

DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

TT-Line Vessel Replacement Fund Bill 2016

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Madam Speaker,

As members would be aware, the Government agreed in 2014 that TT-Line Company would no longer be solely responsible for meeting the future replacement cost of its Spirit of Tasmania passenger ferries.

Based on advice from TT-Line, the current vessels will need to be replaced in the early-to-mid 2020s.

The Government considers it prudent to plan for this significant future capital commitment well in advance.

In the 2016-17 Budget, I announced the establishment of a legislated vessel replacement fund to facilitate the accumulation of funds to assist with replacing the Spirit of Tasmania vessels. The Bill before the House establishes this fund.

Madam Speaker, the establishment of the TT-Line Vessel Replacement Fund is an important step in preparing for the replacement of the Spirit of Tasmania vessels and shows the Government's commitment to ensuring the State is well placed to meet this significant capital cost.

To help with this task, all dividends paid to the Government by TT-Line Company will be deposited into the Fund. The initial cash injection to the Fund will be the \$40 million special dividend to be paid by TT-Line in 2016-17. A second \$40 million special dividend is also expected from the company in 2017-18.

Further contributions can be credited to the Fund in future years as the budget situation and TT-Line's cash position allows.

Madam Speaker, it is important to this Government that the funds set aside are protected to ensure they can only be used for their intended purpose. The use of the funds is therefore explicitly defined within the legislation, in that it stipulates that the money in the account can only be used to fund replacement vessels for the TT-Line Company's Bass Strait ferry service.

If for any reason the funds are not required for vessel replacement, they can only be transferred out of the account and used for another purpose with the approval of both Houses of Parliament.

The Fund is to be established in the Public Account. As such, its operation will initially be governed under the *Public Account Act 1986* and the *Financial Management and Audit Act 1990*, and similarly under the *Financial Management Act 2016* from 2018-19, consistent with all other funds held within the Public Account.

Importantly, as a Legislative Account, the Fund will be fully cash-backed within the Public Account. This will ensure that the funds are available at all times for their intended purpose when required.

These arrangements are markedly different to those that applied to the Superannuation Provision Account, which was not a Legislative Account, where successive governments set aside funds to meet an emerging financial commitment, did not cash back them, and then the funds were applied to different purposes.

Investment of the Fund will be undertaken by the Tasmanian Public Finance Corporation utilising its investment powers under the *Tasmanian Public Finance Corporation Act 1985*. The Fund would be invested to optimise returns, in accordance with Tascorp's approved risk parameters, and based on Financial Instruments and Counterparties approved by the Tascorp Board.

Tascorp only invests funds in high quality, low risk financial instruments, including deposits with major Australian banks, and the returns are expected to be consistent with those achieved by TT-Line, as it adopts a similar investment approach. Income derived from the investments will be reinvested back into the Fund to assist with capital growth.

Madam Speaker, this Government recognises the importance of ensuring Tasmania continues to have a world class Bass Strait ferry service. TT-Line's Spirit of Tasmania I and II are an important part of Tasmania's future tourism and freight needs, but they will not last forever.

The establishment of the vessel replacement fund in this Bill is an important step in the Government's proactive strategy for the continuing success of the Bass Strait service and will ensure the State is well placed to facilitate replacement of the Spirit of Tasmania vessels when it becomes necessary.

Madam Speaker, I commend the Bill to the House.