

GOVERNMENT BUSINESS GOVERNANCE REFORMS BILL 2025 (No. 36)

Second Reading

[4.32 p.m.]

Mr ABETZ (Franklin - Treasurer) - Deputy Speaker, this bill is the first of two tranches of legislative reforms to ensure Tasmanian government-owned businesses act in the best long-term interests of Tasmanians. Government business governance reform is of paramount importance to this government and the delivery of vital services together with future prosperity of all Tasmanians.

As part of the government's 2030 Strong Plan for Tasmania's Future, a key priority remains growing our economy, which creates and sustains jobs and creates opportunities for future Tasmanians and their families, as well as a competitive environment for business to invest.

In recent years, we have faced significant challenges due to failings in government businesses. That is why our government is undertaking the most comprehensive reform of government business enterprises and state-owned companies in recent years. These are substantial adjustments. We are taking a holistic approach to reform. Our goal is to create a governance framework that is integrated, cost-effective, transparent, and above all, responsive to the need of Tasmanians. The reforms we are implementing will support a more coordinated approach to investment decisions made by our government businesses. They will drive the full potential of economic growth, improved service delivery of those important essential services that underpin our economy and community, maximised economic gains and efficiency improvements which deliver dividends for Tasmanians, and a sustainable future for our government-owned businesses. We are seeking to create a framework that can best serve the needs of Tasmanians in years to come.

This bill takes on board some of the feedback received on the proposed reforms included in the Government Business Governance Reform Draft Plan that we released on

3 November 2024. There were 48 submissions received on the draft plan from business, industry and community stakeholders. We have had business and community working together with the government as we embark on, and continue driving and delivering, these important reforms.

The bill takes into account the feedback received from consultation on the draft bill. The bill has also been developed considering feedback received from the Government Business Reform Industry Reference Group and the government businesses. At the core of the reforms is ensuring the government businesses are making decisions that are in the long-term interests of the owners: the Tasmanian community. At this stage, let me acknowledge that I am moving these reforms on the foundations laid, and the hard work by, my predecessor the Attorney-General, the honourable Guy Barnett MP.

For government businesses, putting Tasmanians' long-term interests first, which should be a given, means that businesses will be making the right decisions through contemporary governance as well as competent, accountable boards and senior executives. Aligning the businesses' corporate strategy, where appropriate, to the strategic interests of the state is outlined by shareholding ministers delivering on any community service obligations assigned to it by government. These legislative reforms are just one step in the government's broader reform package for government businesses.

In addition to this bill, the government will implement a suite of reforms, including further amendments to legislation and updates to other elements of the governance framework, such as formal policies and guidelines. The governance reforms are being guided by the following principles:

- ensuring that all government businesses place the interests of Tasmania first and are accountable for doing so;
- improving governance for government businesses to ensure it is effective, contemporary, fit for purpose, transparent, and provides for appropriate oversight;
- expanding the range of performance-monitoring options available to shareholding ministers; and
- incorporating appropriate levers in the governance framework to manage or rectify poor performance of government businesses if required, including in relation to major capital projects.

This bill is focused on the first two principles: accountability for placing Tasmania first and improving governance. The commitment to ensuring that government businesses are putting the long-term interest of Tasmanians first will be delivered through the new joint legislative direction power for shareholding ministers included in this bill. This will be supported by an enhanced and more transparent framework when government requires a business to undertake community service obligations, a reform to be included in the second bill.

These reforms, combined with the existing ability for shareholding ministers to set out expectations in the ministerial charter and statement of expectations, will provide the ability for shareholding ministers to clearly and transparently articulate what is expected from each government business. All government businesses will need to demonstrate that they are putting Tasmanians first through the performance targets set, and reported against, in the annual statement of corporate intent. This bill includes the approval process and expectations in relation to the statement of corporate intent, including the requirement that it be made public on the website of the government business.

The bill also includes a requirement for all government businesses to publicly release a half-yearly progress report. This report will be required to be released on the website of the government business by 28 February each year. This bill makes it clear that the government expects the shareholding ministers will be kept appropriately informed by the board of a government business if there are adverse circumstances impacting it.

This is to ensure the shareholding ministers can more meaningfully fulfil their role as representative of the owners on behalf of the Tasmanian community and take appropriate action if necessary. This bill includes a requirement that the two shareholding minister roles cannot be undertaken by the same person, with an exception allowed for the Tasmanian Public Finance Corporation. This was already a legislative requirement for some state-owned companies and is an important element of the government model.

I also note at this stage that there was no formal second ministry in the past, because the act didn't require it. I salute former treasurer, Mr Ferguson, for his adoption of the best-practice initiative of inviting other ministers and senior advisers from other offices. This will now be formalised. The best practice that minister Ferguson undertook will now be legislated.

Under the current framework, all government businesses except the Tasmanian Public Finance Corporation are required to have two shareholding ministers: the treasurer and the portfolio minister. This is because the *Government Business Enterprises Act 1995* currently defines the portfolio minister as the minister to whom the administration of that enactment or part is assigned through an administrative arrangements order. This bill requires that if the treasurer and portfolio minister are the same person, the treasurer must nominate another minister as portfolio minister. For the Tasmanian Public Finance Corporation, the treasurer may nominate another minister as portfolio minister.

From a governance perspective, we know that the boards set the tone from the top and can influence the culture of the entire organisation. We therefore need to ensure that we have the right board for each government business. To ensure that there is appropriate board renewal, this bill includes a limit of two full terms for directors and chairs of government businesses, unless approved due to exceptional circumstances.

Any additional terms approved beyond the limit will need to be made transparent, including a requirement to table a notice in both Houses of parliament within seven sitting days, including the reasons for the extension. The bill does not prevent the chair being appointed for another term; it will just require an additional layer of transparency when this occurs.

As part of the reforms, the board selection processes and guidelines will also be updated to ensure that there is more focus on appointing directors who understand the business needs in a Tasmanian context. Going forward, there will be reforms to the board performance

evaluation framework for government businesses. In this regard, we have sought independent expert advice on best-practice board evaluation, including the evaluation process, what should be covered in an evaluation, the frequency of evaluations and benchmarks for assessing and comparing board performance. This advice will form the basis for the new government business board performance evaluation framework, to ensure Tasmania has a nation-leading board evaluation framework for our government businesses.

The bill also includes a requirement for all government businesses to establish and publicly release a sponsorship framework that complies with Treasurer's instructions and any regulations issued. The reforms will also provide more options to shareholding ministers to monitor performance and, if there are any concerns, the ability for shareholding ministers to request further advice from independent experts or to implement other measures to support a business to get back on track.

It is intended that these are measures that would only be invoked if there are concerns or exceptional circumstances. The legislative elements of these reforms will be included in the next bill. We recognise that these are only the start of the reforms to the governance framework for government business. We are intending to release the second tranche of legislation for consultation in the coming months to provide the opportunity for stakeholders to provide feedback.

Collectively, our government businesses constitute a significant portion of the Tasmanian economy. Government businesses employ over 5200 people and in the 2023-24 financial year contributed \$374 million in returns to government, representing 4.4 per cent of state revenue.

Government businesses also directly provide some of the state's most important economic infrastructure and deliver essential services to the Tasmanian community. They manage assets valued at more than \$27 billion and the forecasting to invest \$7.5 billion into infrastructure projects over the four years from 2025-26. The strategic directions and investment by these businesses also support private sector investment in the state and play a fundamental role in its economic development and job creation.

The performance and accountability of our government businesses is, therefore, critical. These reforms are about ensuring the government businesses are making decisions that are in the long-term interests of its owners, the Tasmanian people.

We need a more robust framework, but at the same time it needs to be agile to ensure it can adapt to the opportunities and challenges that are over the horizon for our government businesses. I commend the bill to the House.

