

# **Initial Assessment – Potential Government Business Divestment**

by

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Corinna Economic Advisory

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**Letter of transmittal**

Mr Gary Swain,  
Secretary to the Department of Treasury and Finance  
25 Murray Street,  
Hobart. Tas. 7000.

Dear Secretary

Pursuant to the Terms of Reference I have received from the Treasurer of Tasmania, the Hon. Guy Barnett, MP, I herewith present the first of my two reports assessing the potential for the privatisation or divestment of a number of businesses currently owned by the Government of Tasmania.

For avoidance of doubt, I confirm that all of the conclusions and recommendations contained in this report are based on publicly available information.

Yours sincerely

*Saul Eslake*

(Saul Eslake)  
22<sup>nd</sup> April 2025

## Executive summary

- The Tasmanian Government has asked me to provide it with 'high level' advice as to whether any of 16 government business enterprises (GBEs), state-owned companies (SOCs) and other entities should be considered for privatisation or some other form of divestment. It has asked for an early indication as to which, if any, of these 16 should be immediately ruled out of consideration for privatisation or divestment, and, subsequently, which if any of the remainder should be either 'fast-tracked' to a 'divestment scoping study' or given 'further consideration'.
- Ultimately, any decision as to whether a particular business or other entity should remain in government hands or sold to a private acquirer, or whether the provision of particular government services should continue to be provided by a government-owned entity or 'contracted out' to one or more private operators, is a political decision, which in a democracy such as Tasmania should be made by elected representatives. The intellectual discipline of economics can offer insights which may assist elected representatives in arriving at such decisions – as this report seeks to do – but it does not provide any 'hard and fast rules' which unambiguously indicate what those decisions should be.
- The notion that assets can be 'better managed' in private hands than by governments dates back to the 'founding father' of economics, Adam Smith – although that notion has been vigorously contested by economists and others over the ensuing two-and-a-half centuries. The first significant program of what is now widely known as 'privatisation' was carried out in Meiji-era Japan in the late 19<sup>th</sup> century – but over the following 75 years the 'intellectual fashion' favoured more extensive government ownership of a growing range of what had previously been regarded as 'business activities'.
- The contemporary forms of 'privatisation' originated in Chile in the 1970s and the UK in the 1980s, and although initially heavily influenced by the 'free market' economic theories and doctrines promulgated by Milton Friedman and others, privatisations have since then been pursued by governments of all political persuasions around the world (including the Chinese Communist Party).
- While a couple of what would nowadays be called privatisations were undertaken by the Menzies Government in the early 1950s, privatisation did not begin in Australia on a large scale until the late 1980s and early 1990s, under the Federal Labor Governments of Prime Ministers Bob Hawke and Paul Keating, and the NSW and Victorian State Liberal Governments led by Premiers Nick Greiner and Jeff Kennett. Since 1989 there have been at least 164 privatisation transactions in Australia, of which 118 have been undertaken by Liberal or National Party Governments and 46 by Labor Governments.
- The results of those privatisations have been mixed. They have generally been 'successful', in the sense of 'benefits' outweighing 'costs', in circumstances where businesses have been sold into markets where competition already existed, where it was possible to create competition, where (in the absence of competition) it has been possible to establish robust regulatory frameworks, and where private owners have been more able than governments to undertake required capital investments.

- However there have also been examples where privatisations have resulted in higher prices and or lower standards of service to consumers or citizens, and where governments have been forced to re-acquire businesses that had previously been sold. A number of (though by no means all) privatisations have resulted in significant job losses.
- While privatisations and other forms of asset sales have enabled governments to pay down significant amounts of debt (or to defray unfunded superannuation liabilities), the experience of (in particular) Victoria, and to some extent at the Federal level, strongly suggests that in the absence of robust 'guardrails' around spending, revenue and financing decisions the same problems will re-emerge, but the same solutions (further asset sales) will not be available.
- There is a lot more to successful privatisations than simply deciding that a business or an asset should be sold, or a service contracted out, and then hiring an investment bank to arrange and undertake the transaction.
- Substantial thought, effort and time need to be devoted to (among other things) clear and consistent communication of the reasons for any privatisation and the uses to which the resulting funds will be put; to securing alignment with the boards and managements of the entities to be privatised; to undertaking any necessary restructuring of candidates for privatisation ahead of any sale; to ensuring that the government has the necessary skills to undertake the required transactions and to negotiate contracts with service providers; to preparing the post-privatisation environment, especially if (as is often the case), establishing a robust and credible regulatory framework to prevent the abuse of 'market power' and to ensure compliance with conditions of sale; to addressing the legitimate and understandable concerns of employees of businesses to be privatised; to ensuring access to appropriate sources of advice; to considering the form which any sale transaction should take place; to considering whether or not to retain a 'minority interest' in a privatised business (and if so for what purpose); and to conducting rigorous post-privatisation evaluations of the process and its results.
- Six entities – the Port Arthur Historic Site Management Authority, the Tasmanian Public Finance Corporation (TasCorp), Tasracing, Tas Rail, Entura and the Public Trustee – should be ruled out of further consideration for privatisation or divestment.
- That does not mean that the remaining ten are all considered suitable for privatisation or divestment: but rather that they all require more detailed consideration before determining whether they are suitable candidates for privatisation or divestment, which will be the subject of my second report.

## 1. Introduction

The Tasmanian Government has asked me to provide it with 'high-level' advice on the possible divestment of 16 government business enterprises (GBEs), state-owned companies (SOCs) and other entities, namely

- Aurora Energy Pty Ltd
- Metro Tasmania Pty Ltd
- Tasmanian Irrigation Pty Ltd
- Tasmanian Networks Pty Ltd
- Tasmanian Ports Corporation Pty Ltd
- Tasmanian Railway Pty Ltd
- Tasracing Pty Ltd
- TT-Line Company Pty Ltd trading as Spirit of Tasmania
- Forestry Tasmania trading as Sustainable Timber Tasmania
- Momentum Energy (subsidiary of Hydro Tasmania)
- Entura (subsidiary of Hydro Tasmania)
- Motor Accidents Insurance Board
- Port Arthur Historic Site Management Authority
- Tasmanian Public Finance Corporation
- The Public Trustee
- The Land Titles Office

In the *Independent Review of Tasmania's State Finances* which I undertook last year, pursuant to the agreement reached (after the March State election) between the Premier, the Hon. Jeremy Rockliff MP, and the three members (as they then were) of the Jacqui Lambie Network, I considered the possibility of selling government-owned assets (including government business enterprises) as a way of building up funds to be invested with a view to defraying the cost of meeting the Government's (relatively large) unfunded public sector superannuation liability.

That Review decided not to recommend asset sales, either to offset the unfunded superannuation liability, or to pay down debt, in part because of the 'political capital' which would be required to implement such a proposals – which the Review considered would be better deployed elsewhere – and partly because (among other considerations) the 'financial maths' around asset sales (ie, whether the savings in interest achieved by paying down debt exceed the company tax equivalent and dividend payments foregone) were likely to be less favourable than they were during the 1990s and early 2000s when most of the privatisations or asset sales undertaken in Australia occurred (Eslake 2024: 102-103).

The Government has nonetheless decided not to deploy any of such 'political capital' as it has on the recommendations of that Review, in particular to increase state taxes (Barnett 2025; Tasmanian Department of Treasury and Finance 2025) – as is its right.

Instead, it is considering, as the Premier indicated in his 'State of the State Address', whether "government ownership [of a range of businesses other than Hydro Tasmania] is really in the interests of the Tasmanian community", with the proviso that the "proceeds of any change in ownership would be invested in a "Sensible Pathway to Surplus Future Fund" (Rockliff 2025: 12-14), which would presumably earn higher rates of return than the interest rate payable on Tasmanian Government debt.

Hence this Report, the first of two, which – as per the Terms of Reference reproduced as Appendix 1 – identifies those Government Businesses which should be ruled out for divestment. The second report will subsequently recommend whether any, and if so which, businesses "should be fast-tracked to a divestment scoping study" and those which "require further investigation".

Towards that end, this Report also identifies a range of issues which the Government – and, depending on what the Government decides, the Parliament – will need to consider in evaluating whether any, and if so which, businesses or entities presently owned by the Tasmanian Government should be privatised, in order to fulfil the other parts of the Terms of Reference relating to the criteria used in arriving at the recommendations made in this and the second Report, namely, the lessons to be learned from previous privatisations in other jurisdictions, and the opportunities, risks and other issues associated with the possible divestment of government-owned businesses.

This assessment is *not* influenced by any pre-conceived notions as to the virtues or defects of state ownership, or the efficiency of privately- as opposed to publicly-owned businesses. While individual economists (like other individuals) have their own views on those subjects, economics as a discipline does not offer any unambiguous or unequivocal conclusions on them. As the Organization for Economic Co-operation and Development points out,

"experience shows that the [state-owned enterprise] sector can either promote or hamper economic and social development. This depends on the extent to which SOEs operate in a sound regulatory and competition environment. It also depends on good governance – the state acting as a professional and active owner plays a key role in this regard" (OECD 2019: 3).

Decisions as to whether particular activities should be carried out by government departments and agencies, government-owned businesses (or similar entities), or by private businesses, are inherently and intrinsically *political* decisions, which should therefore be taken by elected representatives accountable for those decisions to citizens through democratic elections, not by unelected bureaucrats or consultants. But, ideally, those decisions will be informed by conscious efforts on the part of elected representatives to seek the best possible advice from a variety of sources.

Hence this assessment does *not* recommend that any specific GBEs, SOCs or other entities *should* be privatised or divested. It does identify those which should *not*, for reasons set out in Chapter 5, be considered for privatisation or divestment, as required by the Terms of Reference. A second report will identify others which, in my opinion, *may* be suitable candidates for sale in some form or other. In those cases it will make suggestions as to what should be done by way of preparation for such a decision. But the decision as to whether any particular entity should be privatised or divested is, properly, one for Government (initially) and then the Parliament.

## 2. A brief history of privatisation around the world

Although the notion of selling government-owned assets is nowadays commonly believed to have been pioneered by the British Government of Margaret Thatcher (1979-1990), it actually dates back to the beginnings of economics as an intellectual discipline. In 1776, Adam Smith (usually regarded as the 'founding father' of economics) wrote:

"In every great monarchy of Europe the sale of the crown lands would produce a very large sum of money, which, if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to the crown. [ . . . ] The crown might immediately enjoy the revenue which this great price would redeem from mortgage. In the course of a few years it would probably enjoy another revenue. When the crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated. The increase of their produce would increase the population of the country by augmenting the revenue and consumption of the people. But the revenue which the crown derives from the duties of customs and excise would necessarily increase with the revenue and consumption of the people" (Smith 1776: Book V, Chapter II, 824).

The earliest documented significant privatisation program was undertaken in Meiji-era Japan, between 1880 and 1896, during which 26 large state-owned enterprises (operating in industries such as mining, shipbuilding, brewing, textile manufacturing and a vineyard) were sold under the supervision of Finance Minister Masayoshi Matsukata, following a financial crisis in the late 1870s (Morck and Nakamura 2007: 18-20). The great Japanese trading houses or *zaibatsu*, including Mitsui, Mitsubishi, Sumitomo and Nissan, emerged from such transactions during this period.

For the first three-quarters of the twentieth century, and in particular in the decades immediately after World War II, the political pendulum swung in the opposite direction, towards the establishment of state-owned enterprises or the nationalisation of private businesses, especially in newly-emerging industries such as electricity generation and distribution, mass transport, communications and, in some countries, mining and manufacturing. Motivations included concerns about the potential abuse of monopoly power, a belief that the private sector would be unable to marshal the capital required (or unwilling to assume the risks involved) to develop newly-emerging technologies on the required scale, a desire to promote the growth of 'national champions', and the maintenance of 'full employment'.

The expansion of the state into areas previously considered the preserve of privately-owned businesses was generally supported by economists of that era.

John Maynard Keynes wrote in his *General Theory of Employment, Interest and Money* that "a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment" and that "the central controls necessary to ensure full employment will, of course, involve a large extension of the traditional functions of government". Keynes also observed, however, that "it is not the ownership of the instruments of production which it is important for the state to assume" (Keynes 1936: 378-379).

Even Keynes' intellectual antithesis Milton Friedman conceded that government provision of some goods or services may be warranted where "strictly voluntary exchange is either exceedingly costly or practically impossible" because of "monopoly and similar market imperfections" or what he called "neighbourhood effects" (when "actions of individuals have effects on other individuals for which it is not feasible to charge or recompense them" (Friedman 1962: 28-30).

Opinions about the efficacy of state-owned enterprises as the most effective means of ensuring the provision of 'public goods' on socially acceptable terms began to shift in the 1970s, in part because of "the bad experiences that many governments, world-wide, had endured with state-owned firms", including as a result of persistent and growing financial losses, and perceived distorted incentives (in particular, prioritising the interests of employees of state-owned enterprises over those of customers and communities) (Walker 2025: 15).

Some attribute the word 'privatisation' to one of the founders of 'management' as an academic discipline, Peter Drucker, who in 1969 argued that "government is a poor managed .. it has no choice but to be bureaucratic", that "the main lesson of the last fifty years [is] that the government is not a doer", and proposed "giving back to the private sector executive responsibilities that had been private before the public sector assumed them through nationalisation" (Drucker 1969: 233-34; Bel 2006: 187-188).

In fact the term was used extensively in [West] Germany during the late 1950s and early 1960s (as *privatisierung*) in the lead-up to the sale of the German Government's majority stake in Volkswagen in 1961.

The first large-scale privatisation program in the twentieth century was that undertaken by the Chilean regime of General Augusto Pinochet (under the influence of the so-called 'Chicago Boys', economists trained at the University of Chicago under Friedman and others), in which 550 state-owned enterprises were sold to private purchasers (Lüders 1991).

The first privatisation in the UK was the sale of the travel agency Thomas Cook (which had been nationalized in 1948 by the post-war Labour Government) by the Conservative Government of Prime Minister Ted Heath in 1972. That was followed in 1977 by James Callaghan's Labour Government's sale of a 17% stake in BP, pursuant to the terms of the 'bail-out' arranged with the International Monetary Fund (Rhodes et al 2014: 2-4).

The Thatcher Government's privatisation program was motivated more by a desire to shed the British Government of the burden of loss-making state-owned businesses (running at around £3bn a year, or almost 1½% of GDP, by 1979), an ideological conviction that the private sector could run these businesses more efficiently, and a desire to widen the ownership of shares, than by a drive to pay down debt – although it certainly also had that result (Moore 1992; Rhodes et al 2014: 4). In all, successive British Governments (including Labour ones) carried out 45 major privatisations between 1979 and 2014, for a total of £71 billion (Rhodes et al 2014: 14).

In addition to these large privatisations, successive British governments outsourced the provision of services to private organizations (which is what 'privatisation' typically means in the United States), sold a wide range of assets "no longer required for service delivery" (including land, buildings, software licences and portfolios of financial assets), and entered into Private Finance Initiatives (arrangements similar to those known as public-private partnerships in Australia) for the provision or management of infrastructure (including hospitals, schools, prisons and roads).

Many of the privatisations undertaken in the UK were of intact monopolies (such as in energy and telecommunications), which required the creation of new regulatory bodies to prevent the abuse of monopoly power by the new private owners. In some cases these regulatory structures worked well: in others – in particular, water and railways – they didn't (Lawrence 2023, Albertson 2024, Pettinger 2024).

A survey of formal studies of the effects of privatisation in the UK notes that "returns to investors following privatisation were high and it seems higher than government anticipated at the time of the sell-offs ... [which] can be attributed either to the companies exploiting their market power in the face of lax regulation or to government under-estimating the scope for cost savings following privatisation"; and that "another obvious gainer from privatisation has been the senior management, many of whom kept their jobs at privatisation". But it also notes that "the effect on workers is particularly difficult to assess", in part because "in some cases when large-scale redundancies occurred, many of those made redundant received generous redundancy packages", and because changes in pay and conditions across privatised businesses "to a degree reflect wider changes in the UK economy" (Parker 2004: 18-19).

The same survey concludes that "public utilities prices have fallen since privatisation reflecting gains in productive efficiency", with the exception of water and sewerage where "domestic charges rose substantially after privatisation" - although it goes on to note that "privatisation, especially when coupled with competition, can be expected to lead to prices more closely related to the marginal costs of supplying different user groups", and that "users with lower marginal costs, usually larger users or industry, have tended to receive bigger reductions in charges than smaller, often poorer consumers, which are individually more costly to serve" (Parker 2004: 15).

With regard to the reliability or quality of services in the aftermath of privatisation, this survey concludes that "there is no substantial evidence that lower manning and price reductions in public utilities have been at the expense of service quality", and indeed that where "regulators have set more exacting service standards that have delivered service improvements ... the result is evidence of improved service quality across the privatised utilities, with the notable exception of railways" (Parker 2004: 16).

Privatisation became more widespread in other parts of the world – in particular in other European nations (especially those emerging from the former Soviet bloc in the late 1980s or early 1990s), Latin America and East Asia (including China, where more than 40 privatisations worth a total of US\$173 billion were undertaken in 2015) (Kikeri 2022: 4).

A recent survey of privatisation experiences by the Asian Development Bank concluded that “privatization from the 1980s onwards did reduce losses and improve performance, but the gains were not always widely shared and the costs to certain groups were high”, and that “much of the gain seemed to go to the new owners, while losses were suffered by workers, consumers, and sometimes other stakeholders” (Kukeri 2022: 2).

The lessons to be drawn for Tasmania from these experiences are discussed in Chapter 4.

### 3. Privatisation in Australia

The earliest privatisations in Australia were undertaken by the Menzies Government – the sale of Commonwealth Oil Refineries (originally established by Billy Hughes in 1920) to the Anglo-Iranian Oil Company (the forerunner of BP) in 1952, and the sale of the Australian Aluminium Production Commission (which established the aluminium smelter at Bell Bay in 1955) to Comalco (a company owned by Consolidated Zinc Pty Ltd) in 1960. Beyond those isolated instances, however, neither the Menzies Government nor any of its successors, from PMs Holt through Fraser, evinced any interest in privatisation (even though, towards the end of the latter's term in office, motions calling for the sale of TAA and other government-owned businesses became more frequent items at Liberal Party conferences).

Labor Prime Minister Bob Hawke was initially trenchantly opposed to the idea of privatisation, asking in September 1985, "What in the name of reason, is the justification for breaking up and selling off the great and efficient national assets, like the Commonwealth Bank, Telecom, TAA, and Qantas?" (Hawke 1985).

His Finance Minister, Peter Walsh, had earlier given an answer to Hawke's rhetorical question in the context of a request for capital injections into TAA and Qantas (both of which were then wholly owned by the Federal Government), telling his Cabinet colleagues that "if the airlines could not pay a sub-market rate of interest on funds invested ... we should flog them off". Subsequently, in February 1986, Walsh told a summit hosted by the *Australian Financial Review* that "what is important is not whether a business is public or private, but whether it delivers the goods and services required by the public efficiently, ie at lower cost" (Walsh 1995: 106-107).

This argument later found favour with Treasurer (and subsequently Prime Minister) Paul Keating. Reflecting on his Government's sale of Qantas, Keating told one of his biographers, "Qantas ... simply lived on government guarantees. It was perpetually short of capital ... Qantas had no capital to invest in its future, and on a day-to-day basis had only modest working capital .. It would only have survived as a government-owned airline with very large funding from Australian taxpayers" (O'Brien 2015: 569-570).

Similarly with regard to the Commonwealth Bank, the first and second tranches of which were sold by the Keating Government in 1991 and 1993 respectively, Keating argued that "it couldn't be a competitor to the big commercial banks because it simply didn't have the capital, and it had outlived the time it should have remained in public ownership". Instead, according to Keating, the Commonwealth Bank was "a post office bank with the deposits of pensioners, and it had the cast of mind of a post office bank". Whereas, "unshackled from the capital constraints of a government ... it has done a service to the economy it could never otherwise have done" (O'Brien 2015: 321-323).

At the state level the impetus for privatisation emerged earliest in New South Wales following the election of the Liberal Government led by Premier Nick Greiner in 1988. Shortly after coming to office the Greiner Government established a Commission of Audit (as most newly-elected governments did over the following decade), which in its Report advised:

"There is no inherent need for Government to be a provider of those goods and services which can be provided effectively by the private sector at a competitive cost. In fact, Government business enterprises are fundamentally disadvantaged by reason of their Government ownership and control. Such businesses lack many of the most important disciplines of the free market, notably capital markets to signal how efficiently they are performing by industry standards and price signals to tell them how well their goods and services are being received" (NSW Commission of Audit 1988: 68).

While this might sound ideological, the Curran Commission cautioned that "one should not adopt to idealistic a view of the private sector", noting that "where competition is not clear and strong, inefficiency may abound whether an organisation is publicly or privately owned". It noted that Government "clearly has a role to play" in situations such as natural monopolies, 'externalities' (where there may be significant costs to communities such as pollution of rivers), a lack of sufficient information to protect consumers, 'merit goods' (where a good or service has intrinsic merits but is not considered commercially viable, such as the arts), or 'inequities' (including considerations of regional equity as well as income)", in which case "there is justification for the Government to provide the goods and services or to regulate private sector providers" (NSW Commission of Audit 1988: 68-69).

The Curran Commission specifically recommended that the NSW Government withdraw from 24 different activities, including in particular the Government Insurance Office, the Grain Handling Authority, the State Bank, the State Clothing Factory, the Mount Piper Power Station (though not any others), and the Ravensworth Coal Washery (NSW Commission of Audit 1988: 109-111).

The Victorian Commission of Audit, established by the Kennett Government after its election in October 1992, took a similar view. It noted that although "in the absence of adequate actual or potential competition, government regulation is necessary to prevent the abuse of market power", "theory and experience suggests that public ownership may result in some loss of efficiency in production and resource allocation".

In particular, the Victorian Commission of Audit pointed to conflicts between a government's interests as the owner of a business (most obviously, in maximizing its commercial returns) and its role as a regulator (in particular, where it requires the provision of 'community service obligations' (Victorian Commission of Audit 1993: 316-17).

The Queensland Commission of Audit explicitly recommended the privatisation of that state's electricity businesses, the Queensland Abattoir Corporation, the Brisbane Markets Trust, Sunlover Holidays (a government-owned travel agency), Suncorp, the Queensland Industry Development Corporation, Metway Bank and the Queensland Investment Corporation, though it recommended against privatisation of water authorities and the Queensland Treasury Corporation (Queensland Commission of Audit 1996: 206-207, 389-390, 398-411).

In Tasmania, the Nixon Report (commissioned by the Howard Federal and Rundle State governments) recommended the privatisation of the Hydro-Electric Commission (as it then was), the port authorities, the softwood plantations of Forestry Tasmania (as it then was), the Motor Accidents Insurance Board, the Printing Authority of Tasmania, the Public Trustee, and the Tourism Travel Centres, among others; and that consideration should also be given to privatising TT-Line, the Tasmanian Racing Authority (as it then was), the Tasmanian Public Finance Corporation, the Metropolitan Transport Trust (as it then was), the TAB ("provided that continued funding for the racing industry is ensured"), the Tasmanian Dairy Industry Authority, the Bruny Island Ferry Service, and the corporate and rural finance portfolios of Tasmanian Development and Resources. Perhaps curiously, the only GBE which the Nixon Report explicitly recommended should *not* be privatised was the Tasmanian Grain Elevators Board (Nixon 1997: 92-100).

Since 1989, the federal, state and territory governments have undertaken at least 164 privatisations, raising a total of \$249 billion in proceeds. As shown in Table 1 below, New South Wales has undertaken the most privatisations (51 transactions, for a total of \$80 billion), followed by the Commonwealth (35, for a total of \$74 billion), Victoria (27, for a total of \$46 billion), and Queensland (14, for a total of \$30 billion). Western Australia has undertaken relatively few privatisations – perhaps because its governments have been under less financial pressure than others, owing to the bountiful revenues available to it from mineral royalties and, more recently, from the favourable treatment it has received from changes to the distribution of GST revenues. Tasmania has also undertaken very few privatisations.

**Table 1: Number and value of privatisation transactions since 1989, by jurisdiction**

<i>Jurisdiction</i>	<i>Number of transactions</i>			<i>Value (\$ billion)</i>		
	<i>Liberal</i>	<i>Labor</i>	<i>Total</i>	<i>Liberal</i>	<i>Labor</i>	<i>Total</i>
Commonwealth	22	13	<b>35</b>	67.4	6.9	<b>74.3</b>
New South Wales	40	11	<b>51</b>	76.3	3.7	<b>80.0</b>
Victoria	24	3	<b>27</b>	25.8	20.5	<b>46.2</b>
Queensland	3	11	<b>14</b>	1.5	28.1	<b>29.6</b>
South Australia	20	2	<b>22</b>	9.3	1.6	<b>10.9</b>
Western Australia	6	1	<b>7</b>	5.0	1.4	<b>6.4</b>
Tasmania	1	5	<b>5</b>	0.0	0.5	<b>0.5</b>
ACT	0	1	<b>1</b>	0.0	0.1	<b>0.1</b>
Northern Territory	2	0	<b>2</b>	0.9	0.0	<b>0.9</b>
<b>Total</b>	<b>118</b>	<b>46</b>	<b>164</b>	<b>186.3</b>	<b>62.8</b>	<b>249.1</b>

Note: 'Liberal' includes Liberal-National and National-Liberal Coalition, Liberal National Party and Country Liberal Party Governments. Sources: Reserve Bank of Australia (1997); NSW Parliamentary Research Service (2017); Flagstaff Partners; Bank of America Securities; Corinna Economic Advisory.

A complete list of Australian privatisations since 1989 is at Appendix 2.

Of interest in the context of this report is that slightly more than one-quarter of the privatisation transactions which have been undertaken in Australia over the past 35 years have been initiated and overseen by Labor Governments, notwithstanding the Labor Party's traditionally stronger support for public enterprises. At the Federal level, one-third of all privatisations have been undertaken by Labor Governments; while Labor Governments have been responsible for three-quarters of the privatisation transactions undertaken in Queensland. Even in Victoria, where almost 90% of all privatisations were undertaken by Liberal Governments, three of the four largest transactions (by value) were initiated by the Andrews Labor Government. And in Tasmania, two of the three privatisations which have occurred to date have been undertaken by Labor Governments.

Table 2 shows a different lens on Australian privatisations by classifying them according to the sectors in which privatisations have been undertaken over the past 35 years.

The majority of transactions (by value) have been in telecommunications (dominated by the Howard Government's sale, in three tranches, of Telstra); electricity generation, transmission and distribution, and retailing; transport operations (ports, airports and rail freight); financial services; and registry services (land titles and motor vehicles).

**Table 1: Number and value of privatisation transactions since 1989, by sector**

<i>Type of business</i>	<i>Number</i>	<i>Value (\$mn)</i>
Telecommunications	5	46,884
Electricity transmission and distribution	4	32,528
Electricity generation	20	28,316
Toll roads	4	27,534
Ports and port services	11	19,575
Land Titles registries	5	16,275
Banking, insurance and funds management	17	13,199
Electricity retailers	8	12,338
Airports	10	8,709
Motor vehicle registry	1	7,900
Railways and rail freight operators	6	6,570
Health insurance	1	5,700
Gas retailers	9	3,865
Gaming operators	7	3,420
Gas pipelines	4	3,408
Water treatment and supply	3	2,342
Airlines	2	1,065
Other	47	10,509
<b>Total</b>	<b>162</b>	<b>249,072</b>

Sources: Reserve Bank of Australia (1997); NSW Parliamentary Research Service (2017); Flagstaff Partners; Bank of America Securities; Corinna Economic Advisory.

It shouldn't be at all surprising that there are conflicting views as to the success or otherwise, from the standpoint of different stakeholders, of Australia's experience of privatisation.

My conclusions from a survey of the Australian literature on privatisations are as follows:

- privatisations have generally been successful (in the sense of 'benefits' outweighing 'costs') for consumers and governments in circumstances where competition already exists (as in banking, insurance, and to some extent civil aviation) or where it is possible to create competition (as in electricity generation and retailing), and where there is a need for significant capital investment which is beyond the resources of governments (banking and aviation again, and ports) (King 2002: 21-23, Fearon 2002: 41; Productivity Commission 2013: 287 and 2019: 37, Sims 2021);
- where it is not, or has not been, possible to create effective competition, the success or otherwise of privatisations depends on the existence of a robust regulatory framework with clear definitions and measurement of performance, and for remedying shortfalls in performance (with 'poles and wires' businesses providing, for the most part, a positive example, railways a negative example, and telecommunications and toll roads somewhere in between (King 2002: 21-22, Sylvan 2002: 50-52, Quiggin 2017, Fells and Cousins 2024: 14-18);
- privatisations have typically presented fewer political challenges or problems for governments when they have involved businesses or agencies providing services primarily to businesses, as opposed to consumers;
- privatisation typically does result in job losses – notwithstanding the inclusion of 'job guarantees' in sale agreements – although these are an almost inevitable corollary of 'efficiency gains, and in some cases have been partially offset by increases in sales and marketing staff – as well as a (usually significant) widening in the gaps between senior executive remuneration and wages and salaries of lower-ranked employees (Bellchamber 2002: 47-48, Richardson 2017: 8);
- privatisation or 'contracting out' has generally not produced positive results in 'caring' or personal services areas such as health and aged care (Duckett 2020, Australian Medical Association 2021, Eagar 2024), or prisons (Andrew, Baker and Roberts 2016: 4; Queensland Crime and Corruption Commission 2018: 10).

There are important lessons to be learned from both overseas and Australian experience of privatisations which should be carefully considered by the Tasmanian Government in deciding whether to pursue any privatisations or other forms of asset divestment, and if it does so decide, in how that is to be accomplished.

#### **4. Issues which need to be considered by the Tasmanian Government in formulating its approach to privatisation or asset divestment**

If the Tasmanian Government does decide to privatise or otherwise divest itself of any of its existing portfolio of government business enterprises, state-owned companies or other entities, or to 'contract out' the delivery of services currently provided by entities which it currently owns, it will be critical to the ultimate success of any such decision that it learns from the experiences – both positive and negative – of other jurisdictions, both within Australia and overseas.

This Chapter seeks to offer some guidance to that end, drawing in particular on the OECD's [\*Policy Maker's Guide to Privatisation\*](#) (OECD 2019) and on the advice I have sought and received from individuals and organizations with experience in advising on, or conducting transactions of this nature (listed in Appendix 3).

In particular, the Tasmanian Government should be highly cognizant of the OECD's advice that "privatisation is complex and challenging, and needs to be done right. It requires adequate preparation and planning, as well as careful execution" (OECD 2019: 3).

As a comparative late-comer to privatisation, the Tasmanian Government should also be acutely aware of the unpopularity of privatisation across broad swathes of the community – especially when, as former Australian Competition and Consumer Chair Rod Sims (a self-confessed advocate of privatisation for three decades) puts it, privatisations that "just sought to maximize sale proceeds" had been "severely damaging to our economy" and had "sparked a populist backlash against reform" (Potter 2016).

That sentiment was reflected in votes by both Houses of Tasmania's Parliament in support of resolutions opposing the sale of state-owned assets in April (Killick 2025).

##### ***The importance of clear communications***

To that end, the OECD's first piece of advice to governments contemplating privatisation is "to be clear on the guiding principles and rationales underlying the transaction and ... communicate these to the public". It goes on to stipulate that "how the process will balance revenue maximization and the achievement of other policy objectives should be clearly articulated, transparent and communicated at the outset of the process, including potential uses for privatisation proceeds and the fulfilment of public service obligations post-privatisation" (OECD 2019: 11).

The importance of clarity with regard to principles, and in communications with the broader community was re-inforced in all of the discussions I had with investment bankers with considerable experience in privatisation transactions, in the course of undertaking this assessment.

One of the themes of those discussions was that "paying down debt" was an especially difficult rationale to "sell" to the public as a persuasive reason for privatisation or divestment. One investment bank advised against the use of the word 'privatisation' at all, suggesting instead the description 'commercialisation', especially when the transaction entails a lease as opposed to an outright sale, or where the government retains a (minority) stake in the entity.

Indeed, debt repayment as a primary motivation for privatisation is likely to be met with heightened public skepticism given that Victoria, having (successfully) used privatisation and asset sales as a strategy for paying down a very large amount of debt (and unfunded superannuation liabilities) during the 1990s, now finds itself once again in a very similar position, but without any significant assets left to sell. The same could be said of the Federal Government.

That underscores the importance of putting stronger 'guardrails' around the formulation of budgets and the management of public finances – as recommended by my *Independent Review of Tasmania's State Finances* (Eslake 2024: 113-120) – in order to provide the public with greater assurance that "the family silver" isn't being sold off, only for the same imprudent financial management which led to the debt problems (which privatisation is intended to solve) subsequently to emerge again.

An important consideration in that context is whether the interest saved by using the proceeds of any privatisations or asset sales to pay down debt (or, alternatively, by using the income generated by investing the proceeds of any such transactions to defray interest on debt) exceeds the revenue from company tax equivalent and dividend payments that the Government necessarily foregoes by no longer owning the business or asset – not just over the conventional four-year forward estimates period but over 'the long term'.

Advice from investment bankers instead suggests that motivations such as creating the capacity to fund the provision of new infrastructure (which the Government might not otherwise be able to afford given its current and prospective financial position) are much more likely to resonate with a skeptical public. That was certainly the experience in New South Wales, with its 'asset recycling' program (Baird 2014; Infrastructure Partnerships Australia 2018; Australian Treasury 2019). By contrast, in Queensland Campbell Newman's "Strong Choices" privatisation narrative, with its emphasis on debt reduction, failed to resonate with the electorate and contributed to a dramatic turnaround in his government's fortunes at the subsequent election (Winther 2015: 9).

### ***The importance of 'stakeholder alignment' with the boards and management of businesses***

The OECD stresses the importance of ensuring appropriate alignment between the government which wishes to undertake a privatisation transaction and the board and management of the entity being privatised, since they "will play a key role in ensuring the company's 'readiness' for privatisation" (OECD 2019: 72).

This is particularly the case if any restructuring of the business is required, for example, in order to retain certain responsibilities or functions in government hands, to promote competition, or to ensure the creation of a suitably robust post-privatisation regulatory framework.

The Government will need to be conscious of the potential for tensions between the duties which directors of GBEs and SOCs owe, under the Corporations Law, to those entities (and perhaps, in some cases, their personal interest and that of senior managers in remaining in those prestigious positions), and the interests of the Government – and to manage those tensions in an appropriate manner.

### ***The importance of thorough preparation – in particular of the post-privatisation environment***

Many of the entities which have been privatised by other governments in Australia and overseas – and almost all of the entities listed in the Terms of Reference for this assessment – are ‘natural monopolies’, have considerable latent market power (in particular, to set prices), or are responsible for the provision of services which a privately-owned, profit-making business would not ordinarily or voluntarily provide. Indeed, those are the most common reasons for an activity being conducted by a government-owned entity in the first place.

This underscores the importance of careful, forward-looking preparation ahead of any privatisation transaction of other form of divestment.

In particular, it is crucial that where a business which is a ‘natural monopoly’ (such as Tas Networks, Tas Ports, the Motor Accidents Insurance Board or the Land Titles Office), or which though not necessarily a monopoly nonetheless has considerable power to set prices (such as TT-Line), an appropriate regulatory structure is put in place *before* any sale occurs – in order to ensure that the ‘market power’ which such businesses possess will not be abused to the detriment of consumers, and that whatever stipulations or conditions are imposed on the ultimate buyers are fulfilled.

That regulatory structure also needs to be understood by prospective buyers, so that they can confidently make judgements about the price they are willing to pay to acquire the business or asset.

The OECD puts this consideration thus:

“a privatising government needs to ensure two separate, but related, regulatory frameworks are in place. First, adequate competition or anti-trust regulation backed by effective enforcement mechanisms is needed ... [Second,] sectoral regulation of activities that will necessarily involve an element of monopoly subsequent to privatisation ... Safeguards must be taken to ensure the independence of the relevant regulatory agencies in general and *vis-à-vis* any remaining ownership function that the government may retain” (OECD 2019: 45-46).

In some cases – most obviously ‘poles and wires’ businesses (ie, Tas Networks) – a mature and well-understood regulatory framework (administered by the Australian Energy Regulator) already exists.

However in many other instances, an appropriate regulatory framework would need to be established – as other jurisdictions have discovered, for example flowing from the privatisation of the third party insurance business in South Australia, or as would likely be required should Tas Ports be privatised.

Similarly, where a GBE or SOC provides services or undertakes other activities which a profit-making business would ordinarily not – such as Metro Tasmania or the Port Arthur Historic Site Management Authority – it will be critical to specify quite precisely:

- what services a prospective acquirer will be expected to provide,
- the terms on which those services will be provided,

- what sort of ongoing support the Government will provide in order to ensure the continued provision of those services at 'acceptable' prices,
- what sort of oversight or monitoring will be undertaken (and by whom) to ensure that those services continue to be provided on the specified terms, and
- what penalties or other consequences would apply in the event of non-compliance.

Again the OECD advice to governments is clear:

"Where the privatisation will have a potential impact on the delivery of universal service obligations, policy makers should undertake a specific assessment to ensure that the transaction does not undermine the delivery of such services and if transferred to the privatised entity, that fundamental principles of quality, affordability, accessibility and universality are guaranteed. This assessment should take into account long-term assessments on costs and efficiency" (OECD 2019: 30).

The Asian Development Bank is likewise emphatic about the importance of development of contract management skills:

"Government agencies are often ill-equipped to deal with private operators, especially where there is no privatization agency. In the post-privatization phase, capacity for drafting, negotiating, monitoring, and enforcing contracts needs to be strengthened." (Kikeri 2022: 313).

Advice from investment bankers indicates that requirements for the on-going provision of 'community service obligations' are well-understood by prospective acquirers – but that the terms and conditions pertaining to those obligations need to be clearly spelled out so that prospective acquirers can take them into account in framing their offers.

It should also be noted that some GBEs or SOCs fulfil functions other than 'community service obligations' which a profit-making private business would not ordinarily undertake.

A particular example is the 'transmission and distribution system planning' work undertaken by Tas Networks. In the aftermath of the privatisation of Transgrid and Ausgrid, the New South Wales Government found that it needed to establish a new statutory authority, EnergyCo, to undertake these functions, which assume heightened importance in the transition to 'net zero' (NSW Government 2025).

Additionally, if the Government wishes seriously to consider the privatisation of Tas Networks, it will need to give some consideration to the ownership of the communications network used by Hydro Tasmania to manage various aspects of its system of dams and power stations, which was transferred to Tas Networks in the early 2010s.

Similarly, if the Government wishes to consider the privatisation of Hydro Tasmania's mainland retail subsidiary Momentum Energy, it will need to make new arrangements for retailing electricity on the Bass Strait Islands, which is currently undertaken by Momentum.

If it wished to proceed with the privatisation of either Tas Networks or Aurora Energy it would need to have Parliament amend or repeal section 20 of the [Electricity Companies Act 1997](#), which prohibits the sale (or 'otherwise disposal') of the shares in any company created by that Act, or of "a transmission system ... or a distribution network situated in Tasmania", and in particular subsection (4) of which stipulates that any amendment or repeal of that section "is of no effect unless the proposal for repeal or amendment has been approved by a majority of the electors voting in a referendum".

Likewise, if the Government were to proceed with a sale or lease of Tas Ports, it would need to consider whether Bass Island Line (which provides the shipping service between Devonport and King Island) and Devonport Airport (both of which Tas Ports owns) should be part of that sale, sold or leased as a separate entity, or retained in government ownership. It would also need to decide whether the harbour master functions, and the towage and pilotage services, currently undertaken by Tas Ports should also transfer to a private acquirer, or remain in government hands.

The Government will also need to be quite specific about precisely how it expects any businesses which it decides to privatise to play any kind of what it likes to call a 'Team Tasmania' role – for example by providing products or services at a 'below-market price' in order to support government efforts to attract or retain investment and employment in Tasmania. That is something which it can (and does) quite readily direct a GBE or SOC to do, but which a private profit-making business would not ordinarily do.

### ***The importance of addressing employee concerns***

The OECD stresses that "involvement and consultation with employees and labour representation early in the process is critical to ensure its success" and that "should a significant restructuring process be accompanied by a workforce reduction before or anticipated immediately following the sale, it is important to involve employee representatives at the enterprise level to discuss, anticipate and mitigate effects on employment and the company (OECD 2019: 51-53).

It is to be expected that unions representing employees at GBEs or SOCs will be opposed to their potential privatisation or divestment – as has been made very clear by the unions whose opinions I have sought during the course of this assessment – both for long-standing ideological reasons, and out of understandable concerns for the employment prospects, remuneration and working conditions of their members.

Nonetheless, unions and employees will also be aware that privatisations and other forms of divestment have been undertaken by governments of both major political persuasions in other jurisdictions, and that 'guarantees' regarding employment and working conditions have typically been part of those processes.

Advice from investment bankers indicates that while the stipulation of enforceable guarantees to employees will inevitably have an impact on the prospective value of any transaction, they are nonetheless an expected and well-understood part of the process from the standpoint of prospective acquirers.

### ***The importance of robust and transparent processes***

The OECD lays considerable emphasis on the importance of 'getting the process right' – from the standpoint of ensuring the best possible return for the government (on behalf of the public as owners of the assets being sold or divested), and from the standpoint of ensuring the confidence of prospective acquirers and the public as a whole of the integrity of the process.

There are a number of dimensions to this.

First, governments need to have access to good, and disinterested, advice. As the OECD puts it, "advisers should be selected according to quality, competence and experience"; and, no less importantly, "special care should be taken to avoid conflicts of interest, including by separation of sales and advisory mandates" (OECD 2019: 12).

The OECD suggests that although advisors should be selected through "a competitive bidding process" (so as to "ensure best value and protect the transparency of the privatisation process"), it would be "useful to develop a list of qualified bidders by establishing lists or framework agreements instead of focussing exclusively on cost (OECD 2019: 78).

Second, the government needs to ensure that its own internal advisors, and the agency managing the process on behalf the government – in the Tasmanian context, presumably the Department of Treasury and Finance – are appropriately staffed and resourced to undertake the tasks involved. Again citing the OECD, "good practice calls for the privatisation process to be supported, if not administered, by a centralised or coordinated ownership entity which is independent, competent, well-resourced and subject to high standards of accountability and transparency" (OECD 2019: 34).

The importance of adequate staffing and resourcing is also critical for agencies which become responsible for contracting with private businesses for the delivery of services previously provided through GBEs or SOC's.

Third, sequencing of a privatisation program is important (if the Government decides to privatise or otherwise divest itself of more than one entity or asset). The OECD advises that "successful programs usually begin with the sale of assets that operate in competitive sectors of the economy and require less preparation" (OECD 2019: 37). In the Tasmanian context, that might extend to sectors of the economy where robust and effective regulatory mechanisms are already in place and well understood by all participants.

If the first transaction is successful – from the standpoint of the Government (as vendor), the acquirer, and other stakeholders – then subsequent transactions are more likely also to be successful. The converse is also true.

The amount of work involved – including by any GBE or other entity which the Government may decide to privatise – in carrying a transaction through to a successful conclusion should not be under-estimated. In particular, prospective acquirers will expect access to a 'data room' (typically on-line), which they will expect to include confidential information pertaining to that business. Experience shows that "a lack of documentation or incomplete information can lead to a sale falling through, or that buyers set forth certain conditions on sale" (OECD 2019: 88).

It will be no less important to ensure that appropriate non-disclosure agreements are drawn up, and where necessary enforced.

Finally, it is important to recognise that the process does not end with the consummation of a transaction. Once again quoting the OECD:

“Good practice calls for the competent authorities to conduct an independent evaluation of the past privatisation projects undertaken. This should be based on the criteria set out at the beginning of the process, in terms of achieving the stated goals, rationales and objectives. A post-privatisation evaluation should also include an assessment of corporate efficiency, effects on markets and stakeholders. Finally, good policy practice would encourage independent evaluation of the impact of the privatisation in terms of consumers, especially where public service delivery is concerned. These are most often performed by the national audit office” (OECD 2019: 93).

In the Tasmanian context this would point to a role for the Auditor-General, and/or the Parliamentary Public Accounts Committee, in assessing the success or otherwise of each privatisation or divestment.

### ***Some other issues to be considered***

In addition to all of the foregoing, there are a number of other issues about which the Government will need to make decisions if it wishes to proceed with the privatisation or divestment of any GBEs, SOCs or other entities.

First, if the Government does decide that a particular entity should – for whatever reason – no longer remain publicly owned and operated, it will need to decide whether the entity should be sold, or leased – and if the latter, the term of the lease.

As indicated by the list of Australian privatisations in Appendix 2, leases have become more commonplace among those transactions which have been undertaken in the past two decades – in part reflecting the fact that those transactions have tended to involve businesses with more monopoly power (such as ‘poles and wires’ businesses and ports), and hence a greater requirement for more conditions over what an acquirer can do with the assets after a transaction has been consummated.

It's also worth noting that the terms of such leases have tended to become shorter than the 99 years for which most businesses or assets were initially leased. That's in part because the ‘time value of money’ means that acquirers typically do not ascribe a great deal of value to leases beyond about 50 years.

Second, the Government will need to give careful consideration as to whether any sale or lease should be for 100% of the business or asset in question, or whether it should retain a minority stake (and if so, of what size).

The arguments for the state to retain a minority interest include to give the Government some scope to influence the conduct of the business after it is sold or leased; and to provide the opportunity for the Government (and hence the public) to share in any increase in the value of the business (for example as a result of ‘more efficient’ management, if that is indeed the outcome) by selling that stake, either to the original acquirer or to some other purchaser, at a subsequent date.

The main arguments against the state retaining a minority interest are the potential 'conflicts of interest' – which will be keenly felt by whoever is the director representing the Government on the board of the privatised entity – between the responsibility, under the Corporations Law, to act in the 'best interests' of the (privatised) company, and the interests of the Government (which may differ from those of the acquirer); and the likelihood that the state continuing to hold a minority interest will reduce the transaction value (by more than simply the proportion which the Government wishes to continue to hold).

On the second of these points, the OECD notes that:

"If the partially privatised asset is vulnerable to government interference, this creates uncertainty for investors with adverse effects on the value of shares. It also means that the full benefits of privatisation in terms of improved efficiency may not be realised. It also does not result in full risk transfer to the private sector and could expose the government to moral hazard where the company is too big or important to fail" (OECD 2019: 44).

The resolution of this dilemma may well result in different outcomes with regard to different businesses – implying that the Government will need to consider this issue separately in each case.

Third, if the Government wishes to sell, rather than lease, a business or an asset, it will need to decide whether the sale should take the form of a 'public float' or 'initial public offering' (that is, a listing of shares on the Australian Stock Exchange) or a 'trade sale' (that is, to a single buyer, or a consortium of buyers).

A public float or IPO offers the opportunity for employees of the business, or members of the Tasmanian public, to take up shares in the business and thereby create a sense of 'ownership' which may serve to alleviate some of the public concerns inevitably associated with privatisation (although it will be of little if any comfort to those who believe that they 'already own' a business which is owned by the Government).

However, there is typically a minimum size for a public float (not least in order to ensure sufficient liquidity in trading the stock), which would likely exclude most of the GBEs being considered here. In addition, experience (and advice from investment bankers) suggests that a public float typically requires a discount to the 'fair value' of the asset (in order to entice interest from retail investors) and, in particular, foregoes the possibility of a 'control premium' which acquirers of a controlling interest in the business (ie, a stake of more than 50%) are typically willing to pay.

That's why – as shown in Appendix 2 – the vast majority of privatisations have taken the form of 'trade sales'. Indeed there have only been two public floats of former GBEs in the past 15 years – QR National, by the Queensland Government, in November 2010, and Medibank Private, by the Commonwealth Government, in November 2014 – and none in the past ten years.

In some other instances – for example, Metro Tasmania – an altogether different form of transaction to an outright sale or lease, such as 'contracting out', is likely to be more appropriate if the Government chooses to go down the divestment path.

Fourth, if the Government does decide to proceed with the privatisation or divestment of any profit-making GBE, SOC or agency, before consummating any transaction it should engage with the Commonwealth Government to seek some sharing of the financial benefits which are likely to accrue to the Commonwealth as a result.

That's because, once a business is sold to a private acquirer, 30% of that acquirer's net profit (including any *increase* in net profit as a result of the business being operated 'more efficiently') will, at face value, accrue to the Commonwealth Government in the form of company tax – rather than being paid to the Tasmanian Government as 'company tax equivalents'. The Commonwealth will also collect income tax on dividends paid by private acquirers to their shareholders, and capital gains tax on any subsequent sales of businesses acquired by private sector businesses.

There are precedents for sharing these revenue enhancements between the Commonwealth and state governments.

Under the National Competition Policy initially introduced by the Keating Government in the early 1990s and continued by the Howard Government, the Commonwealth made payments to the states and territories totalling \$5.5 billion over the nine years to 2005-06 (of which Tasmania received \$144 million or 2.6%), in recognition of the fact that "although the states and territories were responsible for significant elements of the National Competition Policy, much of the direct financial return accrued to the Australian Government via increases in taxation revenue that flows from greater economic activity" (Pincus 2007; National Competition Council 2025).

In May 2014, the Abbott Government signed a five-year National Partnership Agreement with the states and territories to encourage 'asset recycling', that is, the use of asset sales proceeds to fund investment in new infrastructure (Hockey and Cormann 2014: 114 and 216). Under this Agreement, the Commonwealth provided 'incentive payments' to states and territories equivalent to 15% of the proceeds of asset sales multiplied by the proportion of the proceeds reinvested in additional infrastructure investment. In total, \$2.3 billion was paid out under this Agreement, of which \$2.2 billion went to New South Wales, \$67 million to the ACT, and \$40 million to the Northern Territory (Australian Treasury 2019: 2-3 and 9). The Tasmanian Government chose not to participate in this program.

In November 2024, the Commonwealth, states and territories signed a new Intergovernmental Agreement on National Competition Policy under which they agreed to "sharing the benefits of economic growth and revenue generated by competition reforms to which they have contributed" (Council on Federal Financial Relations 2024).

If the Tasmanian Government can demonstrate that any privatisations it chooses to undertake will boost competition, productivity or economic activity, it will have a good case to receive payments under this Agreement, which may go some way to offsetting any loss of revenue from company tax equivalent and dividend payments. If it is successful in that regard, it would also need to mount a case for having any such revenue share 'quarantined' from the Grants Commission's assessments of Tasmania's GST revenue share (as occurred with the payment to Tasmania accompanying the return of the Mersey Community Hospital in 2014-15).

## 5. GBEs, SOC and other entities which are not considered suitable or appropriate for privatisation or divestment

The Terms of Reference (set out in Appendix 1) ask me to identify any businesses which should be ruled out of consideration for divestment. This Chapter fulfils that requirement.

It does so having regard to the following criteria:

- whether the GBE, SOC or agency is carrying out functions which would unlikely to be undertaken by a prospective private acquirer, and where it is likely to be difficult to provide financial inducements or to create a regulatory framework designed to ensure that those functions continue to be provided;
- whether privatisation or any other form of divestment would likely detract from the Government's capacity to achieve important strategic or policy objectives;
- whether privatisation or any other form of divestment would likely result in significant losses of employment;
- whether privatisation or any other form of would likely result in significant price increases (that could not be prevented by the terms and conditions of sale, or by regulation), or material reductions in the quality of services provided; and
- whether there is likely to be any interest in the entity from prospective acquirers – and if so, whether the interest saved by applying the sale proceeds to debt repayment would exceed the tax-equivalent and dividend revenue foregone.

A GBE, SOC or agency is ruled out of consideration at this stage only if it clearly fails most or all of the 'tests' embodied in the above criteria. It is possible that one or more of the entities listed in the Terms of Reference will be ruled out during the second stage of this assessment process, following the more detailed consideration which the Terms of Reference call for in that second stage.

In other words, it should not be inferred that if a GBE, SOC or other agency is *not* included in this Chapter, it therefore *will* be recommended as suitable for privatisation or some other form of divestment in the second stage.

### ***The Port Arthur Historic Site Management Authority***

The Port Arthur Historic Site Management Authority (PAHSMA) was established in 1987 to preserve and maintain the Port Arthur Historic Site, which had previously been managed since 1916 by the Scenery Preservation Board and its successor (from 1971) the National Parks and Wildlife Service. Since 2011, PAHSMA has also been responsible for the Coal Mines Historic Site at Saltwater River, and the Cascades Female Factory Historic Site in South Hobart.

The Port Arthur site is the fourth most visited tourist attractions in Tasmania, with 312,984 visitors in the 2023-24 financial year, representing 24% of all recorded tourist visits across Tasmania, while the Cascades Female Factory is the 16<sup>th</sup> most visited site (Tourism Tasmania 2025).

PAHSMA has about 115 employees (down from a peak of 140 in 2018-19), accounting for about 9% of total employment in the Tasman municipality.

It has assets valued at \$89.1 million as at 30<sup>th</sup> June 2024, and liabilities of \$15.3 million. Those assets are, primarily, the historic buildings at Port Arthur and the Cascades Female Factory, which on account of their age and condition require extensive maintenance. Together with its expenditure on interpretation and education, these costs have averaged almost \$8 million per annum over the past three years. Despite receiving grants from the State Government totalling \$37.2 million over the four years to 2023-24 (partly in recognition of its inability to generate revenue from visitors during the Covid-19 pandemic), and notwithstanding some success in generating increased revenue from visitor admission fees and merchandise sales, PAHSMA has incurred losses every year since 2018-19, after having made profits in each of the preceding four years.

Advice from investment bankers is that there is unlikely to be any interest from prospective purchasers in acquiring PAHSMA – and that if there were, it would be on terms that would make divestment an unappealing proposition for the Government, putting at risk the preservation of one of Tasmania's most important heritage assets and visitor attractions. There would in addition likely be downside risks to employment on turrakana / Tasman Peninsula.

Hence, this assessment recommends that the Government should not pursue the privatisation or divestment of PAHSMA.

One alternative option which the Government could consider is assigning the management of all of Tasmania's government-owned 'built heritage' sites – including at least some of the 20 currently managed by the [Tasmanian Parks and Wildlife Service](#) – to PAHSMA (and renaming it 'Built Heritage Tasmania' or something similar). Many of these sites (including Richmond Gaol, the Ross Female Factory, the Eaglehawk Neck Historic Site and Sarah Island) are as much a part of Tasmania's convict-era heritage as the three currently managed by PAHSMA – and so without implying any criticism of the way in which they've been managed by TPWS, there may be economies of scale in bringing them under a single authority, doing so may allow TPWS better to focus on its 'core' activities, and it may enhance the opportunity to create a new tourism product based on Tasmania's extensive 'built heritage' (perhaps in conjunction with the [National Trust](#) which has nine heritage properties in its portfolio).

### ***The Tasmanian Public Finance Corporation (TasCorp)***

The Tasmanian Public Finance Corporation, more commonly known as TasCorp, was established in 1985 to manage the debt and financial asset portfolios of the Tasmanian Government and its GBEs. The Commonwealth, and every other state and territory government, has a similar agency: and none of them has sought to privatise it, or contract out the services it provides to a financial institution, or any other body.

TasCorp had assets of \$12.5 billion as at 30<sup>th</sup> June 2024 – almost entirely loans to the Tasmanian Government and GBEs such as Hydro Tasmania and Tas Networks – offset by liabilities of \$12.2 billion, consisting almost entirely of bonds on issue (which carry a guarantee issued by the Tasmanian Government). Its "net worth" is therefore less than \$300 million. It is consistently profitable, generating net profits averaging just under \$32 million per annum over the past decade, out of which it has paid company tax equivalents averaging \$6.2 million per annum and dividends averaging \$7.8 million per annum over this period.

If it were decided to privatise TasCorp, or 'outsource' the services which it currently provides, the Government and those of its GBEs with borrowings would have to pay for those services – and in all likelihood, a higher price than it does through TasCorp. And the 22 jobs at TasCorp would almost certainly not remain in Tasmania.

Advice from investment bankers indicates that it is unlikely that TasCorp could be sold to (for example) a bank or other financial institution.

Nor is it likely that its operations could be out-sourced to an equivalent agency in another jurisdiction (such as the Australian Office of Financial Management or the NSW Treasury Corporation) – not least because that could potentially have an adverse impact on that jurisdiction's credit rating, given the current and prospective poor condition of Tasmania's finances.

Hence this assessment recommends that the Tasmanian Government should not pursue the privatisation or divestment of TasCorp.

### **Tasracing**

Tasracing was established in November 2008, as part of a restructuring of the governance of racing in Tasmania consequent upon a decision by the then Bartlett Government, announced in January 2009, to sell TOTE Tasmania (although the sale did not take place until March 2012) (Tasmanian Audit Office 2012: 1; Legislative Council Government Administration Committee 'A' 2012: 11).

Tasracing is responsible for the "comprehensive development and promotion of the state's racing industry". As such, it "oversee[s] the ongoing growth of racing and breeding, market Tasmanian racing to local, national, and international audiences, fund[s] race clubs, provide[s] stakes and prize money, manage[s] racing venues, and ensure[s] the smooth operation of race day activities". It "invest[s] in safe track infrastructure, drive[s] the expansion of the Off-The-Track program to support the transition of retired racehorses, [and] fund[s] the Greyhound Adoption Program" (Tasracing 2025).

Following the passage of the *Racing Regulation and Integrity Act 2024*, the responsibility for upholding and enforcing racing integrity standards was transferred to a new Tasracing Integrity Unit, headed by the Racing Integrity Commissioner, and administratively located within the Department of Natural Resources and Environment.

Tasracing is funded largely by a 20-year funding deed established in 2009, as 'compensation' for the loss of revenue from TOTE Tasmania, supplemented by race field fees, media rights and sponsorships.

As at 30<sup>th</sup> June 2024, Tasracing had assets valued at \$67.8 million and liabilities totalling \$14.8 million, implying a 'book' net worth of \$53 million. It has received \$161.5 million in funding from the Tasmanian Government over the past ten years (rising from \$29.9 million in 2014-15 to \$44.8 million in 2023-24), pursuant to the twenty-year funding deed referred to above, and will receive a further \$147.4 million over the four years to 2027-28, according to the 2024-25 State Budget (Ferguson 2024b: 221). The 2024-25 Budget also provided equity funding of \$9.5 million to Tasracing, including \$8.5 million for racing infrastructure in the North West and North, and \$1 million for "other capital projects".

Tasracing has recorded net profits in five of the past ten years (including unusually large, by its standards, profits totalling \$9.3 million in the two financial years affected by Covid-19), and losses in the other five. It made company-tax equivalent payments to the Government totalling \$1.2 million in 2021-22 and 2022-23, reflecting the profits made in the Covid years, but received a refund of \$505,000 in 2023-24. It is not expected to make any tax equivalent payments to the Government over the next four years.

Tasracing has paid fees totalling \$1.9 million to the Government over the past ten years for government guarantees of its loans (though those payments have declined over time as Tasracing's outstanding borrowings have declined).

It has never paid a dividend to the Government, and is not expected to pay one over the next four years.

Advice from investment bankers suggests that there is unlikely to be any interest from private buyers in acquiring Tasracing – reflecting the fact that its activities are almost completely reliant on an ongoing large subsidy from the Tasmanian Government, which comes up for review with the expiry of the funding deed in 2029.

Hence this assessment recommends that the Tasmanian Government should not pursue the privatisation of Tasracing.

However, this assessment also recommends that the Government should consider whether Tasracing should remain a GBE, and instead be transferred, possibly for zero consideration, to the racing 'industry' – and, in the context of the expiry of the funding deed in 2029, whether the Government should continue to provide the amount of support to that 'industry' as it has done, and is committed to doing until 2029.

A 'desktop review' conducted by the Department of Treasury and Finance in 2020 found that the Tasmanian Government was providing funding for racing equivalent to \$58.68 per capita, on average, over the four years to 2018-19, compared with \$47.33 in the Northern Territory, \$12.96 in Queensland, \$9.14 in New South Wales, \$6.46 in Victoria and \$4.37 in South Australia. Government funding represented 64% of Tasracing's revenue over this period, compared to between 6% and 23% of the revenue of the equivalent bodies in other jurisdictions (Tasmanian Department of Treasury and Finance 2020: 11-12).

The Government does not own the governing bodies of any other sporting codes, such as AFL football, cricket, soccer or basketball. And while it does provide subsidies to those codes – for example the 2024-25 Budget provides \$8.9 million for grants to football, soccer, rugby, basketball, netball, bowls, golf and shooting clubs or governing bodies (Ferguson 2024b: 301-307), in addition to on-going subsidies for AFL games at York Park – these amount in total to considerably less than the funding provided to racing.

One plausible argument for the extent of government involvement in racing is that, because the main 'appeal' of racing is the opportunities it provides for gambling, there are more 'integrity risks' in racing than arise in other sporting codes. Racing also involves animal welfare issues that don't ordinarily arise in other sports.

Another argument frequently deployed by the 'racing industry' to justify the extent of financial support provided by governments is with regard to employment.

Although Tasracing itself only has about 55 employees, it contends that the broader 'industry' employs over 6,400 people, of whom a large proportion are employed in regional areas of Tasmania (Tasracing 2025). This assertion has been contested by Treasury, which cites 2016 Census data showing that only 181 people derived their main income from the racing 'industry' (Tasmanian Department of Treasury and Finance 2020: 25) – although this does not include people employed in gambling-related activities.

The employment figures cited by Tasracing rely heavily on the use of so-called 'multipliers' (that is, estimates of the 'spill-over' effects of spending or employment in one industry to spending and employment in other sectors of the broader economy), drawn from national input-output tables produced by the Australian Bureau of Statistics. Treasury's 'desktop review' was highly critical of this practice, noting that "multipliers based on national input-output are likely to overstate the economic impacts of an initiative, including the expected number of jobs generated by the initiative" (Tasmanian Department of Treasury and Finance 2020: 23), a view also supported by the Productivity Commission (Gretton 2013: 7-11).

The report on which Tasracing's assertions are based estimates that racing in Tasmania "directly sustained 993 full-time equivalent positions in Tasmania" and "helped to sustain a further 742 FTE jobs in support industries", making a "total impact" of 1,735 FTE jobs (IER 2023: 10). That's considerably less than the "over 6,400" claimed by Tasracing.

But even taking the IER figures for 'direct and indirect' employment at face value, that represents a cost to the Tasmanian Government (based on the \$40.8 million paid by the Government to Tasracing in 2021-22 pursuant to the 2009 deed) of \$23,500 per FTE job. It is difficult to see how that level of support can be justified.

### **Tasrail**

The Tasmanian Government has been involved in railways for longer than any other form of business activity. The Tasmanian Government took over the Launceston and Western Railway Company in July 1872, and the Tasmanian Main Line Railway Company in October 1890 (Cooley 1963: 5-36). In 1975, as part of a 'deal' between then Premier Eric Reece and Prime Minister Gough Whitlam under which Tasmania ceased to be a 'claimant state' for Special Grants allocated by the Commonwealth Grants Commission, Tasmanian Government Railways was taken over by the Australian National Railways Commission (Koshin 2009: 324-25) (a similar 'deal' was reached between Whitlam and then South Australian Premier Don Dunstan).

In November 1997, the Howard Government sold TasRail to the Australian Transport Network (ATN), a partnership between New Zealand-based Tranz Rail (which had itself been privatised in 1993) and Wisconsin Central, a US-based company. The transaction included a 50-year lease of the Crown land on which the Tasmanian railway network was located, and an obligation to maintain the infrastructure situated on that land (Abbott and Cohen 2016). In 1998, ATN acquired the Emu Bay Railway – the only remaining privately-owned railway in Tasmania – from Pasminco (which had inherited it from North Broken Hill Peko, who had in turn previously acquired it from EZ Industries in 1984).

In 2004, the Australian Transport Network was in turn sold to Pacific National (PN), at the time a joint venture between Patrick Corporation and Toll Holdings, but from 2005 wholly owned by Toll Holdings, until 2007 when, as part of a restructure of that company, it became a wholly owned subsidiary of Asciano Limited.

In 2005, PN threatened to withdraw all of its Tasmanian rail services unless the Federal and Tasmanian Governments paid it a \$100 million subsidy (ABC News 2005). In May 2007, the Tasmanian Government acquired the infrastructure previously leased to ATN in 1997 (with the Federal Government providing \$78 million for capital works), while PN agreed to continue operating services in exchange for a \$4 million annual subsidy from the Tasmanian Government. In September 2009, the Tasmanian Government acquired the 'above-track' rail business of PN for \$32 million, leading to the establishment of Tas Rail (Abbott and Cohen 2016).

Tas Rail had assets valued at \$168 million as at 30<sup>th</sup> June 2024, and liabilities of \$40 million, implying a 'book' net worth of \$128 million. It has incurred losses in all but one of the past ten years, for an accumulated loss over this period of \$71 million. Over that period it has received equity contributions for infrastructure projects and other funding from the Tasmanian Government totalling over \$257 million. The 2024-25 Budget indicates that the Government will provide it with a further \$178 million over the four years to 2027-28. Apart from intermittent loan guarantee fees it has never made any financial return to the Tasmanian Government.

Investment bankers consulted in the course of this assessment have provided divergent opinions as to the prospects for a successful privatisation of Tasrail. One noted that Westrail's freight business was acquired by Australian Railway Group (a joint venture between Wesfarmers and a US-based rail operator) under a 49-year lease in 2000, with the 'above-rail' business subsequently on-sold to QR National and the 'below-rail' infrastructure and land lease to Babcock & Brown in 2006. However this appears to have been a profitable business, unlike Tasrail's.

Other investment bankers, noting the relatively small scale of Tasrail's operations, its persistent losses, and its on-going requirement for capital injections and subsidies, suggest that there is unlikely to be any appetite from either other railway operators or passive investors to acquire it.

The history of previous attempts at privatisation of railways in Tasmania is also likely to discourage any interest on the part of prospective acquirers.

Hence this assessment recommends that the Government should not pursue the privatisation or divestment of Tasrail.

The Government should nonetheless seriously consider whether the extent of its on-going financial support for Tasrail is justified. The traditional argument – put, in particular, by Tasrail itself – is that its operations help to reduce congestion on Tasmanian roads, in particular the Midland and Bass Highways (Carlyon 2016, Tasrail 2025). It would be useful for those claims to be rigorously tested as part of any examination of the continuing extent of government financial support for Tasrail.

## Entura

Entura is a wholly owned subsidiary of Hydro Tasmania operating a specialist energy and water consulting business, with clients in Tasmania (including Hydro Tasmania itself, Tas Networks and Tas Water), other parts of Australia and overseas (in particular in South-East Asia and the Pacific). It was originally established as Hydro Tasmania Consulting when the former Hydro-Electric Corporation was disaggregated into separate generation, transmission and retailing businesses in 1997.

Its financial results are not reported separately by Hydro Tasmania and, consistent with the stipulation in the Terms of Reference that this assessment be based on publicly-available information, have not been sought for the purposes of this assessment<sup>1</sup>.

It is a matter of public record that Hydro Tasmania has previously considered selling part of its interest in Entura. In 2015, it announced that it was exploring a “potential joint venture” with two subsidiaries of a Chinese state-owned enterprise, PowerChina, under which PowerChina would acquire “an ownership interest in Entura” (Hydro Tasmania 2015). However these negotiations were ultimately scuttled by then Treasurer Peter Gutwein ahead of the 2018 state election.

Since then, the skills and experience embodied in Entura’s staff have assumed greater strategic importance to Hydro Tasmania, and to Tasmania more broadly, given the significant role to be played by renewable energy generation in the transition to ‘net zero’ emissions, and Tasmania’s role in enabling Australia to achieve that goal. About 70% of Entura’s work in 2023-24 was done for Tasmanian clients (and within that, 59% for Hydro Tasmania itself) (Hydro Tasmania 2024: 20) – and that workload is likely to increase given not only the requirements of Hydro’s ‘Battery of the Nation’ project (assuming Marinus goes ahead) but also the increasing needs for refurbishment of Hydro’s ageing water storage and generation infrastructure (including that now under way at Tarraleah).

It seems highly likely that the cost of acquiring the expertise currently available from Entura would be significantly greater if it instead had to be purchased from a privately-owned business of the sort likely to acquire Entura if it were to be sold.

Advice from investment bankers suggests that – assuming any interest from Chinese state-owned enterprises would nowadays be rejected by the Foreign Investment Review Board on ‘security’ grounds – there may be some interest from other engineering consulting businesses. However, if Entura were to be sold to one of them, it seems highly likely that the 173 permanent and 14 casual jobs currently located in Tasmania would, over time, be re-located to the mainland or beyond (depending on the location of the acquirer’s offices).

Having regard to Tasmania’s strategic interest in retaining the capabilities contained within Entura, this assessment recommends that Entura not be further considered for privatisation or divestment.

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<sup>1</sup> By way of disclosure, I was a non-executive director of Hydro Tasmania between March 2008 and September 2018. I have not drawn upon any knowledge or recollections from that period – other than what is already publicly available – in undertaking this assessment.

## **The Public Trustee**

The Public Trustee was established in 1915 (replacing the Tasmanian Curators Office originally established in 1853) to provide wills, estate and trustee services, including preparing documents, acting as an executor or administrator of estates where none has been nominated or no valid will has been made or when the nominated executor is unwilling or unable to fulfil that role, acting as an administrator of people's financial affairs when appointed by TASCAT, and managing funds under the control of the Public Trustee.

As at 30<sup>th</sup> June 2024, the Public Trustee had assets valued at \$23.0 million and liabilities of \$12.8 million, implying a 'book' net worth of \$10.2 million. It has been consistently profitable over the past decade, before incurring a \$2.5 million loss in 2023-24, as a result of a large increase in IT expenses "due to one-off transition costs to a new IT Managed Service provider", increased employee and other costs arising from increased obligations under legislative changes made in 2023, and a \$2.74mn "shortfall" in funding for Community Service Obligations (Public Trustee 2024: 38). This was despite the Government's contribution to the Public Trustee increasing from an average of \$2.0 million per annum over the four years to 2021-22, to \$4.6 million in 2022-23 and to \$5.2 million in 2023-24.

The Public Trustee made company tax equivalent payments to the Government averaging \$163,000 per annum between 2014-15 and 2021-22, but has received refunds totalling just over \$1 million over the past two financial years. It anticipates making further losses over the next three financial years (Public Trustee 2024: 30) and is not expected to make any payments to the Government over the four years to 2027-28.

The Public Trustee was the subject of an Independent Review conducted by Damian Bugg QC in 2021, in response to "concerns about [its] operations and its dealings with clients and client outcomes", most of which related to the role of the Public Trustee in administering the financial affairs of persons pursuant to the provisions of the *Guardianship and Administration Act 1995* (Bugg 2021: 7). Similar reviews have been conducted in most other states in recent years.

The Bugg Review noted that the Public Trustee was providing services to "commercial clients" in competition with private service providers (including solicitors and private trustee companies, and 'will kits') as well as meeting a range of community service obligations (for which it receives partial funding from the Tasmanian Government). It further observed that "if it only provided services to clients where there is a market failure it would no longer be a commercial business ... [and] a continuation of the GBE model would be inappropriate", and that in such circumstances the Public Trustee "could be reconstituted as a statutory authority such as [in] South Australia [or] it may be better sited within a Department such as is the case in WA" (Bugg 2021: 68).

More recently, the Tasmanian Economic Regulator conducted an inquiry into the Public Trustee's fees and charges. This inquiry found "evidence that the Public Trustee's operating costs and costs for delivering services to represented person clients are too high", and that it "may not be appropriately balancing its competing interests of maximising revenue and protecting the interests of its vulnerable clients" (Dimasi 2024: 31-33, 55-56)

The Bugg Review did not consider whether any part, or all, of the Public Trustee could or should be privatised. No other jurisdiction has fully privatised its equivalent function, although the Victorian Public Trustee office contracted out its investment functions in the 1990s and its NSW counterpart did likewise (albeit only to the NSW Treasury Corporation) in the early 2000s.

Partly for that reason, partly reflecting the very small scale of the Tasmanian Public Trustee and partly because of its current and prospective loss-making position, the advice from investment bankers is that there would likely be very little appetite for acquiring it. Additionally, there is likely to be some risk of adverse consequences for the quality of service were the Public Trustee's non-commercial operations to be placed in the hands of a privately-owned entity.

Hence this assessment recommends that the Public Trustee not be further considered for privatisation or divestment.

The Government may, however, wish to consider whether the Public Trustee should continue to compete with private providers in providing wills, trustee and estate services – recognizing that if it were to cease doing so, the net cost to the Government of its operations would increase further.

However the Government should actively consider the Economic Regulator's suggestion that “there may be merit in more closely examining the arrangements in the Northern Territory, where some aspects of running the public trustee are outsourced (Dimasi 2024: 11).

It should also consider the conclusion of later review by Wise Lord & Ferguson that “the GBE structure is not appropriate for the Public Trustee to deliver services to core clients” and its recommendation that the Public Trustee should be restructured as a Statutory Body Corporate, either with a Board or, alternatively, within a Government agency (Wise Lord & Ferguson 2024: 4-5 and 27-29).

### **Concluding note**

To reiterate a point made at the beginning of this Chapter, the fact that a GBE, SOC or other entity has *not* been identified at this stage as not being a suitable candidate for privatisation or divestment does not mean that it therefore *should* be considered a suitable candidate. Rather, it means that there are more complex issues involved in arriving at a conclusion regarding each of those entities – which will be considered in my second report.

## Appendix 1: Terms of Reference

### *Background*

On 3 November 2024, the Government released the Government Business Governance Reform - Draft Plan. A key element of the Government's reform agenda is the review of the Government business portfolio.

All Government Businesses are to be considered as part of the Assessment.

The Assessment is to be undertaken in stages

- the first stage (Stage One) will identify any Government Businesses it recommends should be ruled out for divestment.
- the second stage (Stage Two) will then consider all remaining Government Businesses to determine any that should be fast-tracked to a divestment scoping study and those which require further investigation.

For clarity, the divestment scoping study and further investigation do not fall within the scope of this Assessment

### *Scope*

1. The Assessment should:

- a) Develop assessment criteria to identify Government Businesses considered candidates for divestment that takes into consideration the points included in the Appendix.
- b) Consider outcomes and "lessons learned" from other Government divestment processes within Australia and in other comparable economies.
- c) Identify the potential opportunities from divestment of Government Businesses, including the likelihood and extent of any potential benefits, such as:
  - i. increased investment in infrastructure and innovation;
  - ii. more efficient delivery of services;
  - iii. new job opportunities or skills development for Tasmanians;
  - iv. increased competition;
  - v. lower prices for customers and
  - vi. short and long-term fiscal benefits.
- d) Identify the potential risks and issues presented by divestment of Government Businesses, including the likelihood of risks materialising, the potential consequences and options to mitigate risks, such as:
  - i. price hikes;
  - ii. service declines;
  - iii. impact on local businesses and vulnerable Tasmanians;
  - iv. reduction in service availability;

- v. lack of buyer interest;
  - vi. reduced competition;
  - vii. ongoing costs to Government;
  - viii. prohibitive divestment costs; and
  - ix. loss of strategic control.
- e) Provide an assessment of each Government Business against the divestment criteria.
  - f) A recommendation of the Government Businesses considered candidates for divestment for fast tracking to the divestment scoping study phase of the review and those that require further consideration.
  - g) Identification of any Government Businesses that the analysis indicates should be considered for restructure or realignment.
  - h) Identification of any subsidiaries, operational divisions or specific assets of Government Businesses that warrant further individual assessment.

2. (Stage One Report) The Assessment should: provide a report which identifies any Government Businesses recommended to be ruled out for divestment as a whole entity, based on current policy settings, including the assumptions and rationale for the Government Business being ruled out.

3. (Stage Two Report) The Assessment should: provide a report which addresses all the matters referred to in paragraph 1 of the Scope of this Specification.

The Assessment will be undertaken using publicly available information in relation to the Government Businesses. The Government will provide consolidated historical financial performance information for each Government Business and be available to answer relevant queries and provide background in relation to the Government businesses governance reform project.

Appendix: Government Businesses means:

- Aurora Energy Pty Ltd
- Metro Tasmania Pty Ltd
- Tasmanian Irrigation Pty Ltd
- Tasmanian Networks Pty Ltd
- Tasmanian Ports Corporation Pty Ltd
- Tasmanian Railway Pty Ltd
- Tasracing Pty Ltd
- TT-Line Company Pty Ltd t/as Spirit of Tasmania
- Forestry Tasmania t/as Sustainable Timber Tasmania
- Entura
- Momentum Energy
- Motor Accidents Insurance Board
- Port Arthur Historic Site Management Authority
- Tasmanian Public Finance corporation
- The Public Trustee
- The Land Titles Office

## Appendix 2: List of privatisations in Australia

	Year	Transaction type	Proceeds (\$mn)	Government (a)
<b><u>Commonwealth</u></b>				
Australian Industry Development Corp	89/90	Float	25	Labor
AUSSAT	91/92	Trade sale	504	Labor
Commonwealth Bank I	91/92	Float	1,311	Labor
Australian Airlines	92/93	Trade sale	400	Labor
Qantas	92/93	Trade sale	665	Labor
Commonwealth Serum Laboratories	93/94	Float	299	Labor
Commonwealth Bank II	93/94	Float	1,686	Labor
Moomba-Sydney Pipeline	93/94	Trade sale	534	Labor
Snowy Mountains Engineering Corp	93/94	Trade sale	1	Labor
Aerospace Technologies of Australia	94/95	Trade sale	40	Labor
Snowy Mountains Engineering Corp I	94/95	Trade sale	0	Labor
Qantas	95/96	Float	1,450	Labor
Snowy Mountains Engineering Corp II	95/96	Trade sale	0	Labor
Avalon	96/97	Trade sale	2	Liberal
Commonwealth Bank III	96/97	Float	3,390	Liberal
Commonwealth Funds Management	96/97	Trade sale	63	Liberal
DASFleet	96/97	Trade sale	408	Liberal
Australian Industry Development Corp	97/98	Trade sale	200	Liberal
Australian National (rail)	97/98	Trade sale	95	Liberal
Brisbane Airport	97/98	Trade sale	1,387	Liberal
Commonwealth Bank IV	97/98	Float	1,770	Liberal
Melbourne Airport	97/98	Trade sale	1,307	Liberal
Perth Airport	97/98	Trade sale	643	Liberal
Tas Rail	97/98	Trade sale	16	Liberal
Adelaide & Parafield Airports	97/98	Lease	362	Liberal
Darwin, Alice Springs, Tennant Ck airports	97/98	Lease	108	Liberal
Coolangatta Airport	97/98	Lease	106	Liberal
Telstra I	97/98	Float	14,330	Liberal
Telstra II	98/99	Float	16,000	Liberal
Broadcast Australia	99/00	Trade sale	650	Liberal
National Rail Freight Corporation	02/03	Trade sale	1,050	Liberal
Sydney Airport	02/03	Trade sale	4,233	Liberal
Bankstown, Camden, Hoston Park airports	02/03	Lease	211	Liberal
Telstra III	07/08	Float	15,400	Liberal
Medibank Private	14/15	Float	5,700	Liberal
<b><u>New South Wales</u></b>				
Kooragang Coal Loader	89/90	Trade sale	20	Liberal
Newcastle Wharfside Services	89/90	Trade sale	18	Liberal
NSW Investment Corporation	89/90	Trade sale	65	Liberal
NSW Egg Corporation	89/90	Trade sale	19	Liberal
NSW Investment Corporation	89/90	Trade sale	65	Liberal
Port Kemba Coal Loader	90/91	20-yr lease	\$2.5/t	Liberal

	Year	Transaction type	Proceeds (\$mn)	Government (a)
<b><u>New South Wales (continued)</u></b>				
Port Kemba Coal Loader	90/91	20-yr lease	\$2.5//t	Liberal
Liddel State Mine	91/92	Trade sale	n.a.	Liberal
First State Computing	91/92	Trade sale	11	Liberal
Government Insurance Office	91/92	Float	1,800	Liberal
NSW Grain Corp	91/92	Trade sale	100	Liberal
Fish Marketing Authority	93/94	Trade sale	3	Liberal
School Furniture Complex	93/94	Trade sale	5	Liberal
State Bank of NSW	94/95	Trade sale	568	Liberal
Sydney Market Authority	96/97	Trade sale	1	Labor
Axiom Funds Management	96/97	Trade sale	215	Labor
NSW TAB	97/98	Trade sale	1,017	Labor
Freightcorp	01/02	Trade sale	669	Labor
Integral Energy Gas	01/02	Trade sale	2	Labor
PowerCoal	01/02	Trade sale	324	Labor
Qstores and cmSolutions	04/05	Trade sale	38	Labor
EmmLink (Country Energy)	05/06	Trade sale	85	Labor
Energy Australia	06/07	Trade sale	207	Labor
Country Energy Gas	09/10	Trade sale	108	Labor
NSW Lotteries	09/10	Trade sale	1,008	Labor
Country Energy Retail	10/11	Trade sale	1,300	Liberal
Energy Australia Retail	10/11	Trade sale	1,480	Liberal
Integral Energy Retail	10/11	Trade sale	1,000	Liberal
WSN Environmental Solutions	10/11	Trade sale	234	Liberal
Sydney desalination plant	11/12	50-yr lease	2,300	Liberal
Bayswater & Liddell Power Stations	13/14	Trade sale	1,505	Liberal
Colongra Power Station	13/14	Trade sale	233	Liberal
Eraring Energy	13/14	Trade sale	657	Liberal
Green State Power	13/14	Trade sale	72	Liberal
Hunter Water Australia	13/14	Trade sale	7	Liberal
Mt Piper & Wallerawang Power Stations	13/14	Trade sale	475	Liberal
Port Botany	13/14	99-yr lease	4,310	Liberal
Port Kembla	13/14	99-yr lease	760	Liberal
Port of Newcastle 50%	13/14	98-yr lease	1,750	Liberal
Kooragang Island Water Treatment Plant	14/15	Trade sale	36	Liberal
M7 rental payments	14/15	Trade sale	174	Liberal
Transgrid	14/15	99-yr lease	10,273	Liberal
Vales Point Power station	14/15	Trade sale	21	Liberal
Home Care	15/16	Trade sale	114	Liberal
Ausgrid	15/16	99-yr lease	16,200	Liberal
Brown Mountain Power Station	15/16	Trade sale	5	Liberal
Pillar Superannuation	15/16	Trade sale	35	Liberal
Endeavour Energy 50%	16/17	99-yr lease	7,624	Liberal
Land & Property Information	16/17	35-yr lease	2,600	Liberal
WestConnex I	17/18	Trade sale	9,260	Liberal
Property Exchange Australia (PEXA)	18/19	Trade sale	105	Liberal
WestConnex II	20/21	Trade sale	11,100	Liberal

	Year	Transaction type	Proceeds (\$mn)	Government (a)
<b><u>Victoria</u></b>				
Gas & Fuel Heatane division	92/93	Trade sale	130	Liberal
Loy Yang B I	92/93	Trade sale	544	Liberal
Portland Smelter Unit Trust	92/93	Trade sale	171	Liberal
State Insurance Office	92/93	Trade sale	125	Liberal
BASS Ticketing Agency	94/95	Trade sale	3	Liberal
Grain Elevators Board	94/95	Trade sale	52	Liberal
TabCorp	94/95	Float	609	Liberal
Citipower	95/96	Trade sale	1,575	Liberal
Eastern Energy	95/96	Trade sale	2,080	Liberal
Gas & Fuel Exploration	95/96	Trade sale	56	Liberal
Port of Geelong	95/96	Trade sale	51	Liberal
Port of Portland	95/96	Trade sale	30	Liberal
Powercor	95/96	Trade sale	2,150	Liberal
Solaris	95/96	Trade sale	950	Liberal
United Energy	95/96	Trade sale	1,553	Liberal
Yallourn Energy	95/96	Trade sale	2,428	Liberal
Hazelwood/Energy	96/97	Trade sale	2,400	Liberal
Loy Yang A	96/97	Trade sale	4,746	Liberal
Loy Yang B II	97/98	Trade sale	1,150	Liberal
PowerNet	97/98	Trade sale	2,555	Liberal
Southern Hydro	97/98	Trade sale	391	Liberal
Gas & Fuel Corporation	98/99	Trade sale	1,617	Liberal
V/Line Freight	98/99	Trade sale	194	Liberal
Rural Finance Corporation	13/14	Trade sale	221	Liberal
Port of Melbourne	15/16	50-yr lease	9,700	Labor
Land Titles & Registry Office	18/19	Trade sale	2,860	Labor
Motor Vehicle Registry	22/23	40-yr lease	7,900	Labor
<b><u>Queensland</u></b>				
Gladstone Power Station	93/94	Trade sale	750	Labor
State Gas Pipeline	96/97	Trade sale	163	Liberal
Suncorp/Qld	96/97	Trade sale	698	Liberal
Suncorp-Metway	97/98	Float	610	Liberal
Qld TAB	98-99	Float	268	Labor
Sun Retail	05/06	Trade sale	1,200	Labor
Allgas Energy	05/06	Trade sale	535	Labor
Power Direct	06/07	Trade sale	1,200	Labor
QR National	09/10	Float	4,630	Labor
Port of Brisbane	10/11	99-yr lease	2,300	Labor
Abbott Point Coal Loading Terminal	10/11	99-yr lease	1,830	Labor
Forestry Plantations Queensland	10/11	99-yr lease	603	Labor
Queensland Motorways	14/15	Trade sale	7,000	Labor
Titles Queensland	20/21	50-yr lease	7,800	Labor

	Year	Transaction type	Proceeds (\$mn)	Government (a)
<b><u>South Australia</u></b>				
SAGASCO I	92/93	Trade sale	29	Labor
SA Financing Trust	93/94	Trade sale	5	Liberal
SAGASCO II	93/94	Trade sale	417	Liberal
Austrust Trustees	94/95	Trade sale	44	Liberal
Enterprise Investments	94/95	Trade sale	38	Liberal
Island Seaway	94/95	Trade sale	2	Liberal
Pipeline Authority of SA	94/95	Trade sale	304	Liberal
State Bank of SA I	94/95	Trade sale	10	Liberal
Forwood Products	95/96	Trade sale	123	Liberal
Sign Services	95/96	Trade sale	0	Liberal
State Government Insurance Commission	95/96	Trade sale	175	Liberal
State Bank of SA II	95/96	Trade sale	720	Liberal
State Chemistry Laboratories	95/96	Trade sale	0	Liberal
State Clothing Corporation	95/96	Trade sale	1	Liberal
Radio 5AA	96/97	Trade sale	8	Liberal
SAMCOR (meatworks)	96/97	Trade sale	5	Liberal
Port Bulk Handling Authority	97/98	Trade sale	18	Liberal
ETSA	99/00	Trade sale	3,500	Liberal
Torrens Island Power Station	99/00	Trade sale	3,500	Liberal
Port of Adelaide	00/01	99-yr lease	130	Liberal
SA TAB	00/01	Trade sale	295	Liberal
Land Services SA	16/17	40-yr lease	1,605	Labor
<b><u>Western Australia</u></b>				
State Government Insurance Office	95/96	Float	165	Liberal
BankWest	95/96	Trade sale	900	Liberal
Healthcare	96/97	Trade sale	9	Liberal
Dampier–Bunbury gas pipeline	97/98	Trade sale	2,407	Liberal
Alinta Gas	99/00	Float	971	Liberal
Westrail Freight	99/00	Trade sale	585	Liberal
LandGate	18/19	40-yr lease	1,410	Labor
<b><u>Tasmania</u></b>				
Tasmanian Government Insurance Office	93/94	Trade sale	42	Liberal
Tasmanian Grain Elevators Board	03/04	Trade sale	9	Labor
Hobart Airport	06/07	Trade sale	350	Labor
Southern Regional Cemeteries Trust	07/08	Trade sale	4	Labor
Tote Tasmania	10/11	Trade sale	118	Labor
<b><u>Australian Capital Territory</u></b>				
TAB	14/15	Trade sale	105	Labor
<b><u>Northern Territory</u></b>				
Territory Insurance Office	15/16	Trade sale	424	Liberal
Port of Darwin	15/16	99-yr lease	506	Liberal

(a) 'Liberal' includes Liberal-National Coalition, LNP and CLP Governments. Sources: Reserve Bank of Australia, [Privatisation in Australia](#), *Bulletin*, Sydney, December 1997, pp. 14-16; New South Wales Parliamentary Research Service, [Privatisation in NSW: a timeline and key sources](#), Issues Background No. 2, Sydney, June 2017; Flagstaff Partners; Bank of America Securities; Corinna Economic Advisory.

### Appendix 3: Persons and organizations consulted

This assessment has greatly benefited from the generosity and insights of the following individuals who provided insights, advice or assistance during the course of its work:

Hon. Michael Aird, former Treasurer of Tasmania  
 Mr Richard Alcock AO, Vice Chairman, Global Banking & Markets, Bank of America  
 Mr Trevor Armstrong, former Chief Executive Officer, AusGrid (NSW)  
 Hon. Mike Baird AO, former Treasurer and Premier of New South Wales  
 Mr Lance Balcombe, Chair, Motor Accidents Insurance Board and former Chief Executive Officer, Tas Networks  
 Mr Jacob Batt, State Organizer, Australian Manufacturing Workers Union  
 Mr Tony Beach, former General Manager, Powercor Services, Agility Services and Jemena, former Director, Aurora Energy, Advisory Board member AusNet Services  
 Mr Alex Beckitt, Head of Strategic Policy, Hydro Tasmania  
 Ms Mary Bennett, Co-ordinator, Social Action and Research Centre, Anglicare Tasmania, Inc.  
 Mr Alexander Berezner, Managing Director, Flagstaff Partners  
 Mr Glyn Bennett-Hullin, Director, Power Infrastructure and Utilities, Citibank Australia  
 Mr Richard Bolt, Chair, Hydro Tasmania  
 Mr Stephen Bradford, former Chief Executive Officer, Port of Melbourne and former Chair, Tas Ports  
 Mr Tony Braxton-Smith, Chair, Metro Tasmania  
 Mr Tony Burgess, Chief Executive Officer, Flagstaff Partners  
 Mr Edward Burley, Head of Digital Networks and Data, Macquarie Capital  
 Mr Don Challen AM, former Secretary, Tasmanian Department of Treasury and Finance and former Chair, Motor Accidents Insurance Board  
 Mr Brett Charlton, Chair, Tasmanian Logistics Committee  
 Mr Chris Clark, State Secretary, Tasmanian Branch, Communications, Electrical and Plumbing Union  
 Mr Dean Cooper, former Chair, Tas Racing...  
 Ms Katy Cooper, Chief Executive Officer, Metro Tasmania  
 Mr Byron Cubit, Secretary, Tasmanian Branch, Rail Tram and Bus Union  
 Ms Jan Davis, former CEO, RSPCA Tasmania  
 Mr James Dryburgh, Chief Executive Officer, Brighton Council  
 Mr Stephen Durney, Senior Policy Officer, Policy and Reform, TasCOSS  
 Mr Xavier Eid, Director, Infrastructure, Macquarie Capital  
 Mr Kim Evans, former Secretary, Tasmanian Department of State Growth  
 Mr Will Flamsteed, Chief Executive Officer, Port Arthur Historic Site Management Authority  
 Mr Nick Forster, Head of Power, Infrastructure and Utilities, Citibank Australia  
 Hon. Andrew Fraser, former Treasurer of Queensland  
 Mr James Fraser-Smith, Head of Infrastructure, The Future Fund  
 Mr Roger Gill, Chair, Tas Networks  
 Mr Michael Grainger, former Chair, TT-Line

Mr Charles Goode, AC, Emeritus Chairman, Flagstaff Partners  
 Ms Grace Harnwell, Global Senior Manager, Infrastructure, Queensland Investment Corporation  
 Ms Samantha Hogg, former Chair, Tas Rail and Tas Irrigation  
 Ms Amy Hills, Chief Executive Officer, Tourism Industry Council of Tasmania  
 Mr Michael Jayatilaka, Head of Insurance Pricing and Insights, RACT  
 Mr Chris Jones, Chief Executive Officer, Anglicare Tasmania, Inc.  
 Mr Chas Kelly, Executive Chairman, SeaRoad Holdings Pty Ltd  
 Mr Paul Kingston, Chief Executive Officer, Motor Accidents Insurance Board  
 Mr Sam Kyprianou, Partner and Co-Head of Infrastructure, Barrenjoey Partners  
 Mr Daniel Leesong, Chair, Tourism Industry Council of Tasmania  
 Mr Sal Malici, General Manager Trade Policy & Operations, Freight & Trade Alliance  
 Mr Mark Mugnaioni, Chief Executive Officer, RACT  
 Ms Jessica Munday, Secretary, Unions Tasmania  
 Mr Michael Sowards, Group Chief Executive Officer, Kinetic  
 Mr Matthew Sharp, transport policy and planning professional, Transport for NSW  
 Ms Erin van Maanen, Executive General Manager Strategy, Hydro Tasmania  
 Dr Ian Watt AC, former Secretary, Australian Department of Prime Minister and Cabinet  
 Mr Sam Watson, Managing Director and Head of Infrastructure & Utilities, Bank of America Australia  
 Ms Thirza White, General Secretary, Community and Public Sector Union, Tasmanian Branch  
 Mr Michael Wright, National Secretary, Electrical Trades Union  
 Ms Rachel Watson, Chief Executive Officer, Hydro Tasmania  
 Ms Caroline Wykamp, former Chief Executive Officer, Marinus Link  
 Mr Paul Zalai, Director, Freight & Trade Alliance  
 Three public servants who requested anonymity

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**Important notice**

The information contained in this document has been obtained from, and the opinions expressed in it are based upon, sources believed to be reliable, and which where possible are indicated in the text and/or set out in Appendix 3 ('Persons and organizations consulted') and Appendix 4 ('References'). The views expressed in this document accurately reflect the author's personal views.

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