



# Tasmanian Public Finance Corporation

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Shareholder Policy and Markets Branch  
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## **Government Business Governance Reform**

I refer to the Tasmanian Government's *Government Business Governance Reform Draft Plan* dated November 2024 (Draft Plan). TASCORP supports the Government's desire to address the growing concerns around the performance, accountability and coordination of some Government businesses when it comes to managing Tasmania's pipeline of critical infrastructure projects and welcomes the opportunity to contribute to greater coordination across the Government in dealing with public funds.

TASCORP recognizes that the Draft Plan is high level and generally articulates principles, rather than detailed proposals, and would welcome further consultation as detailed proposals are developed.

On behalf of TASCORP's Board, I submit the following matters for the Government's consideration.

### *Governance and Board Composition*

A Board's composition is essential to ensure that the organization meets its strategic purpose and direction. A modern and effective Board ought to be composed of an appropriate mix of competencies to ensure effective oversight of the core functions of the entity, have a diverse range of members to bring a richness of insight and lived experience to decision making, and take into account the terms of office of the members, balancing the introduction of renewed perspective with the retention of valuable corporate knowledge.

Each of Tasmania's government businesses are unique and many are complex entities to govern. As recognized in the Draft Plan, Government businesses contribute significantly to the Tasmanian economy. It is TASCORP's recommendation that the emphasis in director selection ought to be on capability and experience – seeking the most skilled and suitable candidates available to execute the purpose and direction of the entity in question.

Existing Corporate Governance Principles and Guidelines, if followed, provide a sound basis for ensuring that Tasmanian Government business boards are composed of individuals with appropriate skills sets, performance reviews are undertaken at regular intervals, and effective reporting is undertaken to enable Shareholding Ministers and Treasury to monitor and assess the performance of each Government business.

It is TASCORP's view that consideration should be given to providing greater (public) transparency to some elements of the existing reporting and monitoring regime. In addition, these Principles and Guidelines should be updated and enhanced to make some aspects of reporting more explicit.

To enhance compliance with the Principles and Guidelines, consideration should be given to including some aspects in Treasurer's Instructions issued under section 114 of the *Government Business Enterprises Act 1995* (GBE Act). In this regard, TASCORP recognizes that section 114 may require minor legislative amendment due to the inherent legislative limitations of Treasurer's Instructions.

#### *Accountability for Placing Tasmania First*

Ideologically, placing Tasmania first ought to be the priority for every Government business, yet the question of what is best for Tasmania can be complex. For example, decisions of a Government business board could be contemplated with reference to: producing the best outcome for Tasmanian citizens (or a category thereof); or producing the best outcome for the Tasmanian economy. In this simple example, there is also a time dimension which adds to the potential complexity. TASCORP supports the concept of placing Tasmania first and encourages the Government to provide clarity and specificity to the individual entities, perhaps by way of their Ministerial Charter or purpose statement, as to how that entity can best execute its duty to place Tasmania first.

TASCORP also notes the potential for there to be conflict with commercial aspects of a Government Business Enterprises activities if it is required to pursue "Tasmania first" priorities which are non-commercial in nature. If these circumstances arise, TASCORP is of the view that the Government should use existing transparent mechanisms, such as Community Service Obligations or contracting with the Government business to deliver the priority.

#### *Proposed Merger of TasRail, TasPorts and TT-Line*

From TASCORP's perspective as a lender, we would require more information in order to make an informed assessment of the likely impact of the proposed merger upon the merged entity's credit position.

The merged entity would in many ways resemble a conglomerate firm, which may facilitate a more coordinated approach to freight, port operations, and passenger transport projects (such as the current berth upgrade) and shared resources, however, the arrangement may increase the complexity of governing and managing operations in three disparate transport and logistics businesses.

It is noted that the Government intends to obtain external advice as to the benefits and risks of the proposed merger. This will no doubt include analysis of the synergies and

potential efficiencies to be gained, and the key skills and experience that will be required to effectively manage such an organization.

As a lender, TASCORP will undertake due diligence of the proposed merged entities from the perspective of whether their combined credit risk is enhanced or reduced by the proposal. It is not possible to undertake detailed analysis in this regard until further information is provided about the specific arrangements proposed, including details of the proposed governance of the entity.

### *Legislative Change*

As observed in the Draft Plan, the Government businesses are diverse in terms of industry, size, level of profitability, and commercial focus. TASCORP considers it a benefit that the governance, reporting and oversight requirements are tailored to the distinct businesses to address their individual needs, strengths and risks. In seeking to introduce greater consistency, particularly through legislative change, TASCORP is of the view that some flexibility must be maintained to cater for the inherent diversity of the role and function of the Government businesses.

In the view of TASCORP, the GBE Act imposes upon Boards of GBEs the appropriate responsibilities and duties to ensure sound, and competent operation of the respective GBE's and to enable appropriate and ongoing oversight by the Shareholding ministers.

Likewise, the *Corporations Act 2001* and the various portfolio acts of the State Owned Companies provide a sound and comprehensive governance framework for the respective entities.

Both regimes are complemented by other applicable legislation, such as the *Audit Act 2008*, which enables the Government, via either the Treasurer or the Public Accounts Committee, to request that any audit be conducted into a Government business.

Whilst TASCORP recognizes there are some limitations in the existing legislative framework, TASCORP does not consider substantial overhaul of the legislative framework of Government businesses to be necessary to address the apparent governance failings that led to the issues surrounding the development of the new berthing facilities for the new TT-Line vessels, nor to prevent similar governance shortcomings occurring in the future. If utilized appropriately, the existing frameworks provide adequate mechanisms to facilitate reporting, monitoring and accountability for all aspects of the operation of Government Business Enterprises.

TASCORP thanks the Government for the opportunity to contribute to the discussion about the governance of our Tasmanian Government businesses.

Yours sincerely



Tony Ferrall  
Chair