSKI - Again, though, what I would say is that regardless of the accounting treatment of the interest, the interest is front-and-centre in our assessment of our cash flow and our future cash requirements.

Ms THOMAS - Thank you. I will go to a totally different area. Looking at page 45 of the financials, it talks about short-term incentive payments to employees. I note the statement says:

Short-term incentive payments were those that depended on achieving specified performance goals within specified timeframes.

From what I can see there, there were no short-term incentive payments provided to employees during 2025. I wondered, is the framework that TT-Line uses linked to the KPIs that are outlined on page 13 of the annual report, or is there some other framework?

Mr KANOFSKI - There are no incentive payments for executives, so there are no incentive payments that link to anything. There used to be in the past. I'd have to take on notice how they were framed, but we currently have no incentive payments for anybody.

Ms THOMAS - So in 2024, the financials show that there were incentive payments totalling \$273,308 made to employees. As I said, there's nothing in 2025. Are you saying that now there is no scheme?

Mr KANOFSKI - There is no scheme.

Ms THOMAS - Have contracts been changed to reflect that?

Mr KANOFSKI - Yes.

Ms THOMAS - And when did that happen?

CHAIR - The appointment of the new CEO probably.

Mr KANOFSKI - No, it was prior to that. The incentive payments had ceased by the time we were appointed as a board.

Ms THOMAS - Okay.

Mr KANOFSKI - Effective July 2024, the company remuneration policy was amended to remove a performance and incentive payment scheme, so July 2024.

Ms THOMAS - Thank you.

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Minister, this one is for you then. Obviously there's a bit of work going on to reform GBEs overall. I'm aware that some other GBEs do have incentive frameworks for employees. I wonder is that something that you know or expect will be standardised through the GBE reform?

Mr VINCENT - I think it's fair to say that that's something that's being looked at as we go through the GBEs and fully understand that in most cases it's tidier to have a set salary agreement, but any of those will be looked at on an individual basis, those that might be needed at that point in time for that GBE.

Ms THOMAS - Okay. Thank you. Continuing with the KPIs on page 13 of the annual report it makes clear that seven out of the eight targets that were set for 2024-25 weren't achieved. The customer satisfaction target was exceeded by one point, which is pleasing. I wonder how the board, the CEO, has reflected on that and what targets have been set for this year?

Mr KANOFSKI - The targets haven't been finalised for this year. Part of this root-and-branch review of the business is we will set new targets. We've had communication with the government and we're intending to issue a statement of corporate intent with one-year forecast and one-year targets, which is what we've been asked to do. We've been exempted from the need to deliver a corporate plan in this year, with a view that we will deliver a corporate plan for the following year. We haven't been exempted from the creation of a statement of corporate intent, but we've been advised that it will only include one year of forecasts at this point in time. It will obviously include more years of forecasts once those have been finalised. So, we're intending to issue a statement of corporate intent by January.

CHAIR - And that will be made public?

Mr KANOFSKI - That's a public document. Once approved by shareholders, it is a public document.

Ms THOMAS - That will be six months into the financial year, so effectively the company is operating without any KPIs for that first six-month period of the financial year?

Mr KANOFSKI - I guess we could characterise it that way. What the new board is trying to do is come to grips with a very challenging set of circumstances. I could say, yes, let's write down some numbers and see how we go. But, as a board, we don't think there's a lot of point to that and I think the government has also taken that view. We are very aware of our need for public accountability in terms of the statement of corporate intent process.

What I can say is - there's no intention here to try to avoid that scrutiny. I expect that we will be held to account. I expect that not for this year, but for next year - if that makes sense, the 2026-27 year when we submit a statement of corporate intent and corporate plan - that it will be fully developed. It will contain all the things that you would expect it to contain. Once a statement of corporate intent is approved by the shareholders, it will become a public document and I expect that we will be held accountable for it.

I reflect on that and go, 'That's not good performance, clearly', but there is a whole range of things I reflect on in the business and go, 'That's not good performance'. I think the board and new management need to be given a reasonable amount of time to come to grips with what

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it is that we've inherited and then develop a clear and solid plan for the government to consider and approve.

Ms THOMAS - So developing this new corporate plan is really the key deliverable.

Mr KANOFSKI - In my mind the whole thing goes together. We will present long-term, financially sustainable options for the government and clearly whatever options are agreed between ourselves and the government will form the basis for the corporate plan. Then the corporate plan will ultimately be approved, and we will be accountable for its delivery. If we don't deliver, we'll be sitting in places like this answering for why we didn't deliver.

CHAIR - PAC probably.

Mr KANOFSKI - And here as well, I'm sure.

CHAIR - So this is a year away.

Mr KANOFSKI - Yes.

CHAIR - But PAC will be seeing you more often, as you know.

Mr KANOFSKI - Correct.

Ms LOVELL - Ken, I had a question about your CEO remuneration and appreciate with this annual report it's a bit hard to get a year-on-year comparison because of the change over partway through the year. I'm wondering if you can tell us, as best you can, whether there's been an increase in the CEO salary, whether it's consistent with the previous year or -

Mr KANOFSKI - It's largely the same.

Ms LOVELL - Okay.

Mr KANOFSKI - It's in accordance with the GBE guidelines that are issued by the government.

Ms LOVELL - Has there been a percentage increase from what would have been 2023-24 to 2024-25?

Mr KANOFSKI - That's what I would expect, yes.

Ms LOVELL - Do you know what that percentage is?

Mr KANOFSKI - No, I don't. I will take it on notice, but there's been no substantial change to the CEO salary in the changeover from one CEO to the other. I'm not saying they're exactly the same number, but -

Ms LOVELL - I appreciate that. Most CEOs would have a percentage increase year-on-year, so if we can get that percentage.

Mr KANOFSKI - There's not a big change.

Ms LOVELL - That's fine.

Ms THOMAS - Back to page 45 of the financials, it talks about termination benefits that were paid out in the financial year. I know there were three termination payments made, two of which included balance of accrued leave entitlements and also redundancy packages, and one that represented the balance of accrued leave entitlements. In each of those three cases, the balance of accrued leave entitlements is quite high: \$66,000, \$82,000, and \$256,000. How is the company managing accrued leave now to minimise liabilities?

Mr KANOFSKI - I will start and then I will let Mr Carbone cover and comment in detail. Those redundancies occurred on 1 July 2024. They were some time ago and under a different management regime in a different board.

What I would say generally, in a policy sense, I expect that our business will be brought into line with modern business practice. The three individuals were very long-serving, but they did have very substantial leave balances, as you can see.

My view from a policy perspective is it will be implementing modern business practice in the organisation, which is people take their annual leave.

Ms LOVELL - Has there been an audit done of accrued leave?

Mr KANOFSKI - There hasn't been an audit done of accrued leave. What I can say is there's a whole range of things in this business that we're, I guess, modernising and bringing into line with what I would say is community expectations. There is a whole range of things that we have found that are either not contemporary or don't meet what we would regard as normal -

Ms THOMAS - Contemporary arrangements.

Mr KANOFSKI - And meet community standards.

Ms THOMAS - They don't pass the pub test.

Mr KANOFSKI - They don't pass the pub test. I will let Mr Carbone comment. To understand from a board policy perspective, we will be looking to manage annual leave properly. In my experience in organisations that haven't been doing that, it takes a while to do because you have to allow a reasonable amount of time.

CHAIR - They can't all take leave at once.

Mr KANOFSKI - No, they can't, but that will certainly be our policy objective. Mr Carbone.

Mr CARBONE - Thanks, chair. In relation to accrued leave, I'm now receiving reports each month of team members who have, what I would deem to be, excessive leave. We certainly have a plan to reduce the leave. It is a challenge, and I will acknowledge that, because the balances are particularly high and certainly with the introduction of the new vessels, it's a very busy period. But the reporting has commenced and we have the intention of reducing those balances so as we do not repeat what's occurred in the past.

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Further to the chair's comments, we're reviewing a whole raft of employee entitlements and trying to make them more contemporary. We're currently reviewing allowances, the way we treat motor vehicles, and certainly we're under a number of consultation processes in relation to those.

Ms THOMAS - In terms of redundancy packages, are you doing any sort of audit of contracts to see what provisions, I guess, are still in place for and what likelihood there is the organisation will cop hits like that into the future?

Mr KANOFSKI - I will let Mr Carbone talk to that. Clearly, we have legacy contractual commitments in place. If we want to change those, then we're going to need to go into a consultation process and to work with those. But clearly, we are aware of where we want to get to in terms of what I would call normal redundancy packages that kind of meet the pub test, frankly. We have a range of legacy contracts in place which don't currently. We're going to have to work our way through that. Mr Carbone.

Mr CARBONE - Thanks, chair. Yes, I agree with the chairman's opinion. There's certainly a number of legacy contracts that have what I deemed to be quite excessive entitlements in relation to redundancy and other provisions.

Ms THOMAS - It beggars' belief, doesn't it, no matter how it happened.

CHAIR - Just on that then, Chris, what are some of the higher levels of leave entitlements that are sitting there that you've got to try to deal with?

Mr CARBONE - I've certainly got two members who have balances that are far in excess of six months.

Mr KANOFSKI - As you can appreciate, chair, it's going to take some time. You can't send them on leave for six months.

CHAIR - They might like it.

Mr KANOFSKI - They clearly haven't liked it in the past.

Ms THOMAS - They must love their jobs.

Mr KANOFSKI - We are very alive to this. I mean, there is whole range of risks which come with allowing people to accumulate leave at those levels. It's certainly not our ambition to continue in that vein.

CHAIR - Just on that, it picks up a bit on that point. The chair referred to and, in your comments, an unsustainably high cost base. Can you break this down as to where the cost bases are? We've identified one there that's obviously an issue for the CEO to manage. What else?

Mr KANOFSKI - I will let the CEO comment a bit more. Clearly, fuel costs are a major issue for us. We're looking whether there's better ways of managing those over time, although you know, we're a market taker principally in that. We have a number of outsourced arrangements, suppliers, all those sorts of things. We're looking at those, and we clearly have

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employee costs both corporate and operational. We have crew on vessels. We have staff in ports and then we have administrative staff as well.

We're not targeting a particular area as such. What we're saying is, everything in this business needs to be looked at to see that it's efficient and operates well.

CHAIR - There's not lot of capacity to reduce your cost base a lot. I mean, you can't run without fuel; you can't work without people.

Mr KANOFSKI - No, but we can look at the efficiency of how all those things are run and make sure that they're as efficient as they can possibly be. Mr Carbone, do you want to comment some more on that?

Mr CARBONE - Thanks, chair. Recently, we've updated our procurement policy, that's very key. We're also planning to, as a follow up to that, update the procurement procedure. Also looking to appoint a group procurement lead. All these are really important because we need to get back to good governance where everything's put to market in a very structured and transparent way. Certainly, we believe through better procurement we will be able to reduce some cost out of the business.

We also need to deeply reflect on some of the outsourced arrangements we have in place. We've got stevedoring, security, some shift management outsourced and so again, we will reflect on that as we move forward.

Ms LOVELL - In terms of workforce generally, has there been any work done around the size of the workforce? Are you looking at reducing that at all? You were talking about outsourcing; might you bring some of those things back in?

Mr CARBONE - I think it's more likely we insource than further outsource. Certainly, there's no major plans to reduce the internal workforce. They're our greatest asset. They took great offence to some previous commentary about them being a cost.

Ms O'CONNOR - Chair, could I ask a question about parts of the business that have been found to be not contemporary, and we were talking about some of them now. Just a sort of a more detailed snapshot of the kind of practices or contracts, and we've heard some of it, about what's been identified and what needs to be modernised?

Mr KANOFSKI - I will start again, and the CEO will no doubt pick up some more detail. Some of the things that stand out for me is the travel policy in our view as a board was too generous and we've brought it in line with community practice. There's far too much business class travel happening within the business. Basically, the default position now under our current policy is - and we accept that people are travelling long distances and things like that, particularly with the vessel replacement program - our default position is, particularly for people who are going to be over there for a long time is premium economy is a reasonable compromise, not business class. We would certainly consider business class for someone who's on a short turn around, you know, on a case-by-case basis. Previously all those flights were business. We don't think that meets community expectation and so we've changed it.

We received an internal audit report on our payment practices and our payment processes. It found paying suppliers - it found some very substantial weaknesses in that process -

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Ms O'CONNOR - That were costing the company money.

Mr KANOFSKI - At least potentially costing the company money.

I would say that it didn't find any evidence of corrupt conducts, and I want to be clear about that because if it had found that then we would have reported it.

Ms O'CONNOR - That's reassuring.

Ms LOVELL - Late payments, that sort of thing.

Mr KANOFSKI - Payments not being properly authorised. What I would call, frankly, just very sloppy administration and control.

CHAIR - No fraud.

Mr KANOFSKI - There's no evidence found of fraud. If there has been evidence found of fraud, we would have reported it. We are very cognizant of our obligations in that regard. Poor practice. There's some of the things.

Ms O'CONNOR - Yes, thank you. Just to have a better understanding of how you could improve your procurement practices and what has been identified that requires that change.

Mr KANOFSKI - The procurement has been very decentralised in the organisation and there hasn't been a centre for excellence in the business. I don't want to say 'gatekeeper' because it's not the right term -

Ms O'CONNOR - But looking after the company's interests.

Mr KANOFSKI - Yes, that's it. Someone who has a high degree of expertise, or someone and a number of individuals who have a high degree of expertise and can ensure that procurement's done in an efficient way that's going to best drive value for money. It's been a highly decentralised process with not much control, that would be my observation. Mr Carbone?

Mr CARBONE - Thank you, chair. To answer your question, I think there's been a number of items procured from suppliers that haven't been put to market on a regular basis. Certainly, our intention is to put all those key goods and services to market on a three-year cycle. That's certainly an intention as we move forward.

CHAIR - On the new vessels or the current ones?

Mr CARBONE - No, for the whole of the business procurement. I'm talking about shore and ship procurement. It's really important that we have a structured process in place to make sure those items are put to market.

To answer your earlier question about contemporary arrangements, certainly for my mind as we discussed, motor vehicles was not contemporary and some of the allowances. We've got historical arrangements in place around gym memberships, around home internet, et cetera. The intention is to work with the team members involved to modify their contracts.

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Ms O'CONNOR - On the procurement side of things, have you found, for example, that TT-Line historically had entered into contracts with suppliers that weren't best value for money, but because they'd had an established relationship with the company, these contracts are getting rolled over? What's been the problem? Is it just that it's so disparate or have we not been getting value for money and quality?

Mr KANOFSKI - The thing I would say is the processes that we've had run a substantial risk that we're not getting value for money. It's impossible to cast yourself back and go, what was the alternative here? You can't say for sure that you didn't get value for money. But what we would say is the processes are not contemporary, or haven't been contemporary, therefore we think using those processes leads to a substantial risk that you didn't get value for money. It's a well-established principle that you put things to market on a regular basis, provided there is a market for those services. It just brings what I call 'normal' practice.

It's difficult to measure whether you have historically got value for money or not because you don't know what the counterfactual is, but certainly the sorts of things that we're seeing would lead you to suspect that you have a risk that you haven't been getting value for money.

Ms O'CONNOR - Does that also apply to some of those outsourced services that we were talking about before, like stevedoring?

Mr KANOFSKI - Yes. Correct.

CHAIR - If I can just go back to staffing costs, obviously a critical part. We've seen an increase in employee costs which are employer costs ultimately, aren't they? What percentage of that relates to the requirement to crew four vessels, like the additional two that aren't in service?

Mr KANOFSKI - Unless Mr Carbone can come up with an answer, I'd have to take that on notice. Clearly, there's a substantial cost. As we've said, we've got nine people on a vessel in Leith. We've got 15, but going to 11 people on a vessel in Geelong. Neither of those vessels is earning a dollar in revenue.

CHAIR - When those vessels go into full service there will be more staff required then.

Mr KANOFSKI - Correct.

CHAIR - What will be the staffing level required for the new vessels once they're in operation?

Mr KANOFSKI - I will let Mr Carbone talk to this because we have established crew levels for our existing vessels. I'm not sure that we've established crew levels for the new vessels at this point in time.

CHAIR - Just to be clear, there are crew levels for the existing vessels and then -

Mr KANOFSKI - Yes, so it's around 80, isn't it? Eighty-two? Bearing in mind that's operational crew and hospitality.

CHAIR - I'm talking about the cost of putting the vessels across Bass Strait.

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Mr KANOFSKI - That's everybody; everybody who's on the vessel. It's 82 currently.

CHAIR - For the new vessels, do we have that figure yet?

Mr CARBONE - No, we don't. We're still working with our team members in the unions to establish the base level for the new vessels.

CHAIR - One would presume it will be a bit higher because they're bigger vessels.

Mr CARBONE - I would expect it to be higher. Yes.

CHAIR - So when we look at the - like smallish numbers manning the crews of the new vessels now, we're likely to see them absorbed into the overall crew staff? Maybe an increase beyond that number or? I know I'm speculating a bit. I'm trying to understand that we're going to have a lot more people required or?

Mr KANOFSKI - I wouldn't think it's going to be a lot more people required. There's a potential for there to be more people than the current vessels, because the vessels are bigger, but it won't be a lot more people required, would be my view. But those numbers are just to be finalised.

Mr VINCENT - Eighty-two is the indication on the new one, I think.

Mr CARBONE - Could I make the point? The new vessels are larger. So, as an example, we have additional food outlets on board, so we will need some additional chefs on board the ship. We certainly will need additional numbers. What I'd say is - the answer I gave to PAC was I don't believe it will be material, but certainly it will be an increase and we're working through that with our team members and the unions.

CHAIR - Sure. So, we have seen the annual report reveal there's been a flat freight and a fall in passenger numbers on the current vessels. How confident are you that we're going to see the increase in passenger numbers and freight required to make the business profitable?

Mr KANOFSKI - Sorry, I was only half listening to the question. I think it's difficult to speculate with any accuracy on what's likely to happen. We expect that the new vessels will generate some additional demand. It is really hard to get empirical evidence to support what that level would be, but we know the ships generate - you know, the visit in Hobart - the ships generate a lot of interest. The new vessels generate a lot of interest.

We will certainly be supporting the introduction of the new vessels with substantial marketing aimed at getting as many people on the vessel as possible. So I think it is difficult to speculate on that.

The other thing is that the new vessels will have substantially more overweight vehicle capacity. We do know there's a current capacity squeeze in the middle of high season on that, which is likely to be manifesting in people just not taking the journey at all and going somewhere else, frankly. We think we can capture that as well.

Mr Carbone, do you want to comment?

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CHAIR - You must have some sort of forecast or modelling you've been doing to feed into your new plans?

Mr KANOFSKI - Yes. We're forecasting a range basically. If you forecast a range, the range would be you get exactly what you get now. That's the worst case. There's been some assessments done, but it is difficult to get empirical evidence to support because you don't know who the people are, right?

CHAIR - You've got to find new people.

Mr KANOFSKI - Yes. You don't know who they are and you don't know what choices they're making.

There's also - I mean, and this is speculative, right? There's also a view that we may be experiencing a bit of a lull currently in demand for people going - not so much Tasmanians going to the mainland to do things and things like that - but in terms of holiday-makers. There's a chance that people might go, 'Well, I can leave it a year and I can go on the new vessel, so I will go somewhere else this year and I will go to Tasmania next year,' sort of thing. Look, it's very challenging to get a clear handle on that.

The minister has just helped me with correcting my answer to the crew numbers. The current vessel crew is 74 and the currently proposed baseline staffing for the new vessels is 82.

CHAIR - The minister's right over it.

Mr KANOFSKI - He is. Very lucky to have him.

CHAIR - The marketing budget. You've talked about that, Ken, there will need to be marketing - and there will, because there's been a bit of damage done to the to the reputation of TT-Line. I think that's a fair statement unfortunately, in many respects. What's your marketing budget?

Mr KANOFSKI - Unless Mr Carbone wants to talk, we'd take the exact number on notice. It's not so much a question of the budget, but we're looking at the sort of marketing that we do as well.

CHAIR - We need a budget for that regardless. I mean there's a fairly good floating one in Leith right now.

Mr KANOFSKI - There is a budget, I just don't know what it is at the moment off the top of my head but I'm happy to take it on notice.

CHAIR - Does Mr Carbone have it or not?

Mr CARBONE - I don't know it off the top of my head, no.

CHAIR - Okay. I will put that on notice.

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Mr KANOFSKI - We're certainly looking at how that spend is spent as well, so it's not just a matter of we will roll out what we've always rolled out. We believe there's a substantial opportunity with the introduction of the new vessels to target some areas for new customers.

Mr CARBONE - Could I add: we're certainly looking at the effectiveness of our advertising, which I believe is important to do. We've also held some initial discussions with partners such as Tourism Tasmania to make sure that we're both targeting separate segments of the market and we're avoiding duplication from a whole-of-state point of view.

Mr KANOFSKI - Bearing in mind I'm not a marketing specialist by any stretch of the imagination, but as an observation I would say we've historically done a lot of what I call brand-Tasmania-type advertising. The *Spirit of Tasmania* has done that sort of advertising and marketing, and my view is that that's principally the job of Tourism Tasmania, not ours. Our job is to get people on vessels.

CHAIR - Does Tourism Tasmania share that view?

Mr KANOFSKI - Yes.

CHAIR - A possible question for Tourism Tasmania: are they adequately resourced to do it.

Mr KANOFSKI - That's my understanding. I don't know if it's a question of them being resourced. I believe it's a question of are we duplicating something that perhaps they're better placed to do.

CHAIR - To the point you just made, Ken, you said you're looking at marketing to get more people on the vessels as opposed to come-to-Tasmania type of thing; is that what you're saying?

Mr KANOFSKI - Yes. Essentially, I would say it's primarily the job of Tourism Tasmania to sell Tasmania. It's our job to sell to a specific segment of people who might want to come on a roll-on-roll-off ferry. That's how I would describe it. Is there some crossover between those two things? Yes, there probably is some crossover between those two things, but I do believe principally it's Tourism Tasmania's job to market Tasmania and it's our job to market the ferry service.

CHAIR - That's one side of the business; the other side is the freight. Obviously, you can't, I would expect, undertake anti-competitive behaviour, particularly as a very heavily subsidised-by-the-taxpayer business right now. What's your approach there with freight, then?

Mr KANOFSKI - I might let Mr Carbone comment on freight because he's been doing a lot of work in the freight area.

Mr CARBONE - I'd like to acknowledge it's a very highly-competitive market, certainly -

CHAIR - Coming from that sector yourself.

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Mr CARBONE - Notwithstanding that, it's a very competitive market. We have two very active competitors. Certainly we are reviewing our freight offering, our freight pricing and, where needed, will react to the market price. But we certainly can't set the price for freight across Bass Strait.

CHAIR - Do you see there are opportunities for TT-Line in this? As I said, there's a lot more freight capacity for camper vans and caravans, et cetera, as well, but that's more seasonal too, so in the off-campervan season?

Mr CARBONE - I believe one of the great things about our new ships is the additional meterage and particularly the high capacity. What I'd like to say is that I don't believe the freight market will grow materially in the coming years. It might grow, let's hope it grows, that would be good for Tasmania, but I don't see it growing materially. What that means is, by and large, the majority of the additional space on the new vessels will go to passengers, caravans, campers, and that will be fantastic for the Tasmanian visitor economy.

In very plain English: the majority of the new space on the vessels will go to the tourism market. There will be additional space for our freight customers. We're certainly not going to leave them behind but, by and large, that's how I see the market playing out.

CHAIR - It comes back to the point a little bit - and Ken, you have limited capacity to turn up the dial in making the business really self-sustaining because of these limitations; is that a fair comment?

Mr KANOFSKI - No. We've identified - there's no silver bullet is how I would describe it. I believe what we are looking at in terms of the work that we're doing is, is there a long list of relatively small-on-their-own initiatives which might add up to a substantial improvement in the profitability of the business? That's what we're focusing on. There isn't a silver bullet. It's not like you say we will just do this one thing and that's going to generate another \$50 million a year in EBITDA, and it's happy days and we're all fine.

CHAIR - Same with most businesses, though.

Mr KANOFSKI - There's not that, right? What I would say is the business has been run in a particular way for a very long period of time and we're going to go through and challenge all that. What we expect, based on what we've observed so far, is there will be opportunities for improvement, but there won't be a silver bullet. There will be lots of hard work for the CEO to implement lots of things over a period of time that will improve the performance of the business.

CHAIR - Sure. It is 11 a.m., so we will take a 15-minute break.

The committee suspended from 11.01 a.m. to 11.16 a.m.

CHAIR - Thanks for coming back, in fact. I understand Mr Carbone's got an answer to a question on notice before we go to further questions.

Mr CARBONE - Thank you. The question on notice earlier was in relation to the marketing budget. I'd like to acknowledge that it's \$14 million per annum.

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CHAIR - Is that an increase on the past or is that pretty consistent?

Mr CARBONE - That's fairly consistent. We certainly haven't spent all the budget this year, but that's the annualised budget.

Ms O'CONNOR - Do you market internationally, or is that the domestic marketing budget?

Mr CARBONE - It's domestic.

Mr KANOFSKI - Only about 2 per cent of our passengers come from overseas and they're probably people who are coming to Australia and then decide to come to Tasmania, if you like; but yes, it's about 2 per cent of the passengers.

CHAIR - We touched on the Devonport berth earlier. I want to go to some other matters related to that, but before I go there, there was additional hull-strengthening works undertaken on both *Spirit IV* and *V* related to the Devonport berth situation. Has that work been done on both of them?

Mr KANOFSKI - No. The work will take place - and again I will let Mr Carbone add some detail - but the work will take place in the first half of next year. We're in the process of finalising the engineering designs to decide exactly how much needs to be done and then we will undertake it. It's not particularly difficult or time-consuming work.

Mr CARBONE - Further to the chairman's comments, we have a weekly meeting with TasPorts. We're working together on both hull strengthening and the fenders. As the chairman indicated, we hope to sign off the specifications for both of those projects prior to Christmas, and the works in both cases should be undertaken in the first half of calendar year 2026.

CHAIR - Where is it expected that *Spirit IV*'s works will be done?

Mr CARBONE - *Spirit IV*?

CHAIR - Yes.

Mr CARBONE - *Spirit IV* is currently in Geelong. It's envisaged we will either do them in Geelong or at a dry dock between now and the middle of next calendar year.

CHAIR - A dry dock where?

Mr CARBONE - We haven't been able to secure a dry dock location as yet. We're exploring Garden Island in New South Wales, and Singapore, Auckland, and some other options as well.

CHAIR - What about *Spirit V*?

Mr CARBONE - It's envisaged at the moment that we will do the works, the hull strengthening, that is, on *Spirit V*, whilst the vessel is in Leith.

CHAIR - Can it be done in the loch it's in now, or does it have to be moved for that?

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Mr CARBONE - My understanding is the hull strengthening can be done where the vessel's currently located, at the berth in Leith.

CHAIR - The hull strengthening that's required, is that purely and only because of the situation with the Devonport wharf, or is there additional strengthening required?

Mr KANOFSKI - No, it's purely a matter of the wharf issue. I think I've said this a number of times: there's not a problem with the ships. The ships are fine.

Mr KANOFSKI - No. It's purely a matter of the wharf issue, and I think I've said this a number of times: there's not a problem with the ships.

CHAIR - I understand there's no problem with the ship.

Mr KANOFSKI - When we discovered the problem with fenders, we then went to a what's the most cost-effective, blended solution here? It became apparent that the most cost-effective, blended solution is to fix the fenders to a certain level and to strengthen the hulls of the ships. I should also mention, kind of related: I'm not saying the work will take place here, but one or other of the ships or both will have to come to Devonport at some point to commission Devonport as well. In terms of ships moving around, at some point we will need one or both of them in Devonport to commission that side as well. That's still a little way off, but will be occurring.

CHAIR - In terms of the new vessels, still: is there any further money due to RMC, or have they been paid in full for the new vessels?

Mr KANOFSKI - I suspect if there is any, it would be a very small amount of money because they have been paid, certainly as to my knowledge. Mr Carbone?

Mr CARBONE - To the best of my knowledge they've been paid in full.

Mr KANOFSKI - Yes, because we've taken possession of the vessels. I don't think there's any more money outstanding to them.

CHAIR - Sure. Is there anything else on that? I was going to Devonport.

Ms LOVELL - Mine is quite different, if you want to stay on Devonport.

CHAIR - We've talked about the timing of the gantry arriving. What's the anticipated period once it lands and it's on the wharf, and we can all see it if we stop on the bridge and get out of our vehicles and look over? Many people criticise me for not seeing it all the time, despite the fact that you can't when you're driving and watching the road. How long will it take to construct once it's on land side after delivery?

Mr KANOFSKI - A precise answer I'd have to take on notice, but it will be a couple of months.

CHAIR - I don't need precise.

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Mr KANOFSKI - It will be a few months. What needs to happen is it arrives in seven pieces. It will be in seven pieces. We need to fit out hydraulics and all those sorts of things. The hydraulics will be fitted to the pieces while they are on the wharf as opposed to fitting them after you've assembled it. The gantry needs to be fitted out first and then it will be assembled and then the fit-out will be fine-tuned to make them operational. It's probably a two-to-three-month kind of exercise.

CHAIR - Sure. You did identify, in answering questions from Cassy, that this was the highest-risk component at the moment. Are there any other things that, once that's dealt with, will be a risk that needs to be identified?

Mr KANOFSKI - I think it's the last major risk. I really think it's the shipping that is the risk. Once it's here - it has to get here. It has to clear customs; it has to do all those sorts of things. You can get shipping delays. You can have weather; you can have all sorts of things that might delay you in the shipping process. Once it's here - I'm not saying it's without risk because I've been in infrastructure a long time and no infrastructure project is ever without risk until it's finished, but I regard that as the biggest - the last major risk is the shipping of the gantry.

CHAIR - So the shipping passage is booked; it's not like you still haven't got that?

Mr KANOFSKI - Yes, it's booked. It leaves just before Christmas. Clearly getting it on the ship on time is important to that, but all the indications are that everything's running to time in China. BMD, which is the head contractor, has had a number of people in China for the last few weeks. They've been observing the process and doing that sort of stuff because, ultimately, it's their job to get it here, not ours. In fact, it's their subcontractor Fitzgerald's job to get it here. We're not getting any indication of any delay at this point in time.

CHAIR - The requirement to make good berth 1 after you vacate it, what's the expected timeframe and cost of that, and is that included in the budget?

Mr KANOFSKI - The timeframe will obviously commence once we become operational and we've moved out. We will do that as quickly as possible. There is a make-good, and it's included in the capital cost of the 493. I couldn't tell you exact number for it, but it's in that budget.

CHAIR - So with all of that, because it's going to take a bit longer than the vessels coming online in October 2026, all things being equal, the cost covers that period. We won't have the full cost, as to whether it's on time or and/or on budget until after the make-good provisions have been met.

Mr KANOFSKI - Precisely. I would expect by March 2027 we should have a pretty good handle on the final cost at that point in time. That would be the sort of time that I would have in my head.

MS LOVELL - Ken, I have some questions about workforce generally. I know a lot of other GBEs will include information in their annual report about employee satisfaction, for example, workers compensation claims, that sort of thing. First question is, and I guess this is linked to what you were saying before about the significant change that's required and

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contemporising the business: how are you monitoring employee satisfaction or otherwise, how regularly, what kind of monitoring are you doing, and what are you finding through that?

Mr KANOFSKI - I will let the CEO comment in more detail. Historically it's not been measured.

Ms LOVELL - At all?

Mr KANOFSKI - I find that reasonably surprising.

Ms LOVELL - Yes. I'm surprised that it hasn't come up at a previous hearing, actually.

Mr KANOFSKI - Historically, it hasn't.

CHAIR - We were too shocked by everything else in recent times.

Mr KANOFSKI - I'm surprised by the fact that it hasn't been monitored. It is about to be. We are about to measure it for the first time.

CHAIR - By what kind of measure?

Ms LOVELL - Okay. You might want to brace yourselves.

Mr KANOFSKI - By a traditional kind of employee survey-type arrangement. I can't remember which firm is doing it. It's being done in the normal course. It's fair to say, though, we are bracing a little bit for - people are feeling pretty beaten up by this process. Call centre staff have been abused. People on vessels have been abused. The ongoing poor, bad publicity. No matter who's getting blamed for all of that, it's wearing. People have got to put up with this at the school yard drop-off. People have got to put up with it in the pub. People have got to put up with it everywhere, right.

We really struggled to get a market for contractors to build the terminal building because people didn't want to be associated with this project. That's the first thing I would say.

The second thing I'd say, just back to your question, you probably won't be surprised by this: we are unhappy with the way workers compensation and safety generally has been managed in the organisation. We're doing a lot of things to improve that. But I will let -

Ms LOVELL - It will be interesting to hear more about that. Before we go to the CEO: there is a legislative requirement - actually it might be a question for the CEO. There is a legislative requirement from a number of years ago now under the Commonwealth legislation around measuring psychosocial risk to employees. Was that undertaken at that time when that came in? That was something we asked, we mustn't have had a TT-Line hearing that year, but we - well, we haven't for a few years actually.

CHAIR - We had TasPorts.

Ms LOVELL - Yes, that was one of the things we did ask others about. I'd be interested in comment on that as well, if that's okay. Sorry, it's a lot of questions in one.

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Mr CARBONE - In relation to the people survey, we're calling it, or the cultural survey, we've appointed an organisation called Culture Amp. It is a software company. We're also working with a local HR firm in Hobart called Adaptable HR, and we're doing that to show our team members that it truly is independent. Today actually, by sheer coincidence, we've launched that people survey. We did take a number of months to prepare for the survey because we thought it was really important to position our leaders for the survey because many of them haven't been through a process, and also in particular wanted to engage with the broader team and unions to make sure that we get the highest participation rate possible.

My understanding was the last cultural survey was possibly 15 years ago. We think this is really important in terms of listening to our team members. As I've told all the team members, we may not be able to act on every single bit of feedback, but certainly where we can't, we will be transparent about it. We will report the feedback in a very timely manner.

CHAIR - Publicly?

Mr CARBONE - Very quickly?

CHAIR - Publicly, will you provide some public feedback?

Mr CARBONE - Publicly: we're happy to share the themes.

CHAIR - Not individual comments.

Mr KANOFSKI - No, not individuals' comments, but themes.

Mr CARBONE - I think it's important we share the themes. I'm personally really excited by it because I think it presents a great foundation on which we can reset the culture of the business.

Ms LOVELL - Do you have a program of regular check-ins planned yet, or is that something you will do after the survey?

Mr CARBONE - Yes. What we've done is we've chosen to use a standard set of questions. That way we can compare TT-Line versus our peers, versus industry, versus competitors, versus other Tasmanian and Australian businesses. In addition to that, as the chairman alluded to, we are concerned about our safety culture. So, in addition to the standard survey questions, we've chosen to ask a series of additional questions to get that really granular feedback from our team members on how we can improve care, wellbeing and safety.

Ms LOVELL - Then will you check back in? Have you got a program in place?

Mr CARBONE - Absolutely. The plan is we will do this every year, which we think is good practice, and in between those annual cycles we will do a number of pulse checks as well.

Ms LOVELL - Thank you.

Mr CARBONE - In terms of workers compensation, we had 54 claims last year. It's simply 54 too many. The same can be said about the LTIs and the harm within the business. The new board and I are particularly focused on improving workplace safety. We're going back

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and reviewing all the critical risks within the business, in particular, things like people and plant separation and really going back and ensuring that we have all the foundations in place.

In terms of psychosafety, we've been doing some training within the business. We certainly need to do more and we've been updating a whole variety of policies within the business that impact -

Ms LOVELL - So has there been an assessment done of psychosocial risk in the workplace yet?

Mr CARBONE - Can I take that on notice? I know there's been training; whether there's been an assessment I would need to get back to you.

Mr KANOFSKI - We will take it on notice. One of my colleagues who chairs the audit and risk committee has been very focused on the psychosocial aspects and it's something we will be very focused on. But we will give you an answer to what we've done so far.

Ms LOVELL - Thank you.

Mr CARBONE - Chair, could I also add, if I may, we do have an internal audit program set for this financial year. In the back half of the year we have also envisaged doing an internal audit on psychosafety within the workplace.

Ms LOVELL - In terms of your workers compensation claims in the last year, 54: do you have a breakdown of the types of claims they are, or the type of injury they were for?

Mr CARBONE - I do. We had 25 sprains and strains. We had 10 soft tissue injuries. We had two burns. We had two skin and eye issues. The rest were classified as 'other'. I want to acknowledge that we do take them very seriously. We're also reviewing at the moment how we care for our team members once they have been injured. I'm very focused at the moment on the welfare of those injured team members, a big focus on trying to get them to return to work as early as possible, but also regular communication whilst they're off work on injury. These are all big focuses that we inherited but are working hard on.

Ms LOVELL - What sort of return-to-work data do you have at the moment? Obviously, some injuries are worse than others and need more time to recover. Do you have data around time for return to work?

Mr CARBONE - Yes, we can share that data transparently. We do report on a monthly basis on new workers comp claims, closed claims, the type of injuries, so absolutely.

Ms LOVELL - My last question on workers comp is around the 'other' category, the remaining injuries. I'm assuming that a psychosocial injury or a psychological injury would come under that category; do you have a breakdown of that at all?

Mr CARBONE - I don't have the breakdown with me, but it does. You're absolutely correct. It does include those, and I'm happy to transparently report back on the number of psycho injuries within the workforce.

Ms LOVELL - Thank you.

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Mr CARBONE - In addition to that, it's something the board and I are really focused on. What we're trying to do at the moment is establish new ways of reporting back to the board of business on the number of complaints, breaches and injuries occurring within the workplace. I think we all passionately believe that reporting will bring a lot of the change management that's required.

Ms LOVELL - The lost time injuries, how much time are you losing?

Mr CARBONE - It varies. We've certainly seen some of those where it's a single shift, but we've certainly seen others that run into weeks and months. Given the nature of those injuries, we have a lot of team members doing very repetitive tasks in high-risk environments, hence why some of those have taken a number of weeks to return to work.

Ms O'CONNOR - Can I take you back to probably a really difficult time in TT-Line's history. That was in January 2018 when 16 polo ponies were found to have died. The court established that they died on the ship. A number of charges were laid against both the person who was in charge of the horses and the TT-Line, and 28 charges under the *Animal Welfare Act* were levied against TT-Line. TT-Line, ultimately, was required to pay some compensation. We're not going to rake over that. I'm keen to understand what TT-Line learned from that experience and how, if anything, the transport of animals on the vessels has changed.

Mr KANOFSKI - I might defer to the CEO on that, if that's okay.

Mr CARBONE - Thanks for the question. A little challenge to answer that, given I wasn't involved in the business at the time. What I can say is that it's my understanding now that procedures have been put in place. That includes vets looking at the animals; it certainly includes, on our new vessels, as we showed some people recently, we have additional outdoor decks which we don't have on the current ships. Certainly, going forward, we will have the opportunity to transport animals both inside the ship and on the rear decks of the ship. It is certainly something we're cognisant of.

Ms O'CONNOR - I should hope so. Can you tell us whether on the current vessels - what in practice has changed? Are there vets, for example, involved currently as animals come on the vessel?

Mr CARBONE - Yes. My understanding is that's the case, that there are vet checks prior to animals being transported on the vessels.

Ms O'CONNOR - Thank you. So vet checks in both Geelong and Devonport?

Mr CARBONE - On departures, that's my understanding.

Ms O'CONNOR - Okay. Do you have knowledge of what the vet is checking? Are they checking both the wellbeing of the animal, but also the circumstances of their carriage, what they what they're caged in and whether there's sufficient ventilation?

Mr CARBONE - Can I take that on notice? I certainly know that the marine team has indicated to me within the business that they've put in place some robust procedures since that incident occurred. I'm very happy to table the internal procedures in relation to the transport of horses.

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Ms O'CONNOR - Thank you. That would be good. Does TT-Line provide information to people who are transporting animals across Bass Strait, whether they be someone taking their dog on the vessel, or someone transporting cattle or horses, a bigger job, if you like? Is it clear to the person who's taking animals across Bass Strait what their responsibilities are as well, given the history with the polo ponies where the operator of the truck was found to have failed in his duty of care to those animals?

Mr CARBONE - Look, it's certainly very topical. In fact, we had management meetings last week preparing for the new vessels, and the existing vessels in relation to the transport of animals on the vessels. I want to assure you it's something we're focused on. We certainly also last week and in recent times have been training team members on animal safety. For example, we had quite a large number of team members trained just last week on animal welfare. We're quite focused on it. It's something we're trying to learn from others on. We know there's been incidents in retail stores such as Bunnings; Virgin has just recently moved to transport small dogs on aeroplanes. It's something we're very focused on as we move forward.

Ms O'CONNOR - Are you able to provide any broad detail on what sort of issues management is raising, or aware of in relation to the transport of animals across Bass Strait?

Mr CARBONE - Yes. In terms of feedback our team members have given me, we've certainly had a number of dog bites. Hence, why we've gone back and are actually retraining and training many of our team members on appropriate dog handling. The team has also been recently looking at the list of banned breeds, as an example, that we shouldn't be transporting. That's two examples.

Ms O'CONNOR - Okay. Has anything changed in the conditions of carriage as they relate to animals and liability for the wellbeing of those animals on the vessels?

Mr CARBONE - I appreciate that I've been in the business for a short period of time. I think if I could take that on notice, we'll review it in a timely way.

Ms O'CONNOR - Just to confirm, you will provide information on notice on any conditions of carriage changes to the transport of animals -

Mr CARBONE - And the procedures.

Ms O'CONNOR - and the procedures for the transport of animals. That procedural question includes what information is provided to people who are transporting animals and how TT-Line staff deal with animals and help to ensure their wellbeing. That would be part of procedures, wouldn't it?

Mr CARBONE - It certainly would be.

Ms O'CONNOR - Okay. Thank you.

Mr KANOFSKI - Chair, before we go on, earlier in the piece, I referred to a letter of 13 November 2025. I'm happy to table that.

CHAIR - Sure, thank you.

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Mr KANOFSKI - I table that letter from TT-Line to the shareholder ministers.

Ms THOMAS - I want to ask about sponsorships. On page 10 of the annual report, it marks the final year of the *Spirit of Tasmania's* partnership with the North Melbourne Football Club. Alongside this, the sponsorship of the Tasmanian JackJumpers Basketball Club provided significant reach and fan engagement through activations, competitions and ticketing. Other sponsorships supported major Tasmanian events such as the Wooden Boat Festival, *Spirit of Tasmania* Cycling Tour, and the West by North West forum, as well as smaller grassroots community causes with sponsorship support to 54 groups and organisations. I wondered what is TT-Line's budget for sponsorships and whether you publish a breakdown of what the sponsorships across those different organisations and events are?

Mr CARBONE - I don't believe we've previously shared the breakdown of those sponsorships. I'm very happy to share the breakdown of those going forward. I don't have the full breakdown with me today, but I'm absolutely willing to transparently break down all those sponsorships.

What I would say is, as we move forward, it would be my preference that the board and I focus on smaller community-based Tasmanian sponsorships. Certainly we wouldn't envision another large sponsorship such as the North Melbourne arrangement that is currently rolling up.

Ms O'CONNOR - Just to remind you for the record, TT-Line, your predecessors over numerous Estimates refused to provide detail on the value of that sponsorship. That's not on you. It's just making note of the lack of transparency in previous times.

Mr KANOFSKI - We're happy to provide that.

Mr CARBONE - Unless the sponsorship amount is covered by a contractual confidentiality requirement, we're more than happy to table it.

Mr KANOFSKI - We'll check that and, if necessary, seek permission from the other side to release.

Ms O'CONNOR - It doesn't engender trust.

Ms THOMAS - Do you think that's something you could publish in your annual reports going forward?

Mr KANOFSKI - I don't see any reason why we wouldn't.

Mr CARBONE - It's a great suggestion.

Ms THOMAS - Okay. Thank you. We'll take that on notice to provide that breakdown.

Mr KANOFSKI - Yes.

Ms THOMAS - Another question I had is in relation to the consultancy costs on page 17 of the annual report which amount to about \$11.8 million. I'm wondering how the organisation

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manages any conflicts of interest, whether there's a conflict-of-interest register, and who that's provided to in relation to consultancies.

Mr KANOFSKI - I'll leave it to you. I can say, with regard to berth 3, because that's what I'm more familiar with, all those normal practices have now been instigated within the contracting environment for berth 3. More broadly, I'll leave it to the CEO.

Mr CARBONE - Certainly, in board meetings, if there's any conflict of interest, they're disclosed at the start of the meeting. That's also the same process for any board subcommittee meetings as well. There's certainly a register of any management conflicts as well.

Ms THOMAS - And that registers kept by?

Mr CARBONE - The company secretary.

Mr KANOFSKI - In terms of the directors' interests, it's part of our agenda at every meeting, so people can make sure that they're up to date in terms of their interests.

Ms THOMAS - Are you able to disclose if any directors had any conflicts with any of these consultancies?

Mr KANOFSKI - I would have to take it on notice.

CHAIR - Are you happy to take it on notice?

Mr KANOFSKI - Yes, happy to take it on notice. I'm referring only to the time that I've been a director. If there have been, it would have been noted in the board minutes when the consultancy was considered.

CHAIR - There is a standing item on your agenda?

Mr KANOFSKI - There is a standing item on the agenda which (a) discloses all our general interests, because all of us have a broad range of interests, but (b) it's a question that's asked - one is do you need to update that and the second question is whether anyone has a specific interest in an item on the agenda that day. With the exception of some discussions about my own circumstances where I excused myself, I don't recall any other director excusing themselves. But we'll take it on notice and confirm it.

CHAIR - This goes back to procurement. I know that we have spoken at length about updating that and putting it in line with the community expectations, and this may be part of that, I guess.

I noticed that, by local performance measures here, only 23 per cent of purchases - \$90.2 million of \$392.6 million - were from Tasmanian businesses. I do acknowledge that you dock in Victoria as well. You can't assume that that's part of the reason, but I'm trying to understand how it could be improved, particularly on the operational side of it. We understand with the new vessels there was an expectation around a certain amount being provided by Tasmanian content. We can argue over the detail later if you want, but I'm not interested so much in that, in this question. I'm talking about business as usual. How is the local procurement or purchase of local product facilitated and why does it seem to be pretty low?

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Mr KANOFSKI - Leaving aside the vessel replacement policy, and I will allow the CEO to comment, we have already made some changes to local content on the ships. I will allow the CEO to talk about that. It's something we are very focused on, but I will let Chris talk to the detail.

CHAIR - I want to focus on operations at the moment, not the berth's construction or the new vessel.

Mr KANOFSKI - Week in, week out, things that we use every day.

Mr CARBONE - I want to acknowledge on page 16 and report the buy local percentage is low. One of the reasons that is, is because some of the larger items we procure, such as marine diesel, at the moment, is procured from the mainland. That is why - some of those large operating costs distort the percentage of buy local.

What I would like to say and put on record is, we understand the ships are an extension of the Tasmanian community. For that reason, with the new hotel management, we've been working hard on improving the amount of goods we procure for the ship from Tasmania. As an example, we recently removed the mainland beer from the taps on the ship. We've been trialling the removal of mainland wines from the ship. We've been looking at -

CHAIR - Would you have plenty to fill the gap?

Mr CABONE - We absolutely do, which is why we're focused on that conversion. We've looked at everything from moving our teabags to Tasmanian suppliers. It's something that we're very focused on. It's an area where we can do better and we will. We believe the ships are an extension of brand Tasmania, hence why we're working hard to improve that local procurement.

CHAIR - This is a comment, not a question. It was pleasing to see the Tasmania artwork, with the exception of one, on the new vessels.

Mr CARBONE - For clarity, all the artwork is Tasmanian. There's one that's not original.

CHAIR - Because you couldn't afford that?

Mr CARBONE - That's right.

CHAIR - It would have broken the budget completely. Can I ask what the budget was for procurement of artworks?

Mr KANOFSKI - I don't have it; I'd have to take it on notice.

Mr CARBONE - My understanding is the budget for *Spirit IV* was in the vicinity of \$200,000.

CHAIR - Artists don't get paid very much, do they? When you consider the number of artworks on the vessel. What about *Spirit V*? Is the same going to apply for *Spirit V*?

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Mr CARBONE - I suspect *Spirit V* will be slightly lower, in part because some of the printed imagery, you know the brand Tasmania, will be able to be reused. The intention is to put different but original artwork on *Spirit V* as well.

CHAIR - I know that Handmark Gallery was the gallery tasked with sourcing that. Is it possible to get a breakdown of where the artists who have had their artwork put into those vessels are geographically in the state?

Mr KANOFSKI - Yes, very happy to provide it on notice.

CHAIR - Yes, sure. Bear in mind, we have some amazing artists from all around this state, including King Island and Flinders Island. I don't know if they got any from there. I did try to have a look at all of them when I went round. I couldn't see some, but I didn't go to every area that vessel either, in fairness.

This goes back a bit to some things we talked about in the workforce perhaps. What is the turnover rate of your workforce, particularly around the [inaudible] and, obviously, you have the call centre, whether it can be broken down to that. You've got the crew, the hospitality staff - there are quite a few different areas of workforce. Do you have turnover figures?

Mr KANOFSKI - Have you got figures available today?

Mr CARBONE - I don't have figures with me in the room today, but we're very happy to share those and break them down. What I would say is that we do have significant tenure with a lot of our workforce. Maybe it's a great opportunity to thank those team members as indicated by others today. They've certainly had a very, very tough past 12 months. At every opportunity I get, we acknowledge their loyalty and the fact that they have, by and large, stuck with us through some very difficult and challenging times. That was recently conveyed by the minister directly to the team.

CHAIR - Those who have been subject to very unfortunate abuse by members of the public, not just in the call centre - it's not okay for call centre staff to be abused either - but how are you supporting those people?

Mr KANOFSKI - I will allow the CEO to talk about that. Clearly, we offer support to people in the workplace who have had that challenging circumstance.

Mr CARBONE - Thank you. We've been including those reports as part of our injury management safety incident reporting -

CHAIR - To the board?

Mr CARBONE - Both internally and then it rolls up into the board reporting.

We have three EAP providers and we offer that to our team members. What we've also done is reinvent what I call, loosely, our disruptive passenger panel. They meet on a regular basis. I'm not part of the panel, but the panel meets on a regular basis post any incidents and then determines the appropriate course of action for the disruptive passenger.

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CHAIR - This goes back historically, so it might be a little bit hard for you guys at the table to answer it. In terms of access to the EAP - I know you don't get individuals, it's not appropriate, but you would see how much you're paying.

Mr KANOFSKI - Yes, we'd see how much we're paying and how many calls there were.

CHAIR - Has that increased over the last 12 months, two years?

Mr KANOFSKI - I would have to take it on notice.

Mr CARBONE - It's a great question. It's something I've asked recently. One of the things that does make it more challenging is we have three providers. What we're planning to do - we've actually kicked off an RFP for good procurement to appoint a new single EAP provider. We think that's going to give greater transparency and accuracy to the quality of the data in terms of the usage of the program.

CHAIR - I will put it on notice to see what you can provide in terms of increasing costs because that is an indication of potential harm.

Mr CARBONE - It would be good in some ways though, if we saw an increase because it means people feel comfortable and safe to use the program. We do need to be mindful of some of the data that sits behind.

Mr KANOFSKI - I think the same of all safety issues. One of my experiences in organisations where you're trying to change the safety culture is you get an increase in reporting to start with and it's a good thing. It's a really good thing.

CHAIR - Yes. The point that Sarah made earlier that it's been a long time since there was a proper survey, regardless of the federal legislation that required it. Obviously, during that process there will be a raised awareness of EAP because it will bring things up for people.

Mr KANOFSKI - Absolutely.

CHAIR - In some respects we hope to see an uptick in it.

Mr KANOFSKI - Yes, correct. There's going to be a lot of work in this space for us over the next little while. Something that we're very focused on is - what I talked before, about the practices just not being contemporary and they're not, so they need to be made contemporary.

CHAIR - In terms of vacancies across the organisation, do you have a lot of staff vacancies, particularly in the maritime space that has more specialised skills than some other skills on the vessels?

Mr KANOFSKI - We certainly do have some challenges. Chris?

Mr CARBONE - Thank you, chair. It has been a challenging period for us as we're trying to increase team member numbers to facilitate the operation and the safe operation of the four vessels. There's a role called 'integrated rating', which is a marine terminology - deckhand, et cetera, roles. That's certainly been very challenging. We've been working with AMC in Launceston and AMSA, the regulator, to try to work out how we can increase the number of

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people coming through the system. That's why we've embarked on the training IR roles, or the trainees. It's something we need to do more of, but we're very focused on it as we try to increase our team member headcount.

CHAIR - It would be a bit of a shame if you got the vessels here ready to go and you couldn't crew them.

Mr CARBONE - I'm very confident we'll have sufficient crew for the new vessels. It is a challenge and I might acknowledge it, crewing four vessels when historically we've crewed two.

Mr KANOFSKI - Our ambition is to make *Spirit of Tasmania* the job of choice for maritime employees in the country. It should be. It is the best job there is in maritime and we want to make sure that our work practices reflect that.

Ms O'CONNOR - I want to give you an opportunity, in a way. It's been a rough ride and we've heard some information about how people who work for your company have been treated. Sitting here at the table there may be people watching; regardless, if you had to say something to give Tasmanians optimism for the future of the company, but also talk to your workforce and people who might choose to come and work on the *Spirit*, given the dark clouds, what would that message be?

Mr KANOFSKI - We are incredibly optimistic about the future of the business. We think these new vessels and the new berthing facilities will be fantastic. It will provide an enormous opportunity and we are very focused - this should be regarded as the best place to work in maritime in Australia. Hands down, it should be regarded as that. So, we're very focused on making it that, essentially.

As I said in my opening, it's really about getting these vessels into service, sorting out the long-term financial position of the company, getting ourselves off the front page and into moving people and freight.

The thing that I would say about the culture of the organisation as we've talked about is, the one bit of the culture that I don't want to change is, when you get on board those vessels, the culture of the crew on board the vessels - and this is not a detriment to the staff we have on the shore either - it's fantastic. All the customer feedback we get is sensational and I've experienced it myself. When I did my first sailing, no-one knew who I was so I was a normal punter, for all they knew. I would say that the levels of enthusiasm and customer service on the vessel has remained outstanding. It's a piece of the culture that we don't want to change. There are many pieces of the culture we do want to change, but not that one.

Ms O'CONNOR - Yes. And, broadly, to Tasmanians, because this is our company, it belongs to all of us, and it's long been a source of enormous pride, I think, but there have been these difficulties and it's really disappointing to hear that people have taken it out on TT-Line staff. So, to Tasmanians about their TT-Line, what's your message?

Mr KANOFSKI - This is a great Tasmanian company. There have been mistakes made through this process, of replacing the vessels and replacing the berths. There's absolutely been mistakes made. But let's be clear, what we're going to end up with is at least 50 years of infrastructure, at least 40 years of ships that are fantastic. That will support the tourism industry,

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and it will support the agricultural industry. The end result of this will be amazing. Yes, it has cost more than we would have hoped it would have cost. Absolutely.

Ms O'CONNOR - Here we are.

Mr KANOFSKI - There's no point in sugar coating that. It is what it is. But the result will be fantastic. I don't know whether you got on the new vessel. The new vessels are amazing. We had a lot of people through the vessel when it was in Hobart. We had uniformly positive feedback. People get on that. There's a real wow factor when you get on board that vessel. We think that's something we can sell and capitalise on and have more people use that service for that.

CHAIR - On behalf of the committee, we do need to wrap it up. We have another lot out there waiting to come in. We wish you luck with that. It's been a pretty untidy journey to date, and I think you're right to acknowledge that at the outset, both the minister and the chair.

We thank you for your appearance today. We will write to you with the outstanding questions on notice and thank you for your time today.

The committee suspended from 12.01 p.m. to 12.05 p.m.