

DRAFT SECOND READING SPEECH

HON MICHAEL FERGUSON MP

Tasmanian Public Finance Corporation Amendment Bill 2023

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Mr Speaker, this Bill introduces important changes to the way in which the Government provides support for borrowings by Government businesses and other Government entities from the Tasmanian Public Finance Corporation. Specifically, this Bill replaces the provision of Treasurer approved guarantees for borrowings and provides for an enduring legislative Government guarantee of the borrowings undertaken by those entities from Tascorp. Importantly this guarantee will be subject to limits determined by the Treasurer with these limits to be included in the Treasurer's Annual Financial Report.

Mr Speaker, unlike Tascorp's debt issuances, which are guaranteed by the Government under the Tasmanian Public Finance Corporation Act 1985, the repayment of borrowings undertaken from Tascorp by Government businesses and entities is not currently automatically guaranteed in legislation.

These entities, which include Government Business Enterprises, State-owned Companies and their subsidiaries and other Government entities such as Homes Tasmania, Stadiums Tasmania and Macquarie Point Development Corporation, play a vital role in the delivery of a range of important Government policy priorities.

Currently, support for these entities' borrowings from Tascorp is provided through different legislative provisions, under mechanisms such as Deeds of Guarantee provided by the Treasurer. While providing the necessary support to entities with borrowing powers, these different legislative provisions and mechanisms can be complex and, due to their establishment at different times, can also be inconsistent in detail.

It is also noted that, notwithstanding the fact that these provisions provide for the provision of a guarantee, there is a strong perception that the Government stands behind the financial position of its businesses and other entities, regardless of whether an explicit guarantee exists or not.

Mr Speaker, an enduring legislative guarantee of the borrowings from Tascorp by Government businesses and other Government entities with borrowing powers will provide a number of significant benefits.

It will provide clarity to the broader community (including the business community) that as owner, the Government stands behind these entities. This is important given the vital nature of the services that these entities deliver to the Tasmanian community.

It will also provide confidence to the Boards of supported entities, as well as Tascorp, ensuring that entities continue to have access to sustainable and cost-effective borrowings made available by Tascorp.

This Bill will also ensure that the Government's support of its entities is transparent and administered efficiently. Individual entity borrowing limits will be approved by me as Treasurer and will be reported annually in the Treasurer's Annual Financial Report, as well as being publicly disclosed in each supported entity's annual report.

Guaranteed borrowing limits will be reviewed annually and updated on an as needed basis. These reviews will be undertaken with reference to credit assessments and reviews of the financial position of relevant organisations prepared by Tascorp and other relevant information. This will reduce the administrative burden of the framework and will also ensure that supported entities and Tascorp can respond quickly and appropriately as Government projects and policies evolve and borrowing requirements change.

The ability to respond to evolving circumstances is particularly important at a time when Government entities have commenced or will soon commence major infrastructure projects that are required to be funded partially through borrowings, including the new Spirit of Tasmania vessels and important port upgrades.

Mr Speaker, there are some other important details in this Bill that I will briefly discuss.

The legislative guarantee will only apply to borrowings from Tascorp by supported entities. In the case that a supported entity has borrowings with another entity, these borrowings

will not be covered by the legislative guarantee. In such instances, any borrowings will be required to be subject to other security arrangements established on a case by case basis.

The legislative guarantee will not extend to the borrowings of other government entities, including local government entities, TasWater or the University of Tasmania. These entities have other borrowing security options.

Thirdly, under the provisions established by this Bill, the legislative guarantee will only be able to be called upon as a last resort by Tascorp, when other security options associated with the particular borrowing have been exercised.

Mr Speaker, these new arrangements are consistent with those in place in other Australian jurisdictions. Legislated guarantees for central financing authority lending to clients are already in place in New South Wales and Victoria.

Mr Speaker, as their ultimate owner, the Government has always stood behind its businesses and other entities with borrowing powers. This Bill will formalise these arrangements in a clear, efficient and transparent manner that will mean the Government will continue to be able to provide this support, facilitating the delivery of key Government policy priorities, without exposing the Government to undue risk.

Mr Speaker, I commend the Bill to the House.