13 December 2024

Via email: governmentbusinesses@treasury.tas.gov.au

Re: SUBMISSION TO THE TASMANIAN GOVERNMENT'S GOVERNMENT BUSINESS GOVERNANCE REFORM DRAFT PLAN

To whom it may concern,

The Communications, Electrical and Plumbing Union ('the CEPU') welcomes the opportunity to make a submission to the Tasmanian Government's *Government Business Governance Reform Draft Plan.*

The CEPU is the principal union for electrical and electrotechnology tradespeople and apprentices in Tasmania, representing over 2,000 workers.

Our members work in Tasmanian GBEs, including TasWater and TasNetworks, and have directly experienced in weakened service delivery and an undermining of working conditions due to outsourcing and corporatisation in GBEs and State-owned Corporations.

The CEPU commissioned the Centre for New Industry at Per Capita to analyse the impacts of privatisation across Australia – including in Tasmania – with a view to making recommendations to this inquiry. Their report includes the experiences of our members in GBEs who are experience unsafe practices, unsafe staffing and low morale.

Any further privatisation or outsourcing will only make this worse.

The CEPU supports Per Capita's recommendations, specifically that the Tasmanian Government should:

- Retain all current GBEs and SOCs as standalone entities.
- Begin publicly reporting staffing levels at all GBEs and SOCs, detailing the number of directly employed staff, including fixed-term, permanent, and casual employees, and of contractors.
- Take steps to reduce the reliance on contractors in GBEs and SOCs and implement practices to promote insourcing.
- Ensure that no GBEs or SOCs are divested or inappropriately restructured.
- Introduce legislation to protect state-owned businesses, restricting their sale, divestment, or significant restructuring without an act of Parliament.

Kind regards,

Chris Clark CEPU State Secretary

Hobart: 84A Gormanston Road, MOONAH TAS 7009 | **Phone:** 03 6228 0098
Email: info@ceputas.com.au | **Website:** www.ceputas.com.au | **ABN:** 18 172 840 055

SUBMISSION TO THE TASMANIAN GOVERNMENT'S GOVERNMENT BUSINESS GOVERNANCE REFORM DRAFT PLAN

Centre for New Industry at Per Capita

December 2024

About the Centre for New Industry at Per Capita

The Centre for New Industry is an applied research centre within public policy think tank Per Capita, which aims to propose policy solutions that support a mission-oriented approach to industrial policy, and advocate for economic diversification, decarbonisation and democratisation.

We believe that Australia needs a vision of the future that provides greater employment opportunities for workers and their families, greater stability and security for regional communities, and better equips Australia to respond and adapt to economic and industrial change.

Introduction

This submission responds to the Tasmanian Government's *Government Business Governance Reform Draft Plan,* released in November 2024. Recent challenges, such as TT-Line and TasPorts' problems delivering the new Spirits of Tasmania vessels, suggest that Government Business Enterprises (GBEs) do not always operate in the best interests of Tasmanians. However, the proposed review of Tasmania's entire government business portfolio, included in the *Draft Plan,* to assess whether public ownership of each business remains appropriate, and to identify businesses which should be divested or restructured, prompts significant concerns about the direction of the government's policy on public ownership and its apparent privatisation agenda.

Although Tasmania has largely avoided the large-scale privatisation of essential infrastructure and services seen in other states, corporatisation and increased outsourcing have already weakened service delivery and undermined worker wellbeing at Tasmanian Government Businesses: GBEs and State-owned Companies (SOCs). Some GBEs have proved beneficial, but corporatisation inherently comes with risks for service delivery and worker safety. This needs to be considered as the Tasmanian Government reviews governance arrangements of its government businesses.

The *Draft Plan* includes some beneficial objectives like improving governance and ensuring government businesses prioritise Tasmania's interests. However, a broader privatisation agenda could jeopardise the long-term needs of the state and its people.

The Tasmanian Government must resist the short-term appeal of privatisation and clearly commit to protecting public ownership of essential assets, services and infrastructure. Strengthening support for workforces and improving the performance of GBEs are critical steps to delivering the services Tasmanians expect and deserve.

Privatisation risks undermining the Tasmanian Government's ability to act in the state's best interests. To illustrate this, our submission provides evidence of the failures of privatisation across Australia, examines the impact creeping privatisation through outsourcing and corporatisation is having on the state, and offers recommendations to safeguard the state's public assets and ensure a sustainable future for all Tasmanians.

Turning tides of privatisation

Throughout the 20th century, Australia developed a strong system of publicly owned infrastructure and services. These included banks, schools, hospitals, utilities and transport. These public assets were essential for nation-building and democracy, and many provided universal access to services which met the needs of the community and drove our country's prosperity.

From the 1980s onwards Australian government policy began to shift towards favouring privatisation. This was influenced by global trends towards laissez faire, free market economics and deregulation. Privatisation gained momentum throughout the 1990s and early 2000s and was often justified on the basis that it would reduce government spending, improve efficiency, and enhance service delivery.

In 2024, this trend is in reverse, as the failures of so-called "neoliberal" ideology have become obvious across advanced economies. Evidence from across Australia shows the promised outcomes of deregulation and privatisation are rarely achieved. Instead, privatisation frequently leads to financial instability, a decline in service quality, higher prices for consumers and poorer working conditions. It also weakens democratic control over public goods and services, reduces accountability, and exacerbates inequality. Moreover, privatisation halts socially appropriate innovation in the production, delivery, and quality of services and budgetary requirements for subsidies to sustain these businesses often exceed the costs of direct public delivery.

Recognising these failures, governments across Australia are now reversing privatisation agendas and taking steps to protect public assets and infrastructure into the future. For example:

- The South Australian Government announced in 2023 that it would return Adelaide's trains and trams to public ownership[1] and passed the *State Assets (Privatisation Restrictions) Act 2024* (SA) to prevent privatisation of certain state-owned assets without parliamentary approval.
- The Victorian Government has enshrined the revived State Electricity Commission (SEC) in the *Victorian Constitution* to ensure renewable energy assets remain publicly owned.[2]
- The New South Wales Government has legislated continued public ownership of the Sydney Water Corporation and the Hunter Water Corporation in the *New South Wales Constitution.*[3]
- Federally, the Labor Government has introduced a bill to ensure the National Broadband Network (NBN Co) will remain in public hands.[4]

Privatisation of public infrastructure and services has always been unpopular with the public. Data from an Essential Media poll in 2015 showed that most Australians did not believe selling public utilities to private companies would benefit the economy. Only a third of respondents agreed that private companies deliver better quality services than government-run organisations, and more than seventy per cent believed essential utilities like water and power should not be sold.[5]

Why, then, is the Tasmanian Government apparently swimming against the tide?

Justifications for privatisation are flawed

The three main justifications for privatisation are that it will bring about fiscal benefits, improved efficiency and increased competition, all of which benefit the public. However, these arguments are fundamentally flawed and lack evidence to support them.

Privatisation is often promoted as a solution to raise government funds for public spending, tax cuts, or debt repayment. Selling public assets may provide an initial sugar hit for government budgets, but this approach is short-sighted and undermines the government's ability to invest in infrastructure and services in the longer-term. For the services we rely on in daily life - essential infrastructure such as roads, water systems, or electricity grids - and essential services like public transport, emergency services and social care, it is the public who ultimately bear the costs when problems occur. Claims that privatisation improves efficiency and reduces costs are often overstated, as is the notion that competition will reduce costs and improve services.

Fiscal costs and consequences

The privatisation of Australia's electricity market demonstrates the long-term consequences of selling vital public assets. Before the 1990s, Australian governments owned the four components of the energy market: generation, transmission, distribution, and retail. While privatisation provided quick cash injections to state governments, private companies now profit while governments and the public are left to shoulder the burden of rising electricity costs.[6]

[1] Government of South Australia, 'Done Deal: Rail Services to Return to South Australians' (Media Release) <https://www.premier.sa.gov.au/media-releases/news-archive/done-deal-rail-services-to-return-to-south-australians>.
[2] *Constitution Amendment (SEC) Act 2024* (Vic).
[3] *Constitution Amendment (Sydney Water and Hunter Water) Act 2023* (NSW).
[4] National Broadband Network Companies Amendment (Commitment to Public Ownership) Bill 2024 (Cth)
[5] Essential Research, 'Privatisation' (10 February 2015) <https://essentialvision.com.au/privatisation>.
[6] See generally, John Quiggin, *Electricity Privatisation in Australia: A Record of Failure*, (Report, ETU, February 2014) <https://www.aph.gov.au/DocumentStore.ashx?id=a46b6b9f-dde7-48b2-b9c0-30ab0e2c1a84>.

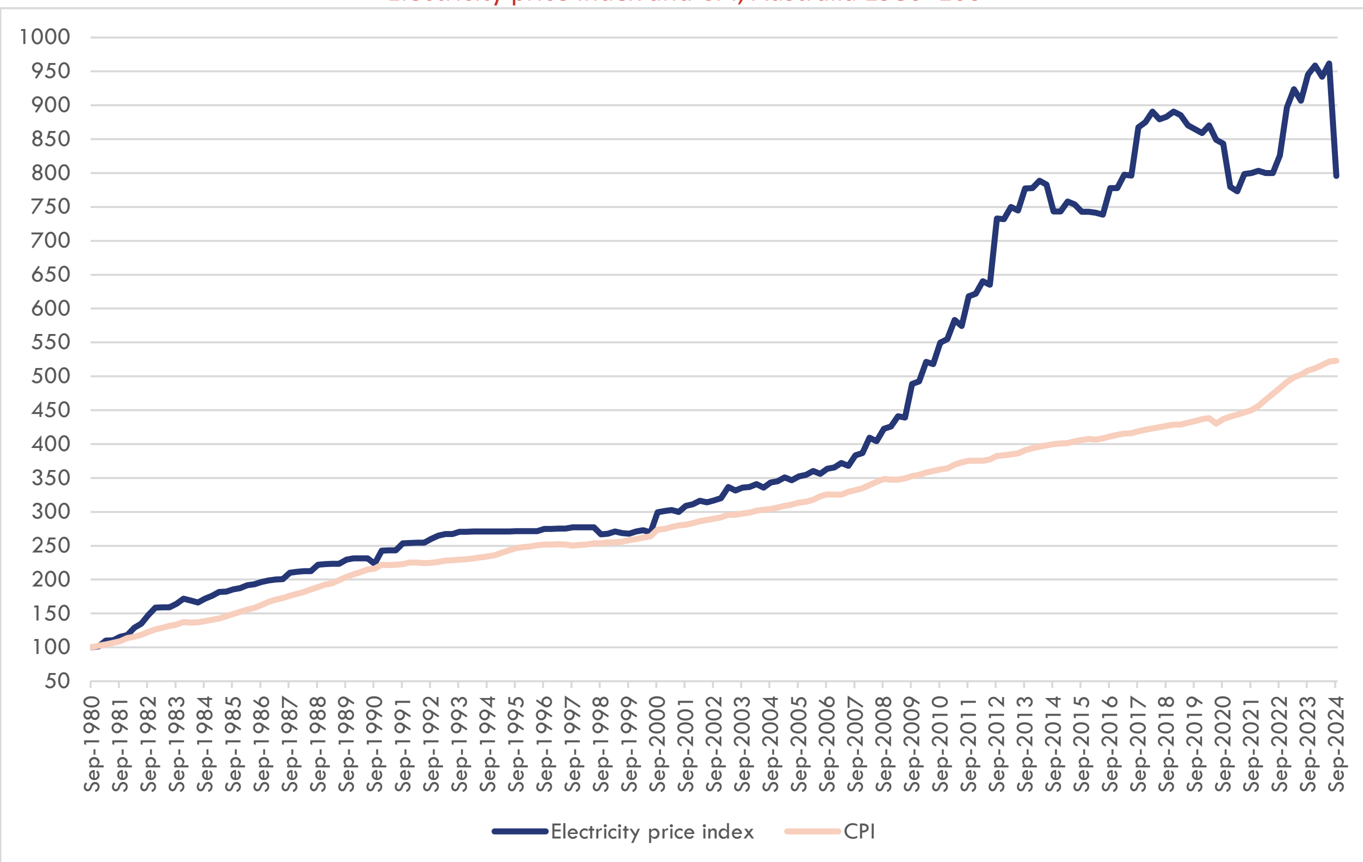
Between September 2000 and September 2023, electricity prices in Australia surged by 216%, far exceeding the 86% rise in the overall consumer price index (CPI) during the same period (see Figure 1). Instead of delivering promised cost savings, privatisation has led to confusing pricing structures for consumers and soaring prices.

The *Senate Select Committee on the Cost of Living* found, in its May 2024 interim report, that '[e]nergy prices are a major contributing factor to the cost of living crisis in all sectors of the economy'.[7] Acknowledging the significant impact of energy costs on households, the Federal Government allocated $3.5 billion in the 2024–2025 Budget to provide energy bill relief while, at the same time, some of Australia's largest energy retailers posted substantial increases in profit.[8] These profits go to private shareholders rather than being reinvested in services or infrastructure that benefit users. Privatisation typically privatises gains while socialising risks and losses, leaving governments and the public to deal with the consequences.

Costs, however, extend further than government rescue packages. Before privatisation, Victoria's electricity network was maintained by the State Electricity Commission. After privatisation, inadequate maintenance led to reliability issues. This system's weaknesses were tragically exposed during the 2009 Black Saturday bushfires, which killed 173 people, injured over 400, killed one million animals and destroyed thousands of homes and buildings. The *Victorian Bushfire Royal Commission* found that failed electricity assets caused five major fires, including Kilmore East where 119 lives were lost. A 2015 coronial report further confirmed that deficiencies in privatised power assets contributed to the devastation and loss of life and property during the Black Saturday bushfires.[9]

Figure 1

Electricity price index and CPI, Australia 1980=100



Source: (Authors own calculations) *ABS, Consumer Price Index, Australia, 6401.0, table 7.*

[7] Senate Select Committee on the Cost of Living, Parliament of Australia, *Second Interim Report* (Report, May 2024) 37.

[8] Jonathan Barrett, 'This Article Is More than 3 Months Old Origin Energy Posts near One-Third Jump in Profit After Steep Rise in Australians' Electricity Bills', *The Guardian* (Online, 15 August 2024) <https://www.theguardian.com/australia-news/article/2024/aug/15/origin-energy-financial-year-results-profits>.

[9] Steve Lillebuen, 'Coroner Finds Ausnet Could Have Prevented Marysville's Devastating Black Saturday Bushfire', *The Age* (Online, 4 December 2015) <https://www.theage.com.au/national/victoria/coroner-finds-ausnet-could-have-prevented-marysvilles-devastating-black-saturday-bushfire-20151204-glfmuj.html>; *Victorian Bushfires Royal Commission* (Final Report, 2009) Volume 2, Chapter 4.

Efficiency and safety risks

Privatisation is often presented as a way to improve efficiency and reduce costs, but to do this it frequently compromises safety and reliability. In the report of the 2017 *People's Inquiry into Privatisation,* which gathered evidence from across Australia to examine the effects of privatisation, the inquiry Chair, David Hetherington, stated:[10]

> *The most common claims made about the inefficiency of the public service compared to the private sector – 'bloated bureaucracy', 'red tape', 'lazy public servants', profit driven entities always provide the best service more efficiently – are simply not supported by the available evidence. The extensive international literature on the effects of privatisation on efficiency is in general agreement that privatisation is neither necessary nor sufficient for improving the efficiency of government entities and services – as efficiency is primarily determined by the management and operating environment of an entity, not by its ownership. Any measure to make a task, workforce or worksite operate more efficiently in the private sector can be applied to the public sector. Additionally, workers in insecure employment perform less effectively and are less likely to be innovative than those who feel secure in their jobs.*
> -Taking Back Control - A Community Response to Privatisation.[11]

Competition failures

The argument that competition reduces costs and improves services has repeatedly failed in practice. In the electricity market, privatisation has resulted in complex pricing structures that confuse consumers while prices rise sharply. There are several areas where competition does not actually deliver lower costs, improved delivery, or better-quality goods and services, undermining the very rationale for privatisation. In aged care, privatisation came with promises of higher-quality services at a lower cost. Instead, widespread neglect and staffing shortages emerged as profit-driven cost-cutting measures took precedence over residents' wellbeing. When COVID broke out in Victorian aged care facilities in 2020, majority of the cases occurred in private facilities. By mid-year there had been almost 900 cases in the private sector but just five in the public system.[12]

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[10] The People's Inquiry into Privatisation, *Taking Back Control: The Community Reaction to Privatisation* (Report, October 2017) <https://www.world-psi.org/en/taking-back-control>.
[11] Ibid.
[12] Elias Visontay, Ben Butler and Luke Henriques-Gomes, '"Chaos" at Victoria's Epping Gardens: How Privatised Aged Care Has Failed During the Coronavirus Pandemic', The Guardian (Online, 31 July 2020) <https://www.theguardian.com/world/2020/jul/31/chaos-at-victorias-epping-gardens-how-privatised-aged-care-has-failed-during-the-coronavirus-pandemic>.

TasRail Case Study

The privatisation and subsequent buyback of TasRail highlight the pitfalls of privatisation and the risks of monopolistic control over essential infrastructure. Originally operated by the Tasmanian Government Railways and later absorbed by the Australian National Railways Commission, TasRail was sold in 1997 to a private consortium. The sale granted the company exclusive operational rights and required it to maintain infrastructure. However, successive private owners prioritised profitability over public service which lead to underinvestment and deteriorating infrastructure.

By 2005, Pacific National, who was the operator at the time, threatened to shut down rail services unless governments provided a subsidy of $100 million. Here was a profitable multi-national company exploiting its monopoly to demand public funding. This ultimatum forced state and federal governments into a costly rescue package to prevent increased road congestion and economic disruption. In 2007, the Tasmanian Government reacquired the rail infrastructure to secure its future, and established TasRail as a State-owned Company (SOC) in 2009, marking a reversal of privatisation. In addition to the cost of the initial rescue package, reacquiring the deteriorating network, and buying Pacific National's local operations, both state and federal funding were required for track upgrades, new locomotives, new wagons, and a modern train control system.

This case demonstrates how privatisation without adequate regulatory safeguards or competition can lead to declining service quality and ultimately requires government intervention to protect public interests.

The impact of privatisation on service delivery and the workers who provide these services has been well documented across several sectors.[13]

In the electricity sector, privatisation has led to job losses, increased costs for consumers, and more frequent service disconnections. Investment in infrastructure and in research and training has declined, weakening the system's sustainability. Profits from these services now flow overseas rather than benefiting the Australian people.[14]

Private aged care has also led to reduced care hours, lower staffing levels, inferior quality of care and poor conditions for essential workers. Workers in the sector face declining wages, while the drive for profit too often takes precedence over the delivery of quality care. In 2023, the Federal Government had to step in. They funded at 15% increase in wages for aged care workers and legislated minimum standards for the provision of qualified nursing care and minimum personal care hours. This demonstrated the imperative to re-regulate the sector and cost the public $11.3 billion to subsidise the wages of workers, many of whom work in for-profit organisations.

In early childhood education and care, privatisation has deepened geographical inequities. Some urban locations experience oversupply, while rural and regional communities face severe shortages. This issue, highlighted in recent reports from the ACCC and the Productivity Commission,[15] has left families struggling to access adequate education and care for their pre-school aged children. Staff wages have remained low, and today the early childhood and education and care sector is experiencing serious issues recruiting and retaining qualified staff. The Federal

[13] See eg, The People's Inquiry into Privatisation, *Taking Back Control: The Community Reaction to Privatisation* (Report, October 2017).

[14] John Quiggin, *Electricity Privatisation in Australia: A Record of Failure*, (Report, ETU, February 2014).

[15] Australian Competition and Consumer Commission, *Child Care Inquiry* (Interim report, September 2023); Australian Productivity Commission, *A Path to Universal Early Childhood Education and Care* (Inquiry Report No 106, Volume 1, 28 June 2024).

Government has again had to step in to fund a 15% increase in wages for ECEC workers, at a cost to the public purse of $3.6 billion.

Private prisons have shown declining standards and performance, with poorly managed contracts, reduced rehabilitation programs, and staffing cuts further undermining their operations.[16] In light of many failures in privately run prisons, several states have now moved to return some or all private prisons to public hands.[17]

In Vocational Education and Training (VET), privatisation has eroded the once-respected Tertiary and Further Education (TAFE) system. Much has now been replaced with exploitative practices that often target vulnerable individuals, leaving many with unmanageable debts, limited access to quality education, fewer opportunities and today is exacerbating workforce shortages in crucial industries. Since 2023 the federal government has provided $1.5 billion in funding for 500,000 Fee-Free TAFE and Vocational Education and Training (VET) places across Australia so essential industries experiencing server staff shortages.

Across all these sectors and across our country, privatisation has prioritised profits over people, leading to a decline in service quality, worsening conditions for workers, and increasing inequality in communities.

Creeping along the pathway to privatisation in Tasmania

Unlike many other states, Tasmania has retained public ownership of most critical assets, including its energy sector and transport infrastructure. This has delivered significant advantages. State-owned enterprises such as Hydro Tasmania, TasNetworks, and Aurora Energy provide reliable revenue streams for the Tasmanian Government. Despite recent challenges, the public ownership of the Spirit of Tasmania ferries enables the state to prioritise affordability, reliability, and support Tasmania's tourism industry. Public ownership allows Tasmania to align policies with community needs and the public interest.

However, while Tasmania has avoided the big-ticket privatisation seen in other Australian states, privatisation has been creeping in for some time. Outsourcing, public-private partnerships, and corporatisation introduce inefficiencies that are often later used to justify full asset sales. Corporatisation (GBEs), where public ownership is maintained but private sector management practices are adopted, sometimes offers only marginally better outcomes for workers than full-scale privatisation.

[16] Jane Andrew, Max Baker and Philip Roberts, *Prison Privatisation in Australia: The State of the Nation Accountability, Costs, Performance and Efficiency* (Report, 2016) <https://www.pc.gov.au/__data/assets/pdf_file/0020/204266/sub140-human-services-identifying-reform-attachment3.pdf>.
[17] Alexandra Smith, 'Troubled NSW Private Prisons to Return to Public Sector', *The Age* (Online, 2 November 2023) <https://www.smh.com.au/politics/nsw/troubled-nsw-private-prisons-to-return-to-public-sector-20231102-p5eh64.html>.

Another tactic to pave the way for privatisation is chronic underfunding of public services, which leads to a significant and noticeable decline in service quality and availability. Restructuring and asset sales are then presented to a dissatisfied public as the only viable solutions to what is, in reality, a manufactured problem. A recent example of this is the Tasmanian Government's decision to restructure the Public Trustee (a State Service Authority) after years of underfunding. The plan involves transferring its commercial wills, estates and trustee services to the private sector. This strongly suggests a broader privatisation agenda, regardless of any Government denials.

TasWater Case Study

TasWater is council-owned with the state government as a stakeholder. It is increasingly experiencing the impact of creeping privatisation. A recent survey of TasWater workers conducted by the Electrical Trades Union (ETU) and anecdotal evidence from workers reveal concerning information about the organisation's current practices and their implications for safety, staffing and job security:

- **Over 80% of TasWater workers surveyed believe their jobs are not safe from being outsourced.** Anxiety over potential outsourcing is widespread among the workforce.
- **82% of TasWater workers report that the workforce is currently understaffed and under-resourced.** The failure to fill vacancies in a timely manner leaves existing crews overworked, fatigued and stressed, with morale at an all-time low.
- **83% of survey respondents said that, when colleagues resign, their positions were not advertised or replaced in a timely manner.**

Anecdotal evidence of unsafe practices, unsafe staffing and low morale

Contractors who were initially engaged to perform specialised tasks outside TasWater's daily operations, are now being used to perform work typically undertaken by Water Service Operators (WSOs). This shift is driven by a failure to replace departing staff which has left remaining crews overstretched. Workers describe a "break it and bring in contractors" approach that prioritises cost-cutting over operational sustainability and safety. Workers also report that the responsibility for training contractors has been shifted to WSOs, creating additional stress and exacerbating mental health challenges. As one worker noted, "training someone who could potentially take your job adds significant strain and undermines morale".

Contractors who are unfamiliar with TasWater's unique infrastructure are placed in roles requiring specialised knowledge after minimal inductions and inadequate training. A recent example underscores the risks involved in these practices when a contractor working alongside a TasWater WSO mistakenly cut into an electrical conduit and received an electric shock. The incident occurred despite the WSO's explicit instruction not to enter the pit before safety protocols were followed.

Fatigue and safety issues extend beyond contractor management. TasWater recently altered on-call start times to save money by shifting the busiest call-out period (5pm–6 pm) into regular working hours and thus eliminating overtime allowances. Workers are now often required to work through to the early hours of the morning, triggering mandatory 10-hour rest periods that leave them unavailable for standard day shifts.

The systemic under-resourcing and reliance on contractors not only jeopardise worker safety and wellbeing but also risk long-term harm to TasWater's ability to deliver reliable, high-quality services. These practices erode public trust in the service and undermine the service stability that public ownership typically protects, paving the way for further privatisation and compromising the workforce's capacity to meet the needs of Tasmanians.

TasWater worker experiences

"We have gone from a work crew of 13 to 10, and we have another person on sick leave, leaving us with nine people. Then there is annual leave, etc., leaving us with between six to eight staff. We have had to do double on-call shifts to fill in the gaps in the on-call roster, which is leaving people fatigued during the week. Workers are under more pressure to get jobs done, which makes them rush and not work safely. This will lead to injury or death. TasWater is setting us up to fail so they can contract us out."

"More and more of our core work is being outsourced, i.e., contractors are doing blockages on a contract to us daily with a new truck bought just for that purpose, even though we have four trucks at Moonah that we can't staff. Contractors are also doing simple water repairs due to low staff levels, and our facilities team has been removed and replaced with a contractor who was given offices in our depot."

"We have contractors fixing our water leaks, which is part of our day-to-day job. The more they become familiar with doing our work, the easier it will be for them to take over in the future. They are currently making errors, not following procedures properly, and getting away with it."

"Jobs that we would normally be able to do have been given to contractors. The main factor is that staff are not being replaced, so sometimes we haven't had the manpower to get to a job, and it goes to a contractor."

"Many of the executives currently within the business often describe outsourcing as a modern necessity. Unfortunately, most of their reasoning applies to large, sprawling metropolitan areas such as Melbourne and Sydney, not a regional state like Tasmania. Much of our high-value work has already been siphoned off, and it is only a matter of time before contractors, who once knew their place and functioned as support to our crews, will attempt to muscle in and do the lot."

"We are told we will not be outsourced, yet when we are short-staffed, that work is put out to contractors anyway."

Conclusion and recommendations

Privatisation in Australia has largely failed to deliver on its promises. While there may be some short-term gains, these have often come at the cost of long-term stability, service quality and the wellbeing of workers. Further privatisation of essential infrastructure and services would undermine Tasmania's strengths by reducing accountability, service quality, and workforce welfare.

This reality must remain central as the Tasmanian Government reviews its portfolio of Government Business Enterprises (GBEs) and State-Owned Corporations (SOCs). Corporatisation is already having a similar impact, albeit on a smaller scale. Retaining public ownership ensures that critical assets, infrastructure and services serve the best interests of Tasmania and its people.

This review should be used as an opportunity to highlight the benefits of public ownership, rather than advancing further along the path towards privatisation.

The Tasmanian Government should:

- Retain all current GBEs and SOCs as standalone entities.
- Begin publicly reporting staffing levels at all GBEs and SOCs, detailing the number of directly employed staff, including fixed-term, permanent, and casual employees, and of contractors.
- Take steps to reduce the reliance on contractors in GBEs and SOCs and implement practices to promote insourcing.
- Ensure that no GBEs or SOCs are divested or inappropriately restructured.
- Introduce legislation to protect state-owned businesses, restricting their sale, divestment, or significant restructuring without an act of Parliament.