



TT-LINE VESSEL REPLACEMENT PROJECT LOCAL CONTENT UPDATE

Background

In June 2020, provisional agreement was reached on the contracts to build two vessels between TT-Line and Rauma Marine Constructions (RMC). The TT-Line Board approved the signing of these contracts and made the recommendation to execute them to the Shareholder Ministers.

At that time, however, TT-Line withdrew from the final process on instructions from its Shareholder Ministers to revisit the on-shoring of the replacement of the ferries within Tasmania and Australia, in response to the economic outlook presented by the COVID-19 pandemic.

A Ship Replacement Taskforce was formed by the State Government and duly reported in March 2021.

Following completion of that review, the State Government requested TT-Line to continue negotiation with RMC for the build of two monohull vessels with the requirement that the new build contracts include up to \$100m of local content (with local content being defined as Tasmanian and/ or Australian content).

Contracts were executed with RMC in April 2021 with included a commitment of up to \$100m, across both vessels, of local content. The timeframe given to satisfy this commitment is the expiry of the later warranty period of the vessels. This expiry date will not be definitively known until delivery of the second vessel.

To support RMC in achieving their contractual commitment to the local content spend, TT-Line employed a local Procurement Manager to work with RMC to achieve the maximum spend possible on local content.

Of the \$100m local content commitment, \$80m was the target for RMC to deliver on under the new build contracts. RMC will contract directly with the relevant businesses. TT-Line is not a party to these local content contracts.

In addition to this, TT-Line had a target of \$20m to deliver through contracting with many Tasmanian and Australian businesses for Buyers Supplies as part of the project.

The total freight costs for the transports of TT-Line's local content goods to Rauma has been \$316,000. This cannot be itemised per supplier as many supplier's goods were combined into single containers for transport overseas.