

13 December 2024

Hon. Jeremy Rockliff MP
Premier
Hon. Guy Barnett MP
Deputy Premier and Treasurer

Dear Premier and Deputy Premier

Thank you for undertaking this important reform of Tasmania's government businesses.

Fruit Growers Tasmania is fully supportive of this reform process and recognises the crucial role these government businesses play in our community, our economy, and our way of life.

On behalf of the Tasmania fruit industry, with the \$325 million in farm gate production it yields, the more than 10,000 people it employs, and our aspirations for continued growth and prosperity, Fruit Growers Tasmania appreciates contributing to this reform process and offers the following feedback on the November 2024 Draft Reform Plan.

Placing the interests of Tasmanians first:

Without doubt the most important focus of this reform process should be on defining HOW the Tasmanian Government will ensure the government businesses place the interests of Tasmanians first.

While improving accountability, governance structures, performance monitoring and reporting are all important, ensuring government businesses have clarity of strategic direction and role in delivering long term improvement and success for Tasmanians is paramount. This will do far more to serve Tasmania's long term interests than any other aspect of this reform.

To deliver this the Tasmanian Government must clearly define for each business what does, in practice, working in the long term interests of the Tasmanian community look like. And what will be its measure of success. This definition must be in terms of actions, initiatives and tangible outcomes, and NOT process.

Currently, this is not clear. As the Tasmanian Government has identified, this situation must be addressed.

Of course there are, and will be, competing interests but it is the responsibility of the Tasmanian Government to be open about these and strike the right balance.

Primary to the consideration of these competing objectives is the conflict between the role of government businesses to provide fit for purpose infrastructure and services at a price that improves the financial position of the Tasmanian people and industry, and the generation of returns to the Tasmanian Government to spend in other areas.

Without question the main return Tasmanian government businesses should deliver to the state is through the support and enabling role they provide to the Tasmanian people and industry. Being a catalyst for much wider production, investment, employment and prosperity far outweighs the dollar returns they currently provide to the Tasmanian Government in the form of dividends.

‘What success looks like’ will be different for each business. While there will be similarities, there is no need for a one size fits all approach. Each business needs a clear, fit for purpose reason for being and its own measures of success.

We request that the Government be thoughtful and be clear in defining ‘success’ for each government business.

Focus for the fruit industry:

The government businesses of primary focus for Tasmania’s fruit industry are those that deliver transport, irrigation and energy infrastructure and services.

Accordingly, our focus is on:

- Transport – TasPorts and TT-Line
- Irrigation – Tasmanian Irrigation
- Energy – Hydro, Tas Networks and Aurora

The operation of the government businesses in these areas have a profound influence on our industry’s ability to do business and be profitable.

In this regard the two criteria by which we request these government businesses be directed are the provision of:

- fit for purpose and timely infrastructure and services; and
- services and infrastructure at a price that improves the competitiveness of Tasmanian industries and the prosperity of Tasmanians.

The Tasmanian fruit industry operates in a high cost environment. It is a significant challenge to compete nationally and internationally. Our growers produce, for example, some of the best cherries in the world, and while we receive premium prices in many cases, if we can’t produce and deliver cherries to market at a reasonable cost we are not profitable. And that’s our best case. For our other fruits it is far more difficult to obtain above average prices, therefore the importance of being able to produce at a competitive cost is fundamental.

The fruit Industry like others is reliant upon the successful operation of public infrastructure. If this infrastructure does not deliver efficient, reliable and timely service, it adds to the business cost and it reduces the competitiveness of our products in the marketplace. The flow on from this is less employment, less investment and less taxation for governments.

Considerations for the government businesses in focus:

We acknowledge we are not experts on the intricacies of government businesses. However, from the perspective of:

- the customer,
- from an economic development policy perspective, and
- through the lenses of fit for purpose, timely and appropriately priced services and infrastructure that delivers improved competitiveness,

we offer the following considerations for the government businesses in our focus.

TT-Line:

While TT-Line is the monopoly provider of sea passenger services across Bass Strait, TT-Line also sets the standard for freight services on Bass Strait.

With its reliability, Devonport berth and efficiency of operation, TT-Line is regularly the shipping service of choice for the Tasmanian fruit industry.

Given it has the benefit of being largely self loading and unloading (with the number of drivers that literally drive their vehicles and trailers on and off the vessels) and given the discipline that embarking and disembarking some 1,400 passengers imposes, TT-Line is the most efficient Bass Strait operator and the only one capable of performing double sailings.

However, without a doubt it also sets the freight cost. It is the highest priced freight service in the market and rather than playing a role in keeping freight rates lower, it actually supports freight rates being higher through setting the upper limit which the other shipping services can work to.

TT-Line has played an increasingly important role in Bass Strait freight services as it has grown its freight capacity. This will be even more significant with the increased capacity that the new vessels will eventually bring.

The role that TT-Line does and could play in Bass Strait freight, and the wide ranging benefit this provides to the Tasmanian community, must be specifically recognised by the Tasmanian Government. Undoubtedly, it could provide a greater benefit in this regard.

It is appreciated that there are competition principles that must be considered for TT-Line. However, a careful and thorough assessment of these is necessary as TT-Line operates in an environment far removed from open competition. In particular:

- TT-Line is a monopoly provider of Bass Strait sea passenger/vehicle services and hence has significant market power in setting prices and generating profits, albeit it faces substantial competition from passenger airline services;
- TT-Line's passenger/vehicle customers (drivers of an eligible passenger vehicle) receive a rebate from the Australian Government through the Bass Strait Passenger Vehicle Equalisation Scheme – in 2023-24 this equalisation support amounted to \$58.3 million;
- TT-Line has the potential to cross-subsidise between freight and passenger services;
- TT-Line freight customers receive support from the Australian Government through the Tasmanian Freight Equalisation Scheme.

These unique market conditions reinforce the assessment that TT-Line does not operate in a free and open market. Clearly there are numerous government interventions and policy objectives in this market that outweigh any single minded application of competition principles.

This also questions the appropriateness of the Tasmanian Government generating profit from activities receiving such significant Australian Government assistance.

The requirement to reinvest in improved infrastructure – both vessels and terminals – is recognised. But this cannot be viewed independently of the rightful investment that governments continually must make in transport infrastructure, both publicly and privately owned, because of the very 'public good' nature of this infrastructure.

TT-Line makes a significant contribution to the long term interests of Tasmania through its provision of fit for purpose infrastructure and services and the price at which they are offered to its customers.

Competition in the market in which it operates is limited, and subject to significant Australian Government assistance designed to lower the price of both passenger and freight services.

Therefore, it is entirely consistent that TT-Line should have at the heart of its responsibilities:

- the provision of fit for purpose, timely and reliable sea passenger and freight infrastructure and services; and
- the achievement of improved competitiveness for Tasmanian industry and improved prosperity for Tasmanians through the delivery of lower passenger, vehicle and freight rates to its customers, without the requirement of returning additional dividends to the Tasmanian Government.

TasPorts:

TasPorts is a diverse business enterprise that includes responsibility for 11 ports around the state, shipping operations to the islands, operation of Devonport airport, the provision of pilotage and towage services, and other support services.

Whereas once there was competition between the various local port companies, now TasPorts, with the exception of a number of dedicated port facilities, is a monopoly provider of port infrastructure. Accordingly, it has almost complete market power in setting prices and generating profits, with seemingly no transparent oversight on this price setting.

The Tasmanian Government should have a mechanism to oversight this price setting or a specific directive with respect to the role that the prices charged by TasPorts contribute to the improved competitiveness for Tasmanian industry and improved prosperity for Tasmanians.

In regard to the provision of fit for purpose port infrastructure, TasPorts has been unable to keep pace with the requirements of shipping service operations. In fairness it is challenged by having multiple sets of infrastructure across various locations, often experiencing relatively low usage.

Accordingly, the Tasmanian Government must ensure the key ports of Burnie and Devonport, that are critical to the ongoing viability of our industries, and to a lesser extent Bell Bay and Hobart, are prioritised in terms of focus and investment.

Recent protracted negotiations regarding the provision of infrastructure specific to user requirements, TT-Line and the Australian Antarctic Division to name two, seem to indicate the difficulty TasPorts has in delivering infrastructure that is affordable to the user. Perhaps this is due to a history of under-investment in its facilities, a current desire to restrict funding for new infrastructure by the Tasmanian Government, or a desire not to consider more cost effective and less ‘Rolls Royce’ solutions. Whatever the reason, TasPorts ‘reason for being’ must be clear.

It must also be asked whether the diverse nature of TasPorts’ activities detracts from what must surely be the central reason for its existence, the provision of fit for purpose port infrastructure that improves the competitiveness of Tasmanian industry and affordability for sea passengers, and is affordable for the Tasmanian Government as owners on behalf of the people of Tasmania.

In particular:

- Why is it the role of TasPorts, a port infrastructure business, to provide shipping services to the Bass Strait islands, instead of TT-Line, a shipping service business?
- Why is it the role of TasPorts to run an airport?
- What are the skill sets required of a board to oversee such an important part of our connection to our markets?

- Is there the right balance between TasPort’s regulatory functions and the provision of non-commercial public infrastructure and those of Marine and Safety Tasmania?

Accordingly, we would argue that TasPorts should have at the heart of its responsibilities:

- the provision of fit for purpose, timely and reliable sea port infrastructure; and
- the achievement of improved competitiveness for Tasmanian industry and improved prosperity for Tasmanians through the delivery of lower charges to its customers, without the requirement of returning additional dividends to the Tasmanian Government.

Tasmanian Irrigation:

In contrast to TT-Line and TasPorts, clarity of purpose, strategic direction, and focus on improving the competitiveness of Tasmanian industries and the prosperity of Tasmanians seems far less of an issue for Tasmanian Irrigation.

Tasmanian Irrigation states it is “a State-Owned Company that proudly designs, develops, owns and operates irrigation schemes that create jobs, grow the wealth of regional communities and deliver highly reliable irrigation water sustainably, cost effectively and efficiently. Tasmanian Irrigation plays a critical role in assisting the Tasmanian Government to achieve its target of increasing the farmgate value of the State’s agricultural sector to \$10 billion a year by 2050.”

The funding for the development of irrigation schemes via Tasmanian Irrigation is overwhelmingly provided by governments with 50% provided by the Federal Government and 25% by the Tasmanian Government. Nonetheless, customers also play an important and defined role contributing 25% to the scheme’s development and then 100% of the ongoing cost of the scheme and the water it provides, as well as paying for the eventual replacement of the scheme.

Tasmanian Irrigation is effectively operated on a not-for-profit basis without the competing complication of having to pay dividends.

Through this structure there exists a well defined, transparent and widely accepted cost sharing arrangement that supports a clearly articulated strategic focus and direction.

Accordingly, Tasmanian Irrigation seems to provide the right balance between the provision of fit for purpose, timely and reliable irrigation infrastructure and the achievement of improved competitiveness for Tasmanian industry and improved prosperity for Tasmanians through the delivery of lower charges to its customers.

One final aspect worthy of reconsideration is the ‘exclusive’ authority granted to Hydro over water held prior to traversing through any of its power stations. While the investment by the Tasmanian Government in the Hydro dam system is acknowledged, providing Hydro rather than the Tasmanian Government, the authority to release and charge for this water may not be in the best interests of Tasmanians, especially when this water is used to generate electricity sold to mainland Australia customers.

Hydro, Tas Networks and Aurora:

Tasmania's electricity system is the envy of every Australian state. It continues to deliver on its original aim to support the economic development of Tasmania and provide affordable electricity to residents. This attracts people to live and work in Tasmania.

However, the question must be asked whether it is achieving these objectives as well as it once did and as well as it could? In particular:

- the lack of capacity within the hydro system is regularly raised as a problem that is restricting further economic growth, and concern over Tasmania being a net importer of electricity;
- Tasmania power prices for residents should not be benchmarked against the high cost mainland generation systems;
- the inflexibility of the electricity system to effectively integrate and harness the electricity generated by our growers, primarily through roof top solar, has been a concern, although the recently announced FarmShare trial looks promising;
- whether the expansion of solar and wind farms on agricultural land will come at a cost to the Government's 2050 AgriVision.

Without question the most often raised issue by the fruit industry regarding electricity is the lack of timeliness and responsiveness by TasNetworks in delivering new or upgraded electricity connections.

The delays incurred in delivery of these connections clearly demonstrates a lack of capacity on behalf of TasNetworks. And the level of responsiveness and lack of engagement from TasNetworks generally is that of a monopoly provider who knows that customers have no alternative.

The merger of TasPorts, TasRail and TT-Line:

It is difficult to see benefit in a merger until clarity is provided on each of their individual strategic directions and roles in delivering long term improvement and success for Tasmanians.

While there may be efficiencies in a merger from a corporate support, management and board perspective, would a merger cloud or dilute the committed focus on their respective strategic directions and roles?

While recent events clearly demonstrated a failure to communicate and cooperate between two of these businesses, the question must be asked whether this was a failure of structure or a failure of leadership, at either a managerial, board or shareholder level.

The ability to attract investment, particularly from a Federal Government perspective for necessary public infrastructure (and service affordability in the case of TT-Line) under either the current or a merged structure, should also be examined.

Workers' Compensation:

Lastly, Fruit Growers Tasmania seeks to include the consideration of workers' compensation in the discussion of the reform of Tasmanian government businesses.

While we appreciate there is no current business in this area, we request the government consider whether there should be – particularly given the effectiveness of the Motor Accident Insurance Board.

Primarily our concern is whether there is a significant market failure within Tasmania's workers' compensation arrangements, including a failure caused by the Tasmanian Workers Rehabilitation and Compensation Act (1988) and the effective monopoly it provides to Allianz.

Both the number of claims and the continually rising costs of workers' compensation premiums are significantly affecting the competitiveness of Tasmanian industry. With no competition in the provision of workers' compensation insurance in Tasmania and the ability of the provider to settle claims without the agreement of the employer and raise premiums without restraint, the existence of market failure seems apparent.

Thank you again for the opportunity to be involved in this important reform process.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Cornish', with a stylized flourish at the end.

Peter Cornish
Chief Executive Officer
Fruit Growers Tasmania