



## Tasmanian Small Business Council

Uniting Small Business

## Tasmanian Small Business Council Inc

116 Bathurst Street Hobart TAS 7000

GPO Box 224 Hobart TAS 7001

Ph (03) 62319174

Robert@thefrontman.com.au

www.tsbc.org.au

The Premier  
Hon Jeremy Rockliffe  
Parliament House  
Hobart

The Treasurer  
Hon Guy Barnett  
Parliament House  
Hobart  
By email: [governmentbusinesses@treasury.tas.gov.au](mailto:governmentbusinesses@treasury.tas.gov.au)

Dear Premier and Treasurer

Following are some comments from the TSBC in response to the recently released Government Business Governance Reform Draft Plan.

Firstly, the challenges Tasmanians have seen in the recent debacle involving Tas Ports and the TT Line have highlighted how little they understand the mechanisms behind how GBEs and SOCs operate.

We are all ultimately shareholders in all these entities and a lack of knowledge in the future will inevitably lead to distrust and a lack of confidence in Government of any political persuasion. Not the best outcome for a small island state.

A point which is not clearly articulated in the paper is why we have both GBEs and SOCs. Are they not materially the same and if so, why have the two separate entities?

### **Reform 1. Accountability for Placing Tasmania First**

This is a non-negotiable reform which every Tasmania should understand.

However, despite promises that key industry sectors and stakeholders would have input to any new draft Ministerial Charters (for GBEs) and/or a Shareholders' Statement of Expectations (for SOCs), this is yet to be undertaken, some months after the assurances were made. We are running out of time if these are to be implemented in the 2025-26 financial year.

The statements, whilst they could be accused of being generalised motherhood statements, should be the core of the organisations *raison d'être* and something all Tasmanians can rely on.

### **Reform 2. Improving governance**

In an era marked by rapid technological advancement, economic volatility, and increasing public scrutiny of government operations, the composition of Boards governing Government Business Enterprises (GBEs) has come under significant examination.

One compelling argument for the structure of these boards is the necessity of a skills-based membership.

A skills-based approach ensures that board members possess the relevant expertise and experience to navigate complex business landscapes while delivering value to taxpayers and stakeholders alike.

First and foremost, GBEs operate in highly competitive markets where strategic decision-making is paramount. By appointing members with specialized industry knowledge—be it in finance, technology, human resources, or regulatory compliance—boards can foster informed discussions that enhance organizational performance. For instance, a board comprised primarily of finance experts can better analyse financial risks and opportunities than one made up predominantly of political appointees without such expertise.

This specialization not only ensures sound governance but also promotes agility in responding to market changes. Moreover, skills-based appointments promote accountability within GBEs.

When board members are selected based on their qualifications rather than political affiliations or personal relationships, there's an inherent expectation for them to demonstrate competence in their roles. This meritocratic approach cultivates a culture where performance metrics are prioritized over patronage networks—a critical aspect given that GBEs often manage vast public resources.

The clarity around expectations allows stakeholders—including government entities—to hold boards accountable for their decisions based on tangible outcomes rather than subjective criteria.

Additionally, a diverse skill set among board members enhances creativity in problem-solving and innovation within GBEs. When individuals from varied professional backgrounds collaborate—bringing different perspectives to the table—they can identify novel solutions to complex issues facing these enterprises.

Diversity does not merely pertain to demographic factors; it encompasses cognitive diversity derived from distinct experiences and skill sets as well. A diverse board can harness this breadth of insight to drive initiatives that improve service delivery or operational efficiency.

Appointments from specific stakeholder groups e.g. small business sector or geographically sensitive areas should not be overlooked as they provide a ground up pragmatism often overlooked by academically skills based people in a small state such as Tasmania.

Critics may argue that including politically connected individuals on GBE boards offers essential insights into governmental priorities or public needs; however, such arguments often overlook potential conflicts of interest arising from such appointments.

Politically motivated decisions could compromise the enterprise's ability to focus on its core mission: efficient service delivery paired with fiscal responsibility. In

contrast, a board populated by professionals driven solely by competence encourages impartiality—a crucial element when making tough choices about resource allocation or restructuring initiatives.

In conclusion, transitioning towards a skills-based membership model for GBE boards represents a pragmatic and necessary evolution in governance. It aligns the composition of these boards with the complexities of modern business environments, ensuring that decisions are informed by expert knowledge rather than political expediency.

By prioritizing skills, experience and local knowledge, GBEs can enhance their operational effectiveness, accountability, and innovative capacity. Furthermore, such an approach helps build public trust as stakeholders can be assured that decision-makers are equipped to manage public resources responsibly and efficiently.

As governments worldwide strive to improve service delivery while remaining accountable to their citizens, adopting a skills-based framework for GBE boards is not just beneficial—it's imperative for future success.

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

The points articulated in the document are agreed.

### **Reform 4. Levers to manage and/or rectify poor performance**

For a Shareholding Minister to not have the ability to manage and intervene in instances of poor performance would be a very poor way to conduct a business. The entire economy of Tasmania is built on economic performance built by businesses and behind that is the owners obligation to manage the performance of managers and other employees.

Whilst it is understood that the Shareholding Minister may have little or no experience in running a business of any size, there is the expectation that they will have highly qualified support staff who can provide timely, fearless and unbiased advice to support the Minister.

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

Extreme caution should be exercised when selling key public assets in a very small economy.

It is assumed that if the government of the day mishandles a GBE/SOC they can be replaced at an election.

If a monopoly owner of a key piece of public infrastructure operates purely in their own interests, it is virtually impossible to make meaningful change to alter their course. Not a good outcome for Tasmanians.

At this point there would need to be very compelling argument to convince the Tasmanian Small Business Council to support divestment without clear guarantees that this would be in the best interest of all Tasmanians for the long term future.

The final part of the foreword to the discussion paper says:

*In addition to the reforms proposed in this Paper, the Government is also taking action to ensure a coordinated, sustainable and efficient transport sector. In this context, the Government will be exploring the feasibility of merging three of our State-owned Companies – TasRail, TasPorts and TT-Line. The fundamental objective being to ensure an integrated approach to the management, oversight and development of Tasmania’s strategic transport infrastructure.*

This is **not** supported by the TSBC.

The amalgamation of single-purpose government business enterprises (GBEs) into a conglomerate structure presents an appealing proposition for enhancing efficiency, resource allocation, and strategic synergy.

However, this approach is fraught with significant disadvantages that can undermine the fundamental objectives these entities were originally established to achieve.

**Firstly**, one primary disadvantage lies in the dilution of focus and mission. Single-purpose GBEs are designed to serve specific social or economic needs effectively, often targeting niche markets or particular community services. By merging these focused entities into a conglomerate structure—which typically encompasses diverse operations—there is an inherent risk that the original objectives may become obscured amidst competing priorities.

Each division within such a conglomerate may prioritize its own goals over those that align with broader public service missions, leading to inefficiencies and misaligned outcomes.

**Secondly**, managing diverse operations under one corporate umbrella can create complexities in governance and oversight. A conglomerate structure introduces layers of management that complicate decision-making processes.

Leaders must navigate varying operational requirements, regulatory frameworks, and stakeholder expectations across distinct sectors—often resulting in slow response times to local needs or crises. This bureaucratic inertia can hinder innovation and responsiveness essential for effective public service delivery.

Additionally, combining GBEs with differing objectives can heighten internal competition for resources—a phenomenon known as "siloing." When divisions compete for limited funding or support from central management based on their divergent aims rather than collaborative efforts towards shared goals, it fosters an environment where inter-divisional cooperation deteriorates.

This competition not only breeds resentment among teams but also diverts attention away from collective problem-solving aimed at addressing societal challenges holistically.

Furthermore, financial management becomes increasingly complex within a conglomerate framework; different business units may adopt conflicting financial practices based on their unique market conditions or regulatory environments.

Such disparities could lead to inconsistencies in financial reporting and accountability standards across the organization—a critical factor for publicly accountable GBEs which must maintain transparency regarding public funds usage.

**Finally**—and perhaps most critically—the consolidation into a conglomerate model, risks eroding public trust in government institutions that run these enterprises.

Citizens expect GBEs to operate transparently while prioritizing community welfare over profit motives; however, as competing commercial interests come into play within an expansive corporate structure aimed at diversifying revenue streams or reducing costs through scale efficiencies, there is a potential for the emergence of stakeholder favouritism and ethical concerns.

Public perception may shift, leading to scepticism about whether these GBEs can genuinely prioritize public good over profit-making, thus undermining their legitimacy.

In conclusion, while the idea of consolidating single-purpose government business enterprises into a conglomerate structure may seem strategically sound at first glance, it carries substantial disadvantages.

The dilution of focus and mission, increased complexity in governance, heightened internal competition for resources, challenges in financial management, and threats to public trust are significant risks that could detract from the essential purpose of these entities.

As such, any consideration towards restructuring should be approached with caution and a thorough evaluation of the potential impacts on accountability and service delivery within communities.

The TSBC is, as always, available for further discussion.

Regards



**ROBERT MALLETT**  
**CEO**  
**TASMANIAN SMALL BUSINESS COUNCIL**

