

13 December 2024

Mr Gary Swain  
The Secretary  
Department of Treasury and Finance

Via email: [governmentbusinesses@treasury.tas.gov.au](mailto:governmentbusinesses@treasury.tas.gov.au)

Dear Mr Swain,

Thank you for the opportunity to make a submission to the Tasmanian Government's *Government Business Governance Reform Draft Plan*.

Tasmanian Irrigation welcomes the review of State-owned businesses as an opportunity to clarify a number of challenges in our policy and institutional arrangements.

It is also an opportunity to look for greater alignment of, and collaboration between, government-owned businesses in order to deliver the greatest possible benefits for Tasmanians.

Please find enclosed the submission of the Tasmanian Irrigation Board to the review process. We would welcome the opportunity to expand on any of the points in our submission.

Yours sincerely,



Kate Vinot  
Chair, Tasmanian Irrigation Board

## **Tasmanian Irrigation submission to Government Business Governance Reform Draft Plan**

### **Executive Summary**

Tasmanian Irrigation exists to secure Tasmania's agricultural prosperity and growth by ensuring access to irrigation water where and when it is needed.

We are a State-Owned Company (SOC) 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.

Tasmanian Irrigation has a history of successfully delivering complex infrastructure projects:

- a. That have a 100-year lifespan
- b. That are the catalyst for private sector investment and job creation
- c. That self-fund their maintenance and asset replacement requirements
- d. In partnership with Tasmanian contractors and consultants
- e. With excellent delivery, safety and environmental outcomes.

Tasmanian Irrigation welcomes the Tasmanian Government's governance review of State-owned businesses. The review is an opportunity to clarify a number of challenges in our policy and institutional arrangements. It is also an opportunity to look for greater alignment of, and collaboration between, government-owned businesses in order to deliver the greatest possible benefits for Tasmanians.

Tasmanian Irrigation currently reports to Shareholder Ministers and state and federal agencies on a near-continuous basis, including monthly meetings and written reports. Tasmanian Irrigation suggests that existing reporting is both comprehensive and sufficient, provided that it is appropriately shared. It is our view that existing reporting could be tailored to meet the needs of multiple users and shared more widely rather than creating additional or more comprehensive reports. Currently Tasmanian Irrigation management spend approximately 18-24 person hours a month providing verbal and written reports across government often repeating the same information multiple times to differing audiences. Given that we provide services to our customers on a cost recovery basis, any increased governance related costs - including increased reporting - will require additional resources, with costs passed through to customers.

The Tasmanian Government has appointed a Board to oversee the governance of Tasmanian Irrigation and ensure an appropriate level of reporting to Shareholder Ministers. We suggest that care is taken to avoid implementing measures that would duplicate or cloud existing governance arrangements and processes including the role of Shareholding Ministers and Directors' responsibilities under Corporations Law.

Tasmanian Irrigation already actively supports a "Team Tasmania" approach, and we encourage the Tasmanian Government to continue to tailor governance arrangements to enable businesses to effectively achieve the different and sometimes diverse outcomes they were established to deliver.

There are potential policy conflicts that arise between government business enterprises (i.e. water policy, energy policy) that will not be fundamentally addressed by changing governance arrangements. These need to be resolved at a whole of government level and the required policy objectives must be reflected in the directions provided by the Tasmanian Government to Boards and management. This would include recognising and formally accommodating situations where the requirement to deliver collective benefits has an adverse impact on the individual performance of one or more organisations.

Government Business Enterprises (GBEs) and SOCs exist as part of the wider system of communication and reporting between organisations, government departments and Ministerial offices. We suggest the governance review should consider how well all three lines of communication are operating. This would be best achieved through independent analysis and advice on any weaknesses in the current system and the proposed solutions.

In closing, Tasmanian Irrigation welcomes the review as an opportunity to reassess and confirm the Tasmanian Government's policy objectives for individual State-owned businesses and for the portfolio as a whole. In particular, we note the opportunity to optimise alignment between businesses to deliver better outcomes for the State, such as optimising management and use of our valuable and finite water resources.

## **1. Accountability for placing Tasmania First**

### **Tasmanian Irrigation's strategic direction**

Tasmanian Irrigation's Strategic Purpose is to secure Tasmania's agricultural prosperity and growth by ensuring viable access to water. All our schemes are economically viable, environmentally sustainable, have strong community endorsement, are designed to last at least 100 years and deliver water at an average reliability of more than 95 per cent per annum.

The projects we deliver are the catalyst for private sector investment, job creation and increased state GDP. In addition to enabling conversion of farming activity to higher value agriculture, the flow-on benefits help ensure the cohesion of regional communities, contributing to wellbeing and resilience. These irrigation schemes provide inter-generational value and generate economic stimulus over their entire 100-year lifecycle, creating a legacy that delivers ongoing value to the people of Tasmania

The Tasmanian Irrigation 2035 Strategic Plan sets out a transition path for the company into a future state where each line of business, and the organisation as a whole, is sustainable by any quadruple bottom line measure. It also describes how we will bring our customers, stakeholders, suppliers and people with us on that journey.

This includes implementing the Tasmanian Government's policy to facilitate community management of publicly owned irrigation schemes, where feasible and appropriate. Crucially, the Strategic Plan has a strong focus on how we will meet or exceed the environmental and socio-economic expectations of investors and community. The 2035 Strategic Plan has been endorsed by both our Shareholding Ministers.

### **Tasmanian Government's objectives for Tasmanian Irrigation**

The Government Business Governance Reform Draft Plan is an opportunity for the State Government to revisit and reconsider the structure of its GBEs and SOCs and its policy objectives for state owned companies.

We note the work of the Tasmanian Government to date in revising the Statement of Expectations for Tasmanian Irrigation, and we have provided a submission that seeks to clarify a number of matters arising from the revision. In summary, these relate to the government's policy position on whether Tasmanian Irrigation is to act commercially in all regards, pricing policy, irrigator contributions to the capital cost of irrigation projects, asset ownership (including mini hydro generators) and on Tasmanian Irrigation remaining the Responsible Water Entity in Irrigation Districts where our schemes are constructed and operated.

Further, we welcome clarity regarding what non-commercial activities the Tasmanian Government requires us to undertake. We also welcome the intention of these reforms to ensure there are consistent and transparent arrangements for non-commercial activities, including regarding funding sources to implement them. A contemporary example is Tasmanian Irrigation's current program of work to implement Tasmanian Government policy to enable community management of irrigation schemes where feasible and appropriate. This is a large and complex program of work, particularly as Tasmanian Irrigation must remain the Responsible Water Entity which means we retain all governance responsibility for the schemes, now and for future generations. The implementation is occurring without additional resources.

Community management is an outcome being actively sought by only one irrigator community. The engagement, regulatory and contractual arrangements to enable Tasmanian Irrigation to implement the policy will ultimately be paid for by all irrigators, regardless of their interest in seeking community management, unless another source of funding can be provided.

### **Team Tasmania**

Tasmanian Irrigation is already working with a Team Tasmania mindset.

Tasmanian Irrigation prides itself on its track record of working successfully with a range of GBEs and SOCs to collaboratively address issues where they arise in developing and delivering viable irrigation schemes and related projects. This includes Hydro Tasmania, TasWater, ReCFIT and TasNetworks.

Examples include exploration of the potential for the Tamar Irrigation Scheme to be a key enabler for the development of a hydrogen industry in Tasmania, despite the scheme being unviable as a stand-alone agricultural scheme due to insufficient water sales. Our work with ReCFIT, TasWater and the Bell Bay Advanced Manufacturing Zone continues to advance this option, and the government has acknowledged its support for this work through announcing just this month funding for development of a preliminary business case. Separately, productive negotiations with TasWater have resulted in outcomes that benefit both companies across the State, but more importantly is delivering benefits for irrigators and town water users in multiple locations.

However, where policy settings are unclear or in conflict across agencies, and it is difficult to create 'win-win' situations, the Board of Tasmanian Irrigation is obligated under Corporations Law to act in the best interests of the organisation (consistent also with the Irrigation Company Act, the Constitution, Statement of Expectations and specific Ministerial Directions).

For example, it is the core purpose of Tasmanian Irrigation to deliver highly reliable irrigation water sustainably, cost effectively and efficiently, as required by the Statement of Expectations and in line with the Tasmanian Government's policy objective of increasing the State's farmgate value to \$10 billion by 2050. However, in some cases we are dependent on

Hydro Tasmania and TasWater for bulk water supply and we are a price taker for energy, reliant on Aurora Energy for retail electricity supply. These entities have their own commercial imperatives and policy settings that do not always align with our objective to provide cost-effective water delivery to irrigators.

Tasmanian Irrigation has not yet received its updated Statement of Expectations. Based on an earlier draft provided for feedback, there appeared to be a push for standardisation across all State-Owned Companies regardless of their differing structures, policy environments or business models. The Board has already provided feedback to our Shareholding Ministers to indicate that this is not practical, and that the Statement of Expectations provides an opportunity to clarify policy expectations for each business.

Where GBEs and SOCs have been created to achieve different policy and commercial goals, standardisation runs the risk of clouding rather than clarifying expectations. Any reform of the GBE and SOC environment will need to take account of differences in policy and other desired outcomes. The Team Tasmania and cooperative model will need to be well described in policy terms and within the limits of regulation and legislation.

Tasmanian Irrigation therefore encourages consideration of the following matters in finalisation of the Government Business Governance Reform Plan:

- Ensure that overarching policy settings enable organisations, individually and collectively, to deliver the best outcomes for Tasmanians in the short term while ensuring that the natural, social and physical infrastructure assets that underpin delivery of services now are well-managed to enable the provision of services to future generations of Tasmanians.
- Align the policy settings under which GBEs, SOCs and Government Departments operate to optimise the “greater good” objective underpinning Team Tasmania by providing greater clarity on the synergies and trade-offs surrounding use of resources and the revenue objectives across the portfolio of businesses.
- Improve the use of the Statement of Expectations or Ministerial Charter to articulate whole of Government expectations for each GBE and SOC on commercial versus non-commercial activities, managing any competing priorities between Team Tasmania organisations, and setting out clear expectations for pricing policy, profitability and dividends etc.
- Align the incentive frameworks for individual organisations (where incentive frameworks exist) to encourage shared responsibility for the “greater good” policy outcomes sought through the reform process.
- Where the desired Team Tasmanian objective cannot be achieved fully through making improvements in the overarching policy framework, Statement of Expectations / Ministerial Charter, and related KPIs, then consider changing to a company structure that better supports the objective.
- Create opportunities to foster understanding and collaboration between the leadership of state-owned entities, such as holding periodic meetings to work

together on matters of common interest such as shared policy objectives and alignment of organisational strategy.

Further, and specific to energy-related government businesses, Tasmanian Irrigation made a submission and provided evidence to the Joint Select Committee on Energy Matters, and some of these observations are relevant to matters being contemplated in the Draft Plan.

Tasmanian Irrigation acts as both a power user and a power generator, managing 55 pump stations and three power stations. Our submission to the Committee focused on opportunities to better align management of water resources in the state, reduce the cost impact on farmers of the energy needed to pump water, review the irrigation time of use tariff, and review the cost of accessing water from Hydro Tasmania for irrigation.

## 2. Improving governance

Tasmanian Irrigation notes the actions identified in this section of the draft Reform Plan and provides the following response.

Action	Comment
Limiting Directors and Chairs to two terms unless exceptional circumstances exist	<p>The entire current Board is in its first term, with two recently reappointed Directors entering their second term in December 2024. We support the limit of two terms.</p> <p>However, the cost of going to market at the end of a Director’s first term is approximately equivalent to one year of a Director’s salary. We suggest that the Government confirms a policy of reappointing first term Directors subject to satisfactory performance review.</p>
Transition Boards over time to be at least 50% Tasmanian.	<p>The Tasmanian Irrigation Board is 87% Tasmanian. The current Chair of Tasmanian Irrigation is non-Tasmanian, selected through a Government-run recruitment process and appointed by Cabinet.</p> <p>We support the feedback expressed by Chairs and CEOs during the Ministerial Briefing on 13 November 2024 that this policy might have the counterproductive effect of limiting the access of Tasmanian GBEs and SOCs to skills and experience relevant to their organisations that are not readily available in Tasmania.</p>

	The State could consider other tools to enhance the availability of appropriately skilled Non-Executive Directors from Tasmania.
Continuous disclosure of conflicts of interest for Directors	We support a strong focus on conflict of interest, both at the time when Directors are appointed by Government to GBEs or SOCs, and during the term of their appointment.
Legislatively require that the two Shareholding Ministers roles cannot be undertaken by the same person	Noted.
Ensure appropriate governance and reporting frameworks and mechanisms in relation to subsidiaries and joint ventures	Noted. Tasmanian Irrigation does not have any subsidiaries or joint ventures and there are existing approval processes in place should such activity be pursued.
Standardise the legislative requirement in relation to the tabling of Government business Annual Reports and SOC Constitutions	Standardisation should only be used where this is a useful addition, not as a principle per se. It should not be used if it results in inappropriate or inefficient requirements given the diversity of purposes across the portfolio of government owned businesses.

The Tasmanian Irrigation Board is of the view that the State Government currently has all the levers it requires to manage risk, ensure the Boards of State-owned businesses are aligned and are reporting appropriately. Achieving the level of visibility required by government is a matter of consistent application across the differing business environments and allowing for the differing business models and desired policy outcomes.

In attempting to improve corporate governance, and assuming the government wishes to retain the existing GBE and SOC structures, great care must be taken to ensure that any



reform activities do not impose a structure whereby the Ministers of the day take on the role of the Board or act as shadow or de facto Directors.

### **3. Expanding performance monitoring**

Tasmanian Irrigation is supportive of an appropriate level of reporting, review and disclosure. A revised and clearly defined set of government objectives for the company will aid such activity.

Our current governance framework, and reporting against same, includes:

- Governing / guiding legislation (Irrigation Clauses Act, Irrigation Company Act, Water Management Act, Water Miscellaneous Amendments Act, Corporations Act)
- Constitution
- Statement of Expectations (currently under review)
- Corporate Plan including and Statement of Corporate Intent
- Annual reporting:
  - Half Yearly Financial Accounts.
  - Annual report tabled in State Parliament, including detailed financial reporting
  - Annual Water Entity Reports that include reporting on various compliance matters including but not limited to: water quality monitoring outcomes, compliance with EPBC conditions, water licensing, water course authorities, water trading and dealings in irrigation rights, farm water access plan compliance and financial performance of schemes.
  - Dam Safety Annual Report
  - CEO performance review
  - Board performance review
- External financial and performance audits by Auditor General
- A program of internal performance audits conducted by Tasmanian Irrigation's internal auditor, KPMG.
- Monthly reports to Treasury
- Annual Parliamentary scrutiny hearings
- Annual General Meeting
- Monthly meetings with the Minister for Primary Industries and Water, Department of Treasury, Department of Natural Resources and Environment, the National Water Grid Authority, and Renewables, Climate and Future Industries Tasmania. (ReCFIT)
- Monthly project reports to NWGA and NRE

- Fortnightly meetings with Ministerial advisors (portfolio minister)
- Real time disclosure of matters of significance.

Tasmanian Irrigation currently undertakes annual Board performance reviews and reports the results to the Shareholding Ministers. Every three years, the Board commissions an external review. Increasing the frequency of external reviews would impose additional costs on irrigation customers, as the cost would need to be recovered through annual charges.

### **Continuous disclosure and quarterly reporting**

Tasmanian Irrigation is already very open in disclosing any matters to our Portfolio Minister. We meet monthly with the Portfolio Minister to appraise her of key matters, and management meets fortnightly with her staff. More urgent matters are brought to the attention of the Minister's office immediately and, where relevant and appropriate, to the attention of the Treasurer's office.

While not discussed in the Draft Plan, Tasmanian Irrigation has received written advice from the Treasurer that the Tasmanian Government now requires Shareholder Ministers to be provided with monthly, written updates on financial and non-financial targets and major capital projects, and updates on any "significant developments".

Tasmanian Irrigation currently delivers monthly reporting to the Department of Treasury and Finance, and project specific reports to the National Water Grid Authority and the Department of Natural Resources and Environment. This enables these agencies to provide advice on our activities in addition to our own direct reporting to Shareholder Ministers. We provide six-monthly financial accounts and monthly management financial reports to Treasury. The same reports or variations thereof could be provided to Shareholding Ministers at the same time as they are provided to Departments. Increasing this reporting to include separate, monthly reports to Shareholding Ministers would require additional resources and consequently impose additional costs on irrigation customers.

### **Independent review**

Tasmanian Irrigation values constructive relationships with the offices of our Shareholder Ministers and ensures an appropriate flow of information and advice to support sound decision making by government. Challenges for the Company are raised in a timely way, with consequences and options presented for the Ministers to consider. Often Ministers' busy schedules make face to face briefings difficult, however the processes of providing Ministerial Briefs, Minutes and Question Time Briefs are well established and effective, as is regular engagement with Ministerial Advisors and Chiefs of Staff.

Tasmanian Irrigation has a robust internal governance framework that ensures identification and management of key risks and detailed analysis of key business decisions in a manner consistent with good corporate practice, through the structure of the Tasmanian Irrigation Board and its sub-committees, and a program of internal and external audits.

We note that the Tasmanian Government seeks to legislate an ability for Shareholder Ministers to request the Auditor-General to undertake a performance review at the expense of the Company, or an assurance review undertaken by an independent expert.

It is our understanding that the Auditor General already has these powers and in fact has Tasmanian Irrigation scheduled for a performance audit in the coming years.

We are confident that our current governance and risk management arrangements, coupled with our approach to reporting to our Shareholder Ministers, would prevent the need for any additional reviews. However, if any such review is undertaken Tasmanian Irrigation can only fund it by passing these additional costs through to customers.

### **Gateway Reviews**

Tasmanian Irrigation supports a gateway review approach for capital project development and delivery.

Tasmanian irrigation maintains a gated approach for all of our capital projects that includes hold and decision points. The gated approach in use has been developed in concert with the Department of Treasury and Finance, the Department of Natural Resources and Environment and the office of the Minister for Primary Industries and Water.

The processes currently in use are robust, proven and fit for purpose for the development, design, justification and construction of publicly funded irrigation schemes in the state.

This project gateway approach ensures appropriate governance transparency, informed decision making and reporting at all stages of a project's lifecycle from concept to construction and operational handover.

## **4. Managing poor performance**

Tasmanian Irrigation understands that the Tasmanian community has an expectation about the standards maintained, and services delivered, by government businesses. We support early identification of poor performance and effective and rapid rectification of same.

Our internal systems and processes support us to deliver robust project outcomes and effective service delivery, and our stakeholder engagement mechanisms provide transparency about our activities and our decision making.

Through our relationships with and reporting to our Shareholder Ministers and government agencies, we ensure that any issues are disclosed in real time and addressed through

appropriate engagement with all relevant parties. Ministers not only receive advice directly from the Boards and management of State-owned companies, information is often channelled through departmental processes where additional analysis and advice is developed for Ministers. Increasing the transparency and sharing the results of these processes would assist in timely engagement with Ministers on critical matters, and effective flow of information.

In undertaking the governance review there is an opportunity for Government to access independent advice outside of government departments in considering the risks and benefits of the range of potential outcomes contemplated by the review.

We support the desire of the Tasmanian Government to monitor outcomes and performance and to require remedy where outcomes are unsatisfactory. However, we recommend caution about the proposal for the power to appoint a Ministerial representative to a company Board. This does not seem consistent with the objective stated elsewhere in the Draft Plan of distancing Shareholding Ministers from appearing to be acting as Shadow Directors. It would also create challenges in relation to managing conflicts of interest between different organisations.

#### **5. Reviewing the government businesses portfolio**

In addition to the governance reforms discussed above, the Plan suggests undertaking a review of the government business portfolio. Tasmanian Irrigation encourages the Tasmanian Government to review and clarify its policy objectives for individual businesses and the portfolio of businesses as a whole, prior to considering structural changes so that any reforms are shaped by, and align to, clear and holistic purpose and objectives (i.e. form follows function).

Relationships between individual businesses, and common policy objectives will be a key consideration when making decisions about public ownership, divestment or restructure of any of these businesses.