



## **PARLIAMENT OF TASMANIA**

### **TRANSCRIPT**

### **HOUSE OF ASSEMBLY**

### **GOVERNMENT BUSINESSES SCRUTINY COMMITTEE**

**Tasmanian Public Financial Corporation**

**Monday 24 November 2025**

### **MEMBERS**

Ms Helen Burnet (Chair)  
Mr Rob Fairs (Deputy Chair)  
Mr Vica Bayley  
Ms Kristie Johnston  
Mr Marcus Vermey  
Mr Dean Winter

### **OTHER PARTICIPATING MEMBERS**

Dr Rosalie Woodruff  
Ms Ella Haddad



## **WITNESSES IN ATTENDANCE**

**Hon. Eric Abetz MP**, Treasurer, Leader of the House, Minister for Macquarie Point Urban Renewal

### **Tasmanian Public Financial Corporation**

**Heath Baker**  
CEO

**Gary Swain**  
Chair



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**THE HOUSE OF ASSEMBLY GOVERNMENT BUSINESS SCRUTINY  
COMMITTEE MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE HOBART  
ON MONDAY, 24 NOVEMBER 2025.**

## Tasmanian Public Finance Corporation

**The committee met at 9.00 a.m.**

**CHAIR** (Ms Burnet) - I welcome the minister, chair and CEO to the committee today and also welcome the other members of the committee.

The time scheduled for the scrutiny of the Tasmanian Public Finance Corporation is one hour. As is the practice of the committee, the time taken for any breaks will not be added to the time for scrutiny, so I do not intend to take a dedicated break. Members and witnesses are welcome to help themselves to tea and coffee throughout the day and take any other appropriate breaks as necessary.

Members would be familiar with the practice of seeking additional information, which must be agreed to, to be taken by the minister or the chair of the board and the questions handed in writing to the secretary, Fiona.

I invite the minister to introduce any other persons at the table, including names and positions. I also invite you, minister, to make an opening statement.

**Mr ABETZ** - Thank you. I've got Gary Swain to my immediate left, whose title is Chair of TASCORP, and Heath Baker, the CEO of TASCORP. I have a one-and-a-quarter-page opening statement, if I may, Chair.

2024-25 was shaped by global economic uncertainty and geopolitical tensions contributing to ongoing volatility in financial markets. Despite these challenges, Australia continued to be viewed as a relatively stable market for both domestic and offshore bond investors, and this confidence was reflected in the strong demand for TASCORP bonds.

In alignment with its long-term funding strategy, TASCORP successfully issued an additional \$3.39 billion in bonds during the year. This funding has supported the Tasmanian government and its entities in delivering essential community services and investing in critical infrastructure projects. This was achieved while delivering and operating profit after tax of \$34.1 million. The government continues to support TASCORP's client loans to government businesses through the guarantee available under the *Tasmanian Public Finance Corporation Act 1985* as amended in September 2023.

TASCORP's key functions are: raising funds in domestic and international markets, lending the proceeds to its Tasmanian public sector clients, providing deposit facilities to support clients in their cash-management activities, providing financial-risk management advisory services to its clients, investing surplus funds to achieve an acceptable risk-versus-return trade-off, and providing fund-management services to the state, in particular the Mersey Community Hospital.

In financial year 2024-25, TASCORP ensured ample liquidity was available to clients to meet cash demands and TASCORP's own financial commitments. Ensuring that there is ample

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cash available to clients where needed is a key focus for TASCORP during times of financial market stress. TASCORP met or exceeded all financial and non-financial targets set out in its statement of corporate intent. TASCORP's financial outcomes for the year were positive, reflecting a prudent risk-management approach of maintaining high credit quality and low-risk balance sheet.

TASCORP returned to the state total tax and dividends of \$126.4 million. This included \$27 million tax and dividend from TASCORP's Treasury activity, and \$99.4 million from the Mersey Community Hospital fund. Looking ahead, TASCORP's balance sheet is expected to continue to grow.

With a small, skilled team of dedicated professionals and strong employee engagement, TASCORP is well-positioned to provide high-quality funding and financial risk management services to Tasmanian Government entities.

Finally, I take this opportunity to thank TASCORP's board and staff for their commitment and professionalism during a year of remarkable growth.

**Mr WINTER** - Thank you for being with us, Treasurer, Mr Swain, Mr Baker. I'd like to start with Mr Swain.

Over the course of the last 12 months, client advances have increased from around \$9 billion to \$12 billion. Over the last 11 years, they've increased to \$12 billion from \$3 billion in 2014. Given this huge increase in borrowings from TASCORP, can you take us through, firstly, your forecast into the future - how high are you expecting these advances to grow? And, is there a level in which TASCORP will feel it is unsustainable to continue to borrow?

**Mr SWAIN** - A level in where it would be unsustainable to borrow - TASCORP, in its act, needs to consider financial risk as well as the extent to which any borrowings are guaranteed by the government. For each client, that would mean there would be a point where you would think it would be difficult for TASCORP to continue to lend to them.

In terms of its ability to borrow - I've asked this question of the management team, coming in as the Chair. At the moment, the demand for bonds on issue has been very strong. That may be partly because there's a general view that equity markets are very highly priced at the moment and bonds are still seen as a relatively safe position, given the uncertainty that the trade policy from America means for equity markets.

It also, I think, reflects that when we talk about challenges for the state's balance sheet, it's in the context that we're supported by a AAA sovereign in the Australian Government, of which there are nine in the world. We're the second and third highest credit ratings that are available and supported by very strong sovereign. So, I think there would be a limit in terms of credit position for the state where it would get increasingly expensive to borrow, but we would be a long way off not being able to borrow at this point.

In terms of our peak borrowing - I might ask Mr Baker to talk to that, if he can.

**Mr BAKER** - Obviously, each year as the budget is released, we update the forecasted borrowing requirement and advise that to the market. As you point out, our on-lending to clients

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as at June 2025 was roughly the \$12 billion. Based on the current estimates we've got, that will grow to around \$21 billion over the next four years.

These funding tasks are announced to the market. The market is aware that we've got this funding target and, as Gary pointed out, we are still seeing strong demand for our bonds. So, at this stage, the market is still conducive to being able to issue that volume of bonds over the next four years.

**Mr WINTER** - Mr Swain, we just heard - we've gone up by \$3 billion this year, it's quadrupled in the last 10 years, and we're expecting it over the next four years to almost double - so, another \$9 billion in borrowing. How much of the credit rating potential downgrade is being priced in or is being reflected in your forecasting? Is TASCORP expecting to be downgraded by the ratings agency? If so, what's the impact on that for Tasmania's budget and for your clients?

**Mr SWAIN** - I don't want to speculate on what the credit rating agencies might do. Obviously, I don't want to encourage decisions by rating agencies in a particular direction.

Again, Heath may talk to this better. TASCORP generally has taken the view that markets will price in the risk and particularly off the negative watch. There is some historical precedent to this, where there's been a credit downgrade and there's been a change in the TASCORP pricing of its benchmark bonds relative to other states. I think 10 to 15 basis points is the kind of range - I'm looking at Heath, he can correct me.

We've gone recently through the post-COVID period to being favourably priced to some of the other jurisdictions to now needing to offer a higher interest rate effectively to secure borrowings, which is a return to the historical pricing arrangement. That would lead me to think that that's where the statement that potential changes are already priced in has occurred, because there has been some changes over the last year or two in terms of the pricing of TASCORP's products. I'm just trying to think - there are, of course, other factors that come into play, though.

When TASCORP was favourably priced compared to some of the other - favourable from TASCORP's point of view - i.e. the level of interest required that had to be offered to secure buyers for the debt was lower than you might think relative to some of the big states. That was also - supply and demand factors were also at play, because at that stage, some of the big states were offering - or were seeking to borrow a lot of money in the market. So a supply of their bonds was coming into the market, and that was affecting relative interest rates.

**Mr WINTER** - Are all these client advances listed in the annual report guaranteed by the Treasurer, firstly?

Secondly, to make the question really clear, are you confident that you're still going to be able to secure the finance at the \$21 billion its forecast in four years?

**Mr SWAIN** - On the second question, yes. Ninety per cent of our borrowings, or our lendings, are guaranteed.

**Mr WINTER** - Which one is not?

**Mr SWAIN** - TasWater.

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**Mr BAKER** - TasWater and the councils are the only entities at the moment that don't have the guarantee from the government.

**Mr BAYLEY** - Chair, the government's response to the Planning Commission's recommendation around the Macquarie Point stadium - the Planning Commission obviously recommending that it should not be built - contained a statement. It reads:

The stadium will increase the state's debt but this debt should be paid off within the life of the stadium asset.

We understand that this is a Treasury statement, not a government statement, and it's a statement of what should happen under big infrastructure projects. The debt should be paid off within the life of the stadium asset. It's not a government statement of intent or expectation. In fact, last week in Estimates we heard that there was no modelling for the perceived economic benefits that are going to flow, counter to the TPC's recommendation; there's no time line for paying down the debt; that servicing the debt will be paid by borrowings from the general government sector; and there's no clarity on the transfer of that debt with the asset to Stadiums Tasmania, et cetera.

It begs the question to TASCORP: on what basis can you lend \$490.7 million to the Macquarie Point Development Corporation when it simply doesn't have a plan to pay down the debt; doesn't have a plan to service the debt, apart from the guarantees that the Treasurer gives it? Do you ever say no to government-owned entities that are asking for money and, in this case, the Macquarie Point Development Corporation and \$490 million-worth of money?

**Mr SWAIN** - I might start that and the CEO may want to jump in. Macquarie Point isn't currently a lender, so it would have to go through a full credit assessment and then be subject to the lending terms of any TASCORP client under the Master Loan Facility Agreement.

To my knowledge, it hasn't got to the point where TASCORP has not been able to lend to a client. That's not something that's happened to date. But the use of guarantees has become more frequent.

**Mr BAYLEY** - Can you explain the guarantee - is it the Treasurer's guarantee to service the debt?

**Mr SWAIN** - No, the guarantee under the TASCORP Act. There's a facility for the Treasurer to guarantee the debt of a lender, so one of the lending entities, which effectively means that TASCORP's position is protected by that guarantee. That affects the decision by TASCORP as to whether it's prudent to lend.

When there is a guarantee, what it is effectively saying is that without the guarantee, TASCORP would not be comfortable lending the amount that's been requested. With the guarantee, to date, it has been comfortable to lend the funds requested.

Heath will have a lot more history than me as to whether those amounts have, in some cases, been altered through the process of the credit review. I'm not sure about that.

**Mr BAKER** - A good question on notice. Obviously, we do work very closely with our clients, and some of our clients, some could say, have ambitious infrastructure projects. The

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key role of TASCORP is to identify the financial risks and ensure that the shareholder minister is aware of the financial risks of a project before he decides on whether he proceeds, based on numerous other factors that he takes into account.

We regularly work with clients around what level of debt that we feel is comfortable. We generally try to ensure that clients stay within in an investment-grade credit rating.

**Mr SWAIN** - I could probably answer my own question as well. So, the North West Transmission Developments, where CFC will be a lender, Treasury and TASCORP are both involved working with TasNetworks to ensure that the financial modelling and assumptions under that model translate to the smallest debt requirement that is needed from TASCORP in the future to support that project.

**Mr BAYLEY** - Thank you, that's useful. When it comes to the Macquarie Point Development Corporation, noting they don't have a legal permit yet to build the stadium, and you said you haven't yet done a credit assessment of them, have there been any formal or informal approaches and discussions in relation to the debt facility for the MPDC? This credit assessment, when will that actually be done in the context of the process going forward, given expected construction and completion dates and this sort of thing? When are you going to make that credit assessment, and is there ever a situation where you would refuse the credit facility?

**Mr SWAIN** - I believe there's been an initial contact from MPDC very recently, noting that I think the revised timeline for completion of the schedule - should it proceed through the parliamentary process - is 2032, from memory, and the proposed funding model has the drawdown of existing payments first before MPDC would then seek to borrow money from TASCORP. That is two or three years away, so there is some time. I think this will be driven by the MPDC board wanting to be assured that they have access to finance before they commit funds that would require that finance.

**Mr BAYLEY** - They have contacted you? What's that contact?

**CHAIR** - Mr Bayley, we only have an hour, so it's probably best to go on to Ms Johnston.

**Ms JOHNSTON** - Thank you, Chair. Going back to the fact that, I think, it was 90.2 per cent of loans are now guaranteed by the state, how does TASCORP assess the risk that GBEs or state-owned companies are, or are becoming, increasingly dependent on state guarantees rather than improving their balance sheets?

**Mr BAKER** - As we touched on before, under our client lending policy, we're required to do a full assessment of all our on-lending to clients. That excludes the lending that we give to the general government sector itself. There is a fulsome credit review that we do on an annual basis of all clients that looks at their corporate plan forecast. More importantly, it looks at their cashflows and their ability to service that debt. That information, if we deem that they are investment-grade, and we think they are going to maintain investment-grade, we will lend without a guarantee.

Those clients who are forecast to fall below investment-grade, we will refer that on to the Treasurer and request a guarantee outlining what the financial risks are and the reasons that we're asking for a guarantee to support these borrowings.

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**Ms JOHNSTON** - There seems to be an inherent conflict there around referring to the Treasurer for advice, and the Treasurer seeks advice from the Treasury. How is that conflict managed?

**Mr ABETZ** - I can answer that. That came to my attention immediately given the two roles that I have, and I will be making full disclosure to Cabinet at all times. Just bear with me. I'm just getting the language right: I'll be notifying Cabinet of these decisions and seeking its endorsement.

**Mr VERMEY** - Minister, can you provide the committee with an overview of TASCORP's financial performance last year, and any highlights?

**Mr WINTER** - Honestly, just read the annual report. Why do we have to go through this every time? We've got one hour, Chair. It's just garbage.

**CHAIR** - I know. This is the rule, and this takes up more time.

**Mr WINTER** - You are perfectly capable of answering questions. You handle yourself well in this position. Let's do away with it.

**CHAIR** - Mr Winter, the pain would be less if you didn't interrupt.

**Mr ABETZ** - In my opening statement I indicated, if I might say, the success of TASCORP with its lending strategies. The government has a lot of confidence in the board and the management of TASCORP and in the way that it has been able to provide dividends to the government, whilst ensuring that there is sufficient funds. Chair of TASCORP, correct me if I'm wrong, but TASCORP seeks to borrow sufficient funds so that there's always money available should an entity require money, so we don't have to rush out to market in a desperate bid for some money, so we've always got a buffer -

**Mr SWAIN** - Liquidity.

**Mr ABETZ** - Yes, liquidity. That then gets reinvested, so we make a bit of money on that, which helps the state coffers whilst providing that liquidity for government and Government Business Enterprises, and SOCs should there be a request and demand for further funds.

**Mr WINTER** - Again, to Mr Swain, can you provide a breakdown of the forecast client advances, as of the end of the forecast period by client? Happy for you to take it on notice, if required.

**Mr SWAIN** - I will see what we have, if that's okay. It might be a question that's better taken on notice, because I have a detailed table in front of me.

**Mr WINTER** - Is it possible for you to table that, Treasurer?

**Mr ABETZ** - I would need to seek advice on that. I will take that on notice and get detailed advice from TASCORP as to the appropriateness of it; it might be commercial-in-confidence consideration.

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**Mr WINTER** - Thank you. I will put it on notice and we will move on from there. My next question is to the Treasurer -

**Mr SWAIN** - Sorry, on that one, could I suggest that if it's acceptable, we break it down by sector and also give you the totals, because then we would avoid any challenges with confidentiality.

**Mr WINTER** - I'm not sure why it would be confidential, given that they're all state-owned government businesses and they're all listed by item within the annual report.

**Mr SWAIN** - The only ones I'm a little nervous about is the energy businesses, which have substantial investments, and they also have competitors who might be interested to know what their potential gearings and cost structures look like.

**Mr WINTER** - I appreciate best efforts. I understand, thank you.

**Mr SWAIN** - I wouldn't mind working through that.

**Mr WINTER** - Thank you. I appreciate you taking it on notice.

My next question is to the Treasurer. Mr Swain outlined in his evidence at the Public Accounts Committee that TASCORP's view of TT-Line's finances concluded that the level of borrowing sought, \$1.445 billion, was not sustainable over the longer term. TASCORP formally advised the former treasurer, Mr Barnett, that TT-Line's requested borrowing limits were unsustainable in the longer-term, and that alternative funding arrangements should be considered by government. Do you agree that the level of borrowing, which has now been approved, is wholly unsustainable in the long term?

**Mr ABETZ** - In the long term, if no changes are made and no equity injections made, the board and CEO of TT-Line have embarked on a - and I dare say that evidence might be being given next door - but they are embarking on ensuring the TT-Line runs as efficiently and effectively as possible, to ensure it's ongoing economic viability. There is no doubt that the problem with the Devonport port when the task was initiated, people thought that only a glass was needed for the berth, in fact, a whole jug was needed to have a proper berth. The cost therefore increased from that, which was anticipated. That has put the business under some strain. I'm more than willing to acknowledge and accept that.

As a government, we will back it in. Therefore - and this is very important - nobody need fear that TT-Line won't be plying the waters of Bass Strait, and anybody that has booked, or is intending to book is absolutely guaranteed from the government's point of view that the ships will continue to sail. The talk that has been going on about unsustainability, et cetera, has not assisted TT-Line in the marketplace in getting customers.

**Mr WINTER** - I think your Auditor-General had to do his job, Treasurer.

**Mr ABETZ** - As do the Board of Directors; they are the ones ultimately responsible.

**Mr WINTER** - Has TT-Line now drawn down on that increased facility? If so, by how much? Do you accept the reality that TT-Line is going to need a much bigger equity injection than just the \$75 million in the Budget?

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**Mr ABETZ** - I'm not sure that that is for here, but -

**Mr SWAIN** - If I may, Treasurer? No, it hasn't drawn down on that temporary increase in its borrowing cap. In fact, there is a discussion that will commence in December between TT-Line, TASCORP and Treasury to look at the work that's been done by TT-Line that the Treasurer is just referring to, looking at their capital structure. That will start to inform consideration of the longer-term needs of TT-Line for next year.

**Mr WINTER** - You mentioned in your evidence to the Public Accounts Committee - I'm just trying to find it - that TASCORP was waiting on an update from TT-Line on its capital structure review in terms of TASCORP's knowledge, the government's response, et cetera. Has TT-Line now provided you with that capital structure review?

**Mr SWAIN** - No, is the short answer. We haven't yet got that. They're working through that as I understand it. The conversation I was just referring to commencing in the second half - or it might be the first half of December - but in December, will be more about, 'Where have you got to and what are you hearing from your expert advisors?'

**Mr BAYLEY** - My question is to the Chair. You mentioned that TASCORP has had initial contact from the Macquarie Point Development Corporation in relation to the \$490 million it needs to borrow. Can you talk us through that initial contact? Does that include targets for borrowing and an approach for paying interest and paying off the debt? What has been TASCORP's response?

**Mr SWAIN** - I might need the CEO's support on this one. I don't think it's that far. I think it's an initial engagement. They understand that they will need to borrow money from TASCORP. They haven't done it before, so they haven't been through the process before. It's an engagement more to understand what that process looks like, what information is required, and over what timeframe.

**Mr BAKER** - To confirm, we were contacted by Macquarie Point last week. The team has a meeting with them next week. The intent of the meeting is to go through what is the process to establish a borrowing limit with TASCORP. At that meeting we will go through exactly what we've disclosed here: what information we will require to understand the financial risk in order to do the credit assessment. It is the initial meeting to just go through that whole process.

**Mr BAYLEY** - Given where we are at: (1) are you able to table that initial contact letter and any response? And (2) in relation to this issue, and some of those things I raised earlier, there is no timeline or plan to pay down the debt. There's significant uncertainty around the debt transfer, whether it travels with the asset over to Stadiums Tasmania, whether it stays with Macquarie Point, et cetera. Is it an option, as part of those discussions that you will be having with Macquarie Point next week, to say this is simply something that TASCORP can't entertain because of the risks associated with this project?

The PEFO identifies risks: construction risks, the risks inherent in the roof, et cetera. Is it an option that you will sit down next week and look at Macquarie Point and basically given all the issues associated with the recommendations around planning - which had some economic content in it - you'd say, 'This is just not something we can do because of the risk profile associated with this site'?

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**Mr SWAIN** - TASCORP won't form a policy view on the rights or wrongs of the investment. That's a matter for the entity and, in this case, the government. It's possible with any lending request that TASCORP might say, 'Without support this entity' - as the CEO outlined - 'does not have capacity to service the loan'. So it would need a level of support from the government. What that support might look like, the starting point is a guarantee, but it could go beyond that. TT-Line is an example where the correspondence from TASCORP to the government went beyond a guarantee to talk about also the capital structure of the entity.

**Mr BAYLEY** - Have you had correspondence with government in relation to the Macquarie Point stadium yet? Sorry, not Macquarie Point -

**Mr SWAIN** - We're not at that point. The credit assessment would need to occur before a number of papers would go to the board and leading up to a decision paper, which would then lead to communication with government.

**Mr BAYLEY** - But it's an option next week you say: no, this hasn't got legs because of all these associated problems.

**Mr SWAIN** - What I'm suggesting is, it's unlikely to be yes or no. It's likely to be - there are entities that can be lent to off their own ability to service the debt. If there's support from government, it's more likely to be, 'This is the nature of the support that is required for TASCORP to be able to lend'.

**Ms JOHNSTON** - Following on that line of questioning from Mr Bayley, the community broadly understands that Macquarie Point will be taking on an awful lot of debt without a revenue stream coming in. As Mr Bayley pointed out, it's not really clear whether the debt will travel across to Stadiums Tasmania when the asset transfers, or whether it remains within MPDC. How can TASCORP justify entering into an agreement to lend when Macquarie Point has no revenue stream as such? I recognise you said that the other mechanisms such as support from guarantee from government, what other supports would there be available to Macquarie Point Development Corporation to make that loan viable in the absence of any revenue stream coming into pay a significant debt, let alone the interest on that debt?

**Mr SWAIN** - We are getting into a hypothetical, and that does get ahead of the credit assessment by management or any consideration of that by the board. I don't think I can speculate in the absence of that work being done.

**Ms JOHNSTON** - Speaking very broadly then, what other supports would be available - would you be seeking generally, in a scenario where a lender doesn't have a revenue stream, when you talked before about a guarantee from government, is there any other supports available that you would be seeking, not necessarily from MPDC, but in that scenario where you had a lender asking to borrow significant amounts of money without a clear revenue stream?

**Mr SWAIN** - Without commenting on the stadium specifically, there are other mechanisms. Equity injection is one. Potential changes initiated by the business to improve its financial situation would be another. That's not a comment on this business but, in general, a business may have an ability to change its assets and liabilities or its cash flows through decisions that the board might take. We're not this far along with this. We haven't done any of this work from Macquarie Point yet.

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**Ms JOHNSTON** - Is this an unusual circumstance, that kind of situation? Have you seen that situation before where it's solely reliant on those supports, on a support rather than revenue?

**Mr SWAIN** - As we've gone through, 90 per cent of the lending to the GBEs and SOCs are supported by guarantees.

**Ms JOHNSTON** - They do generate some revenue.

**Mr SWAIN** - There's a couple of different things going on there. In some cases, the reason the business is in public ownership is because it's inherently challenged in terms of its commerciality. There are some businesses that are like that. There are other businesses where they operate in an infrastructure space and infrastructure demand, typically, is incremental, whereas supply can be in very large chunks, which can mean that the ability to support those large investments is challenged without additional support from the shareholders. Some of it is around the decisions and ambition of the businesses, and some of it is around the inherent nature of the businesses and why they're in government ownership to begin with.

**Mr VERMEY** - TASCORP interacts with many clients. Can you provide the committee with an update on client satisfaction, or otherwise, please.

**Mr BAKER** - It is in your report.

**Mr ABETZ** - It is, but it's always good to be reminded of the customer satisfaction and it is a matter of credit to the board and those that administered TASCORP and the satisfaction rating has been very good. They have a -

**Mr BAKER** - 88 per cent.

**Mr ABETZ** - One to five is for the category that they ask the various entities to respond, and it sits slightly over at 4.3 out of a category 1 to 5. On lending, that's 4.32; for investment, 4.26; 4.55 for advisory; and single service delivery measure all clients it was 4.40. The results against the targets have all been in the positive area. That's been very good work by our TASCORP folk.

**Mr WINTER** - My question again is to the chair of TASCORP. On 24 June, when the borrowing limit was - this is for TT-Line I should say. When the borrowing limit was increased subject to the guarantee, it was expected the guarantee would come from an incoming treasurer following the formation of a new government. Why did things accelerate to the point where the guarantee needed to occur by 26 July, ahead of schedule?

**Mr SWAIN** - This is where I get into different hats again. From TASCORP's point of view, it wrote to the then-treasurer, Mr Barnett, on 24 June to indicate that the board was supportive of a temporary increase in the line, subject to an increase in the guarantee, but noting that it was at that point the government was in caretaker, and noting the convention that you avoid seeking policy decisions where possible. What the board did in its letter was indicate that it intended to seek an increase in the guarantee for an incoming treasurer once an incoming treasurer was in place following the election.

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Then following that, the election, as you would all understand better than me, took some time to resolve. In the interim period, I think the TT-Line board had been thinking about its own position, quite independently of any action by the Auditor-General. In addition, the Auditor-General had been working through his obligations in relation to ASIC because of TT-Line's standing as a corporation at corps law. From TASCORP's point of view, it gave no further advice, but it did receive advice from the then-treasurer, Mr Barnett, I think on 25 or 26 July, advising that the guarantee had been increased. The in between part of that, I think I talked to in another place with another hat on.

**Mr WINTER** - Were you aware at the time of the concerns that have been raised by the Auditor-General? Were they exclusively about the business remaining solvent or were they also about the business being a going concern?

**Mr SWAIN** - Was TASCORP? The Auditor-General's obligation, as I understand it, was his test - he had his normal considerations for signing off on their financials. But, in relation to ASIC, it was whether he had a reasonable suspicion. The Auditor-General has considered solvency; reasonable suspicion can be interpreted in a few different ways. One would be that there are scenarios which might be challenging for the business to withstand from a solvency perspective. Anyway, he formed his own view, which is his prerogative and requirement under law.

The TT-Line board had a deterministic view. Each of the directors had to decide themselves whether they believed that they were solvent. TASCORP's job was to determine whether it would lend money to this entity and under what circumstances. Each of the parties had different obligations to satisfy. I think each formed their own view in relation to those obligations appropriately. I'm not saying I agree or disagree with each of the views, but it seems to me that each entity made the decisions it needed to make in a timely way. It just happened that some of those processes ran in parallel through caretaker period, which made everything a little bit more complicated than it otherwise would have been.

**Mr WINTER** - In that correspondence, the 25 June letter to the then-treasurer, Guy Barnett, you raised concerns about that:

Based off forecasts provided by TT-Line shows that their financial ratios will remain below investment grade parameters for an extended period of time until 2038-39 and clearly demonstrates TT-Line has a limited ability to service its forecast debt levels let alone navigate any further deterioration.

Given those circumstances, can you take the committee through what data you were actually looking at here? What were the metrics that your chair and the board and the CEO were looking at to determine whether the business was at investment grade?

**Mr SWAIN** - I might ask Heath to talk through that. I will talk through it at a very high level, then flip to Heath. As is TASCORP practice, it will review the credit standing of all its clients every 12 to 18 months. In this case, that happened through April leading into May, there was an information paper to the board in May which talked about an assessment that was partly completed off the financials of TT-Line that then led to a decision paper in June. The June decision was what led to the temporary uplift in borrowing or agreement to that subject to the guarantee.

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The detailed assessment inside the business is done by the credit committee, which is a management committee that effectively looks at the creditworthiness and risks associated with specific loans. At that point I might hand to Heath to talk about the process that that committee will go through in considering a loan.

**Mr BAKER** - Yes, the process is quite detailed and quite different for TT-Line. Unlike most of our other clients, TT-Line is embarking on a once-in-a-lifetime asset renewal, whereas the majority of our clients have assets that are renewed on an annual basis and in a smaller amount. TT-Line was replacing both ships and both ports so the [inaudible] is very large; in one particular point in a cycle these assets have useful lives of 25 to 30 years, so, no pun intended, it's a bow wave of infrastructure.

We will always expect when a business of this type goes through asset renewal that they will fall below investment grade. From our perspective, it's a matter of how long they fall below invested investment grade and the path and what is the path back to investment grade, how long does it take, what support?

The analysis that we did was based off the corporate plan numbers and longer-term financial forecasts. We were provided with longer term financial forecasts out over 30 years. The base cases of those forecasts still showed that the vessels could be repaid in a 17 to 19-year term. With vessels in isolation having, roughly, a 25-year useful life, the base case showed that there was capacity on the assumptions in those longer-term forecasts that they could service the debt.

What we were concerned about was that their ability to absorb any further volatility or shocks either in revenue expenditure or infrastructure spend. It didn't take much to push that 17-year term out to 25 or even longer. What we were concerned was that they had no ability to service. We went through the process with TT-Line asking them to generate some additional scenarios around lower fare revenues, whether that's volume or price, and the same with their roll-on, roll-off stock.

**Mr WINTER** - The financial ratios referenced in the question and in the letter, are they the same as the covenants in their existing debt agreements or are they separate?

**Mr BAKER** - They are the similar covenants that we look at when we're looking at a credit assessment.

**Mr BAYLEY** - Treasurer, we've heard now that Macquarie Point Development Corporation has made initial contact with TASCORP and there will be a meeting next week. A process rolls out in terms of assessment of that entity. Many of the conversations that Macquarie Point is going to have with TASCORP are clearly underpinned by government and the government's willingness to back it and service its debt. You've said you've given us figures that it's going to borrow \$490.7 million. You've provided some figures, including last week in Estimates, that that will cost up to, based on the figures you've given, \$32 million a year by the early 2030s. What conversations have you had with Macquarie Point Development Corporation around the support the government is willing to offer Macquarie Point Development Corporation? Will you be guaranteeing the loan? Basically, can you declare or table here what commitments you've made to Macquarie Point Development Corporation so that they go into the conversation with TASCORP armed with an understanding of the level of backing the government is prepared to give them?

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**Mr ABETZ** - As indicated to you by the Chair of TASCORP, these discussions are just starting and MPDC will undoubtedly reach out to us as a government as well to ensure that all three entities - TASCORP, government and MPDC - are all on the same page in relation to the borrowing requirements and how the interest stream will be funded. We, as a government, are backing the MPDC and the stadium. We still have to determine who takes over the debt, whether it will be MPDC or Stadiums Tasmania after it's officially completed. We will look into all that but, at the end of the day, we will be backing in the entity that will have the borrowings attached to it.

**Mr BAYLEY** - You've provided the public and the Estimates committee, a figure of \$490.7 million-worth of borrowings that the general government sector will have to service to the tune of \$32 million every single year. That's the same part of the budget where we pay nurses and teachers, but we will be paying \$32 million a year to Macquarie Point Development Corporation. You're saying they haven't yet reached out to you, you haven't had detailed conversations about what government is willing to do?

You have provided the public those figures. Are they informal discussions? Is there anything formal and is there a cap? Is there a limit to the level of debt Macquarie Point Development Corporation will go into that you are willing to stomach to build the stadium?

**Mr ABETZ** - First of all, sure, the interest will come out of general revenue but also coming into general revenue will be all the benefits to the state from the stadium, which is an economic enabler -

**Mr BAYLEY** - Completely unmodelled.

**Mr ABETZ** - No, but if you only insist on talking about the interest payments, it is only right and proper that I talk about the other side of the ledger -

**Mr BAYLEY** - Treasurer, when you've modelled them and provided us the information, we've got the basis to have a conversation.

**Mr ABETZ** - I heard your question in silence - where we will see income flowing into government coffers and the first one is the AFL payroll tax -

**Mr BAYLEY** - Is there an upper limit to backing the Macquarie Point Development Corporation? \$490.7 million or would you go higher?

**Mr ABETZ** - These are hypothetical questions that I'm not willing to -

**Mr BAYLEY** - Are you saying you haven't had that conversation with them?

**Mr ABETZ** - because we rely on expert advice from quantity surveyors and others as to what the cost will be. If it's going to be \$1.00 more than what is currently considered, I will take a punt and say, yes, the government will fund that extra \$1.00.

**Mr BAYLEY** - And you will guarantee funding that?

**Mr ABETZ** - How long is a piece of string? I'm not going to say that there's a cut-off point at this particular figure or that particular figure. What I will say is that all the advice is it

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would be like if you start building a school and then say, how much are you willing to spend on this particular school? Is \$3 billion the limit?

**Mr BAYLEY** - I'm hearing you say you will guarantee it, no matter what. Is that the case?

**Mr ABETZ** - On the advice that we have, it's a reasonable proposition that the financials that we have been provided are robust. On that basis we are backing in the stadium.

**Mr BAYLEY** - Whose advice is that, Treasurer?

**Mr ABETZ** - The quantity surveyors from the MPDC, which has informed the price tag.

**Ms JOHNSTON** - It is a lot of red cents more. Other than obviously TT-Line, has TASCORP identified governance payers and financial management issues with any other GBE or state-owned corporation that have or may require intervention or specific advice to the Treasurer in relation to their sustainability?

**Mr SWAIN** - I don't think it's TASCORPs job to identify governance failures of entities. That's more a shareholder advisory function which sits with the portfolio agency and also Treasury. I would say that there are a number of businesses that are examining investments that are significant relative to their balance sheet and relative to their capacity, given where they are at the moment off the back of historical decisions. For example, I think it's a matter of public record that TasPorts has a significant future capital program, that Hydro is considering some very large investments, and that TasNetworks is looking at a very significant investment in the north-west on top of its business as usual capital program, which also actually applies to Hydro which has a significant asset renewal program.

They're probably the three front-of-mind businesses where I think TASCORP will have a keen interest as a lender but also - well, it's a matter for the government, but Treasury would be giving advice around those businesses from a shareholder advisory perspective.

**Ms JOHNSTON** - Other than obviously the TT-Line scenario, which of the major GBEs or state-owned corporations currently presents the highest financial risk from TASCORP's perspective? I know it's a broad question.

**Mr BAKER** - It's a broad question, but there's obviously quite a number of the smaller government businesses that are heavily relying on funding deeds from the government through the budget process, whether that be Metro, Tas Irrigation, TasRail. From a pure lender's, they're probably, as a standalone, the higher risk and hence more reliant on the government support.

In terms of ranking the others, as Gary, the chair, outlined, most of our larger clients have large infrastructure projects going forward. Whenever government businesses enter into large infrastructure projects over a certain percentage of their total asset base, they go up a notch in a risk rating sense from a lender's perspective. They're all in a heightened risk position but, to single one out, I couldn't do.

**Mr SWAIN** - Just reflecting on the CEO's answer. I think the entities that have equity support from the government in the Budget, and TasRail and TT-Line are obviously facing significant challenges. You get into a pre- and post-mitigation discussion here that - there's

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entities that, without support, would be in a very challenging position but, in reality, they do have support. I mean the other two I didn't mention that should be significant lenders in the future are Homes Tasmania and TasWater.

**Ms JOHNSTON** - Just going back to the mitigations, whether they're in the Budget or not is obviously something that the Auditor-General took into consideration of the insolvency with TT-Line. Likewise, I assume TASCORP takes that in consideration as to terms of risk of whether it's in the Budget in terms of equity injections or whatever it might be.

**Mr SWAIN** - If you go to the letter that Mr Winter was referring to on 25 June, that explicitly talks about the need for equity or other capital support for TT-Line. That's an example of a conditional approval from TASCORP. Of course TASCORP is looking at the world from its perspective as a lender, and the obligation of its directors to act in the best interest of the business.

**CHAIR** - Mr Winter.

**Mr WINTER** - Chair, very excited.

**CHAIR** - I just had notification that Mr Fairs is happy for you to have the have the call.

**Mr WINTER** - Well, thank you, Mr Fairs.

In terms of the debt-stabilisation for TT-Line, I want to get to the point on the equity injection that's going to be required. Has TASCORP provided any view to the minister, TT-Line or Treasury around the level of equity that's going to be required to get this business out of trouble? To go along with that question: in terms of the debt-to-equity ratio which you referenced in the Public Accounts Committee, it's over 200 per cent at the moment. Is there a level in which TASCORP would be more comfortable for TT-Line to be sitting in?

**Mr SWAIN** - On the first matter, we have not given any advice yet because that's the process I was just describing before kicking-off in December. All I would say is TASCORP as the lender will be wanting to test the level of equity that might be required because the less the equity, the more the debt in the business. The more the debt in the business, the more incentive, if you like, applies to the TT-Line board to manage the things under its control well, and that's particularly the residual cost of delivering the infrastructure berth up in Devonport.

The original TASCORP decision reflected the fact that the level of certainty around equity requirements in the future would change as the delivery of that project advanced. Projects always have contingencies in them and, as they get into delivery, those contingent costs tend to materialise into actual costs and the contingency at some point for a requirement falls away.

As to the second part of your question, the debt-to-equity, TASCORP will primarily be looking at cash capacity. I might hand to the CEO to talk to that.

**Mr BAKER** - It's exactly right. A lot will come down to what the final forecasts are. We are cash-flow lenders, so leverage is important. We obviously wouldn't want to see the business go into negative equity, but as I mentioned before, because of the scale of the infrastructure at

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one point in time, we would always expect that leverage ratio to be extremely high. The important piece to us is -

**Mr WINTER** - What does 'extremely high' mean?

**Mr BAKER** - Well, 200 would be seen as very high, yes, in a normal business that is operating on a portion of their capex on an annual basis. Once again, this is a business that is doing \$1 billion- to \$2 billion-worth of capex in a five-year period, so with the level of equity that's in the business that is currently around the \$400 million. That does distort that leverage ratio.

Obviously, what we would be looking at to ensure that it doesn't go into negative equity that its losses don't eat into equity so it is in negative equity. That would cause some concerns both for the business and the government. But once again, the level of equity required to bring them back will be determined on the new cash-flow forecast and their ability to service the debt -

**Mr WINTER** - To repeat the question: what's the normal range that TASCORP would be comfortable with in terms of the debt-to-equity ratio?

**Mr BAKER** - It's hard to quantify without the analysis in front of me. As a standing principle with this business, we would want the debt paid in advance of its useful life of the asset. It's a 30-year asset, as I mentioned. We would want that repaid in 20 to 25 years so that they can start to accumulate money to put towards the next vessels. So putting an upper bound on it without having the analysis in front of me, I -

**Mr WINTER** - Treasurer, in your view, is it possible for a state-owned company or GBE to ever be insolvent given that it's owned by the Tasmanian government?

**Mr ABETZ** - As a technical question or hypothetical, it is very difficult to answer, but if a government loses confidence in it and stops providing equity injections, et cetera, then, yes. I believe that once happened in New South Wales - the Grain Elevators Board, or something, where the New South Wales government at the time wiped its hands of it and said, 'Right, we aren't going to look after this show anymore -

**Mr WINTER** - But your defence of the TT-Line solvency seemed to be that no government business could ever be insolvent.

**CHAIR** - Mr Bayley has the call. We have one minute to go.

**Mr BAYLEY** - In the time we have, Treasurer, in those informal or formal conversations with the Macquarie Point Development Corporation, have you indicated that you will guarantee their debt and have you given them an indication of the upper limit of the debt that you are willing to back in and guarantee?

**Mr ABETZ** - No.

**Mr BAYLEY** - You haven't given them an indication that you will guarantee their borrowings?

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**Mr ABETZ** - No. You said, 'upper limit'. I know your game, that there is, allegedly, no upper limit. Therefore, depending on how I answer, I know how the press release will go out, and I have been burnt too often -

**Mr BAYLEY** - What about the guarantee, Treasurer?

**CHAIR** - The time for scrutiny of this organisation has now expired. Thank you for your attendance. We will pause for a moment while we organise the next appearance, but we can do that speedily. Thank you.

**The committee suspended from 10.00 a.m. to 10.02 a.m.**