

## DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

### *Tasmanian Public Finance Corporation Amendment (Mersey Community Hospital) Bill 2017*

*\*check Hansard for delivery\**

Madam Speaker

The Government is set to receive \$730.4 million from the Australian Government as a result of successful negotiations that will see ownership of the Mersey Community Hospital return to the State Government. This agreement secures a critical piece of health infrastructure that is vital for our health system in Tasmania and will provide long-term security for the hospital's future.

Importantly, this agreement delivers a positive result for the North West community.

Madam Speaker, the \$730.4 million payment is the biggest single cash transfer from the Australian Government to the State. As part of the agreement with the Australian Government, the funding will be quarantined for use only at the Mersey Community Hospital. The money will not be able to be spent on other uses or in other parts of the State.

Importantly, this funding will be exempt from GST calculations.

Given the one-off and unique nature of this payment, the Treasurer will allocate this funding on receipt to the Tasmanian Public Finance Corporation as contributed equity consistent with Australian Accounting Standard AASB 1004.

Madam Speaker, the Tasmanian Public Finance Corporation Amendment (Mersey Community Hospital) Bill 2017 amends the *Tasmanian Public Finance Corporation Act 1985* to give effect to the State's commitments in respect of the Mersey Community Hospital. The Bill requires that, following receipt of the \$730.4 million payment from the Australian Government by the State, the Treasurer must transfer the funding by way of a one-off equity injection to Tascorp. This funding, together with any financial returns, and capital gains and losses, which accrue from investment of the equity contribution, will be placed into a special purpose fund to be called the Mersey Community Hospital Fund.

This legislation, together with the *Government Business Enterprise Act 1995* (GBE Act), will ensure that any future Government cannot use these funds for any other purpose than supporting the Mersey Community Hospital without significant Parliamentary and public scrutiny.

Any attempt to withdraw equity from Tascorp through a Special Dividend will be subject to the provisions of the GBE Act, requiring Board approval and more importantly will be, subject to disallowance by Parliament. Similarly, any attempt to transfer this equity from Tascorp to another Government Business will also be subject to disallowance by Parliament in the future,

with the amendments to the Government Business Enterprises Act proposed in this Bill. This will ensure that any notice of transfer of any assets, rights or liabilities of a government business to another government business must firstly be tabled in Parliament. Not only will this increase the level of transparency for this funding, it will also ensure a higher level of transparency and Parliamentary oversight of all transfers of debt or equity between all Government businesses and an increased level of scrutiny of the Government Business portfolio.

Tascorp must then invest the monies in the Fund in accordance with the *Government Business Enterprises Act 1995* and any related Treasurer's Instructions and Guidelines that provide for investments. The Bill also allows additional Treasurer's Instructions and Guidelines to be issued to specifically provide for the investment of the Mersey Community Hospital funding.

The investment strategy will be approved by the Tascorp Board and will take into account the known pattern of future dividend obligations relating to the Mersey Community Hospital. This may include an allocation to growth assets, such as listed Australian equities, and defensive assets, such as cash and fixed income, and will be subject to ongoing review and approval by the Tascorp Board.

The Bill requires Tascorp, by 15 June each year, to pay a dividend to the Public Account out of the Fund for the purpose of funding the operating costs of the Mersey Community Hospital. The Bill provides that for the 2017-18 financial year, the amount of the dividend is \$78 142 500. This equates to the expected operating costs of the Mersey Community Hospital under the current Commonwealth Own Purpose Expenditure payment from the Australian Government.

The amount of the dividend will be indexed at 3.5 per cent each year.

Madam Speaker, the dividends payable under the Bill are separate and in addition to any other dividends that are payable by Tascorp under the Government Business Enterprises Act.

The Bill provides that where the amount in the Fund is insufficient to pay the amount of the dividend for a financial year, the amount of the dividend for that year is to be equal to the amount remaining in the Fund. Following which time the amendments to the Tasmanian Public Finance Corporation Act made by this Bill will cease to have effect.

Madam Speaker, modelling confirms that the funding will be sufficient to fund the operating costs of the hospital for approximately 10 to 12 years, depending on investment returns over the period. After this time, the Mersey Community Hospital will be funded from a combination of Tasmania's annual health budget and Activity Based Funding under the National Health Reform Agreement.

To further ensure transparency of these transactions, an amount of not less than the dividend paid by Tascorp will be detailed each year in the Budget Papers for the purposes of funding the Mersey Community Hospital.

Madam Speaker, the Bill delivers on the Government's commitment to quarantine this money for use only at the Mersey Community Hospital and ensures that the annual dividend returned from Tascorp must be separately detailed in the budget each year.

The Bill achieves this through several measures:

- Firstly, the Bill requires that the lump sum payment received from the Australian Government is contributed into TasCorp as equity;
- Secondly, the Bill establishes the Mersey Community Hospital Fund within TasCorp;
- The Bill also requires that TasCorp makes an annual payment each year for the purpose of funding the operating costs of the Mersey Community Hospital;
- The Bill requires that the annual dividend amount be separately detailed in the Budget papers and included as an appropriation in the accompanying Budget Appropriation Bill; and finally
- Any withdrawal of the equity either in the form of a special dividend or a transfer to another Government business will require Parliamentary approval.

Madam Speaker, the State regaining ownership of the Mersey Community Hospital is the result of extensive negotiations with the Australian Government over a long period and confirms the Mersey Community Hospital as a crucial element of Tasmania's health system. The agreement with the Australian Government will ensure the ongoing funding of the hospital and will secure its long term future.

Madam Speaker, I commend the Bill to the House.