

From: [Minister Abetz](#)
To: [Alistair Graham](#)
Cc: [Correspondence, Barnett](#)
Subject: RE: Response from Minister Abetz to Alistair Graham - Rail transport in Hobart + GBEs TasRail
Attachments: [image001.png](#)
[image002.jpg](#)

Dear Mr Graham

Thank you for your further email and discussion on government businesses.

I have passed on your comments to the Treasurer, the Hon Guy Barnett MP, who is leading this reform for his consideration.

Kind regards

Office of the Hon. Eric Abetz MP

Minister for Business, Industry and Resource

Minister for Transport

Leader of the House

Liberal Member for Franklin

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MIN24/169886

From: Alistair Graham [REDACTED]
Sent: Thursday, November 7, 2024 2:26 PM
To: Minister Abetz <Minister.Abetz@dpac.tas.gov.au>
Subject: RE: Response from Minister Abetz to Alistair Graham - Rail transport in Hobart + GBEs TasRail

Dear Team Eric,

Many thanks for your efforts in arranging a substantive response to my letter to Minister Abetz. I appreciate the consideration involved and I'd appreciate it if you could let the Minister know that – and pass on this note to him, and to the consultation process for GBE reform. I remain concerned at the approach to costing light rail that presumes to load up all the costs of maintaining and improving the light rail network – it reminds me of the apocryphal statement of a visiting transport engineer when asked if the rail system should be expected to make money; he simply replied, 'do the roads pay?'.

And, while I'm on the subject, I'd like to say that I think seeking to amalgamate TasRail with TT-Line and/or TasPorts is a silly idea devoid of commercial, strategic or public interest value. These three GBEs each have their own role and purpose and, as we have recently seen with the debacle over introducing new TT-Line ferries, it would be extremely unwise for responsible ministers to allow the inevitable, and understandably fractious, interactions between the three of them, to be more deeply buried within customary intra-agency bureaucratic buck-passing and arse-covering

structures. Far better to strengthen the political oversight arrangements within a modernised governance framework – where the number one requirement is to have a standing joint GBE oversight committee of Parliament to which the Treasurer and similarly responsible Ministers, and GBE Boards and their senior management are routinely accountable on an ongoing basis. I remember when the late Jim Bacon was Premier, he was wont to regularly – and proudly - brief Parliament on ambitions and developments, especially regarding Bass Strait ferries to the benefit of all, including the good governance of Tasmania. It is to be regretted that it has become customary for governments of all persuasions to be unhelpfully secretive, often unnecessarily undermining community trust in and support for political leadership and public institutions.

The three-GBE merger proposal should be regarded as merely a political distraction. The real issue remains, what, if anything, should be done with the existing suite of government services that includes the current collection of GBEs. I have three initial suggestions in this regard;

- Firstly, it has long been my view that the transformation of the old Forestry Commission into the current Forestry Tasmania GBE (trading as Sustainable Timbers Tasmania) was bungled. I was a strong advocate of this move at the time and was dismayed to observe the recalcitrant success of potentially dislocated bureaucrats and fearful customers in preventing its establishment as a genuinely commercially viable government entity. I think it's worth another go. In essence, a Forestry Commission needs to be re-established that is the manager of the public land Forest estate on behalf of the Crown (when the GBE was established, a serious mistake was almost made that would have alienated the land from the Crown – some care and transparent intent is needed). This Commission needs to be responsible for the management of the Forest estate to maintain and conserve the full suite of uses and values of the forest, both current and prospective.

This ambition was given passing lip service (including legislative and regulatory reform) at the time but not given practical effect. Appropriate ongoing access to the wood resource would be secured through open tendering of parcels small and numerous enough to allow competing mills to have adequate security of supply – if they are prepared to pay market prices – which would have to meet the opportunity cost of loss of alternative uses and values. In essence, this would drive a transition away from native forests (inaturally regenerated forest' as per the FAO definition) into the substantial seeded regeneration resource, complemented by plantations (the FAO regards both categories as covered by the definition of 'plantation' – covering intentionally planted or seeded forest).

In this way, much of the heat can be taken out of the otherwise irreconcilable conflicts over use of native forest for industrial wood supply or for other purposes by making a virtue of necessity. Much of this virtue comes from developing ways to value alternative uses and values of forests. Some progress has been made towards doing this for the 'carbon' value of forests in an age of urgent climate change mitigation and ideas are forming on how this might also be done to realise the biodiversity value of the forests within the same estate. There are myriad other values where such value recognition could be pursued, especially in respect of the landscape, amenity and recreational value of forested areas to the real estate industry and the residents of and visitors to Tasmania.

There are obviously myriad ways in which these values might be reflected in market or administrative arrangements that would see income flowing to managers of Crown land to reflect the costs of management in maintaining and conserving those values on behalf of the wider community.

- Secondly, it is worth considering splitting TasRail into two entities: one to maintain the rail infrastructure and one to operate the trains. It would then be appropriate to consider reorganising the rail infrastructure GBE as a conventional state utility while the train operations could be sold off to individual commercial users of the service (or a commercial entity providing rail services to customers). As an immigrant from the UK, I watched in fascinated horror as British Rail was privatised and then the rail track re-nationalised. In similar vein, I've been watching the expensive collapse of the experiment in privatising water utilities – well, expensive for those worried about water retail prices, quality and pollution. There is something awfully predictable in expecting a conventional private corporation to deliver utility services to ordinary citizens and I urge the Minister to resist the urge to take an ideological 'free enterprise' approach to maintaining government services and securing a reasonable commercial return to the Crown from those exploiting our natural resources.
- Thirdly, TasPorts could usefully be split into three port utilities, focused on Hobart in the south, Bell Bay in the north and Burnie in the north-west. The roles and likely futures of these three main port facilities are very different and somewhat competitive. The relationship between Sullivans Cove and the city of Hobart and its wider hinterland is very important – and mostly not related to conventional port services and operations. I watched with some nervous optimism as the Bacon/Lennon governments set up the Brighton hub with the stated intent of relocating commercial shipping services from Sullivans Cove to Burnie and Bell Bay – and it remains a matter of regret that this transition was bungled and never completed. Likewise, later, mistakes were compounded when then then Minister Llewellyn chose to redevelop the Royal Hobart Hospital on its current site rather than move it to a greenfields site at Macquarie Point as advised (where the greenfield site plans were compromised by the failure to relocate port functions from Hobart as originally intended). It'd be nice if a government would stop and think rather than compounding past blunders with new ones (viz. the failure to develop a Tassie AFL team base and stadium at York Park in Launceston).

I am aware that recent statements from the TCCI leadership reiterate their customary ambit claim that all GBEs should be regarded as state-owned utilities where service provision is to be priced not to benefit the taxpayer and service recipients but to benefit commercial users of resources and services – where benefits to the community are asserted through what economists summarise as the 'trickle-down effect. There are some GBEs that should be classified as utilities – and services provided at cost (at neither a profit nor subsidised), while others should be classed as commercial entities and institutionalised and managed to provide a reasonable return to the Crown for facilitating commercial access to natural resources and

providing benefits to the community, both monetary and non-monetary.

It is not always obvious which GBEs might fall into which category and, in my view, it is a proper matter for public policy to discuss and decide which way to go. With respect to management of State forests, for instance, it is my view that a forestry commission should be expected to earn a commercial return for providing wood to commercial processing entities where the objective of management should be to secure the resource rental value of the wood resource for the Crown. The same approach should apply to other exploiters of forest resources, viz. honey makers or genetic resource collectors. Where other non-commercial or indirectly commercial uses and values, both current and potential, are concerned, it should be the purpose of the government to seek to develop revenue streams aimed at ensuring the management costs of maintaining and supporting such uses and values are met by funds derived from those who benefit from that management.

The future of the Hydro poses a similar if rather different challenge for a State government. Currently, prices are set for industrial commercial and retail users at rates that allow the government of the day to earn substantial dividends. The net effect of such pricing policy is to transfer funds from retail businesses and households to the government (industrial users customarily benefit from habitual underpricing on the old 'trickle-down' approach). In my view, a State government should set prices at a level that secures a fair return on assets and captures resource rental value while ensuring appropriate allocations to those charged with the proper management of the catchments and rivers on which the Hydro depends. Part of the challenge for the Hydro is the expectation that water management and electricity generation will be driven by the need to complement intermittent wind and solar power generators, especially large, commercial windfarms. This needs to be properly and publicly discussed so that the substantial redirection of benefits is reflected in equally substantial rearrangement of tariff and wholesale pricing arrangements and interaction with the national electricity market – not only by the Hydro itself but also by its industrial customers (provision of complementary electricity supply to wind farms is of great value to them and they should be expected to pay a price that appropriately values provision of that support, including the provision of transmission lines and cables).

Kind regards,
Alistair

From: Minister Abetz <Minister.Abetz@dpac.tas.gov.au>

Sent: Wednesday, 6 November 2024 6:25 PM

To: [REDACTED]

Subject: Response from Minister Abetz to Alistair Graham - Rail transport in Hobart

Dear Mr Graham

Please see attached correspondence from the Hon Eric Abetz MP, Minister for Transport.

Kind regards

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