DRAFT SECOND READING

SPEECH THE HON JEREMY

ROCKLIFF, MP

Tasmanian Development Amendment Bill 2024

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Honourable Speaker, I move that the Bill now be read a second time.

Tasmania Development and Resources, or TDR, provides a vital mechanism to support Tasmania's economic development. The Bill presently before the House is designed to ensure that it can continue to offer this support in a robust and efficient manner.

TDR was established in 1983 as the Tasmanian Development Authority to consolidate the Government's arrangements for providing financial support to industry. Since then, TDR has operated as an efficient way to provide loans, grants and guarantees with the aim of contributing to business stability and employment in Tasmania, and the prosperity and welfare of its people.

Honourable Speaker, TDR's role is more important than ever as Tasmania confronts national and international economic headwinds. Recognising this, my Government committed in its 2030 Strong Plan for Tasmania's Future to enhance TDR's ability to co-invest in strategic projects by lifting the equity investment cap from $10 million to $35 million. This increase reflects that the cap has not been increased since 1999 and has not kept pace with inflation, or with the broader investment landscape.

This Bill delivers on the 2030 Strong Plan commitment and makes various other improvements to the *Tasmanian Development Act 1983*, which I will now summarise for the House.

Cap increases

In addition to raising the co-investment cap to $35 million, the Bill increases three other caps in section 9 of the Act. The first of these is the cap for secured loans. Currently this is set at $3 million and was last updated in 2016. The Bill increases the limit to $15 million.

The higher limit for secured loans is complemented by the second additional cap amended by this Bill, which is the cap for unsecured loans. This cap would raise from $250 000 to $500 000.

Honourable Speaker, before addressing the final cap increased by this Bill, I would like to explain to the House why we believe these higher loan caps are appropriate. It goes without saying that higher caps will allow TDR to support a wider range of initiatives which benefit Tasmania, and any associated risk is mitigated by several factors.

Specifically, TDR's Board is skills-based and applies a commercial lens to its work, acting in accordance with its corporate, fiduciary, and statutory duties. It also works within the constraints of borrowing limits from TasCorp, set by the Treasurer, and any appropriations made by Parliament for its purpose. We strongly believe that these factors make it entirely appropriate to increase TDR's capacity to make loans.

The final limit that this Bill would increase is that for discharging liabilities. Honourable Speaker, on occasion it is necessary for TDR to discharge an entity from a liability, for example where pursuing it is uneconomic.

The current limit for discharging of liabilities is $20 000. This makes it difficult for TDR to manage its loan portfolio. An example of this is the COVID-19 Business Support Loan Scheme, where Government offered unsecured loans under exceptional circumstances in the knowledge that there was a higher-than-usual risk that some loans would not be repaid. Pursuing legal action to recover these funds would likely incur costs greater than the value of the loans themselves and would likely cause considerable distress to businesses which acted in good faith during a once-in-a-generation crisis.

For these reasons, the Bill increases the limit for discharging liabilities to $50 000. Speaker, I note that TDR requires approval from the Minister to exercise this power, adding an extra layer of scrutiny to a decision to discharge a liability.

<u>Delegations</u>

Moving on to another key change designed to deliver operational efficiency – introducing a power of Ministerial delegation.

Honourable Speaker, the *Tasmanian Development Act 1983* contains dozens of powers and functions for the responsible Minister, ranging from approving terms and conditions of grants, to the making of larger loans under section 35. It is common for modern statutes to contain a power of delegation so that Ministers are able to efficiently administer their portfolios, but no such power currently exists in this Act.

The Bill presently before the House would insert such a power of delegation. However, the power is restricted to functions and powers which are administrative or managerial in nature. This limitation is intended to reflect the fact that certain functions and powers, such as the making of large loans, are so significant as to require direct Ministerial oversight.

With that said, under our Westminster system of Government, the Minister remains ultimately responsible to Parliament for actions taken under a power of delegation. For this reason, combined with the constraint built into this Bill, I consider it entirely appropriate that this power of delegation be inserted into the Act.

<u>Funding of certain loans</u>

Speaker, the final improvement this Bill would make is to the funding arrangements for grants and loans under Part 3 of the Act.

Part 3 contains three sections, each of which deals with a different type of State assistance to business undertakings. These are, by section:

- Section 35 – loans by the Minister on TDR's recommendation
- Section 36 – guarantees by the Treasurer
- Section 37 – loans, grants and guarantees on the Governor's direction

Sections 36 and 37 identify funding sources for grants, loans, or guarantees made under those sections. There is no such guidance in section 35. The practice for some time now has been for section 35 loans to be paid from TDR’s funds. However, during the ongoing administration of these loans, the Crown has considered its position and formed the view that this practice may not be supported by the Act.

This Bill would improve Part 3 by inserting a new section 37A. This new section would make clear that all Part 3 loans or grants may be paid either from money appropriated by Parliament, or from the funds of TDR. Funding them from TDR will only be allowed as determined by the Treasurer. This would resolve the ambiguity and allow TDR to continue playing its important role in supporting Tasmania’s economic growth.

For the avoidance of doubt the new section 37A would also validate any affected existing and historic loans or grants, ensuring agreements with Tasmania’s industries and businesses are not put into any doubt.

<u>Summary</u>

In closing, this is a short and simple Bill, but one which substantially improves the ability of Tasmania Development and Resources to achieve its functions. It recognises that TDR is a robust mechanism for supporting economic prosperity for Tasmanians and aims to leverage this by giving it the flexibility it needs to promote further investment in Tasmania. It also achieves operational efficiencies and resolves the historic uncertainty with the operation of Part III.

Honourable Speaker, I commend this Bill to the House.