

# Growing Tasmania's Economy



LEGISLATIVE COUNCIL SELECT COMMITTEE SUBMISSION

Date: Friday 1 May 2015

Amongst its suite of business and financial management support services Rural Business Tasmania delivers the federally funded and State supported Rural Financial Counselling Service Tasmania.

Having reviewed the proposed challenges surrounding the growth of business enterprise within Tasmania as documented in the invitation for submissions, and with particular interest in, and expertise within, the primary production sector, Rural Business Tasmania embraces the opportunity to submit its observations and ideas that if adopted and implemented have the potential to grow the State's economy.

## **Rural Business Tasmania's credentials to comment.**

Established in 1986, Rural Business Tasmania Inc. is a not-for-profit association that primarily offers financial expertise and support to rural and regional communities. Through the provision of various business services it endeavours to assist them manage the ever evolving demands and challenges facing the primary industry sector.

Majority funded by the Federal and State Governments, Rural Business Tasmania's flagship service, **Rural Financial Counselling Service (RFCS)** Tasmania, provides free confidential and independent counsel to primary producers, fishers and small rural and regional businesses that are suffering financial hardship, and that have no alternative sources of impartial support.

The Service:

- Helps clients gain better understanding of their financial position;
- Helps clients identify financial and business risk and opportunities;
- Helps clients negotiate with lenders and creditors;
- Gives clients information about government and other assistance schemes;
- Refers clients to specialist service providers including accountants, agricultural advisers and educational services;
- Refers clients to Centrelink and to professionals for succession planning, family mediation and personal counselling, and emotional and social counselling.

Other Rural Business Tasmania services include:

### **Business and Financial Management Services**

Business and Financial Management Services assists rural and regional businesses to better understand and manage their business and financial position.

The service includes:

- Business plan development
- Succession Planning
- Financial position assessment and explanation
- Budgets and cash flow forecasting
- Advocacy and financial counselling for enterprises needing to adjust
- Loan and/or refinance applications
- Impartial support and mediation including negotiation with creditors and financial institutions
- Assistance to access government entitlements including the Farm Household Allowance (FHA)

From a day-to-day operation perspective the service also offers book keeping and business administration support to individuals and businesses that either do not have the time, resources and/or expertise to efficiently and effectively manage this essential business function.

These support services include:

- Invoicing and accounts receivable
- Bill paying and accounts
- Bank reconciliation
- Monthly financial reports
- Filing
- Letter writing

Drawing upon its own understanding of the challenges facing the not-for-profit (NFP) sector, Rural Business Tasmania now offers its expertise and support to other NFPs primarily with secretariat and board administration support services.

These include:

- agenda preparation
- minute taking
- governance protocols
- financials reporting.

### **Rural Relief Fund of Tasmania**

In the unfortunate instance when disasters like drought, flood or bush fires occur the need for assistance is immediate. The Rural Relief Fund, during fiscally challenging periods, can act quickly to support those most affected and in immediate need. Money from the Rural Relief Fund is gifted to eligible families based on urgency and the level of support required.

Family and animal welfare as a priority is taken in to account, and as such disbursed funds can cover everything from basic household goods including food to utility bills to the repair of damaged fences to stock feed. With the support of Minister for Primary Industry, Jeremy Rockliff, Rural Business Tasmania are hoping to raise \$50,000, and in January 2015 launched its Rural Relief Fund Appeal.

## Overview – Rural Business Tasmania’s position

Rural Business Tasmania is encouraged that the Government has taken the steps to inquire and report on the challenges surrounding the growth of Tasmania’s economy. We are heartened by the Legislative Council Select Committee’s charter *“to identify opportunities to implement changes which will ultimately deliver a long term internationally competitive framework, which will grow Tasmania’s performance in the tourism, hospitality, retail services and agriculture sectors of the State’s economy”*. Of particular interest to the organisation is the identification of primary industry and agriculture as presenting important opportunities for the future of Tasmania.

With our nearest neighbours across Asia predicted by 2030 to account for 66 per cent of the globe’s middle class the opportunity for Tasmania’s primary producers is immense. It is hoped that the Government, through this consultative process, will harvest feedback and insight from those immersed in the sector, and through the introduction of solid policy review, support and program refinement not only deliver a more competitive agricultural sector that will support job creation, growth, and investment but more importantly one that will attract and retain the next generation of primary producers – our future.

Having recently submitted to the Federal government’s Green Paper on Agricultural Competitiveness, Rural Business Tasmania as part of that process identified key areas that if addressed could deliver greater competitiveness and resilience within the primary industry sector in this State and we share them here for the Committee’s consideration.

It is the opinion of our organisation that for primary producers to be sustainable, competitive and ultimately successful, policy development, resources and programs that support work in four key areas are essential.

1. Improving business and financial management proficiency and ensuring that agribusiness operators have the skills and support that will enable them to run their operation at optimal and sustainable levels;
2. Access to affordable finance;
3. Talent development and retention within the sector;
4. Access to technology and practical applications that will enable agribusiness operators to compete on the global stage.

In this submission with these four areas as its focus, Rural Business Tasmania will present its recommendations and proposed programs that if adopted could ensure that rural and regional business operators are better informed and supported in all facets of their professional endeavours delivering a more buoyant and robust primary production sector.

## **1. Business and Financial Management Proficiency – PROFESSIONAL GUIDANCE AND ONGOING SUPPORT**

Rural Business Tasmania, through its Rural Financial Counselling Service working with rural businesses experiencing financially difficulty, has identified an inherent need to improve business proficiency, practice, process, and professionalism across the agriculture sector in the State.

Rural Business Tasmania sees huge opportunity and benefit in developing and delivering well-resourced pro-active rural and regional business and financial management skills and support programs.

A recent Rural Business Tasmania survey of rural business operators indicated limited access to affordable business advisory services able to provide up-to-date relevant information within the rural sector.

The survey found that in Tasmania the top 20% of agricultural businesses can afford and seek out high level commercial, technical and business advice but that those experiencing financial hardship were not inclined to do so. Mid-range operators have limited support but have the strongest growth capacity.

The survey uncovered that many agricultural businesses make decisions based on accounting and tax financial data as their only source of business advice and do not look holistically when making management decisions about opportunities, links with other industries (e.g. tourism) and innovative projects. It found that agricultural enterprises are time and resource poor and focused on working IN the business rather than ON the business.

Current Tasmanian Government funded business mentoring programs like CoacheStuff and Enterprise Centres Tasmania are primarily focused on new micro and small business. Agricultural business enterprises are complex entities with multiple business components. The practicalities of managing real estate, global price impacts and climate variances require targeted support mechanisms. Expertise to coach agricultural and regional business operators is currently not readily available, and existing external consultants based in urban areas have proven to be unsuitable when balancing the demands of running a small business in regional locations.

Based on its review of current service providers, Rural Business Tasmania has found that the demand for specialised accessible and affordable rural and regional business support services is evident, and that if available and marketed well such services would have a

fiscally positive impact upon the sustainability and success of primary production and regional small businesses and the communities in which they operate in the State.

To address the evident need for professional and proven business guidance and with a view to improving the fortunes and sustainability of rural and regional economies, Rural Business Tasmania, has developed two specialised business and financial management service programs.

**1. BizHealth mobile business and financial management service: ACCESS & REACH**

To meet the growing demands within the regional small business sector for business and financial management expertise and guidance, and with a view to addressing the challenges of a geographically dispersed business sector Rural Business Tasmania is exploring the provision an accessible mobile business health check and consultation service.

Rural Business Tasmania's proposed mobile small business health clinic service - BizHealth - would visit towns and communities undertaking diagnosis, administering treatment, and fostering better business health.

It is envisaged that a full time BizHealth clinician with demonstrated specialist expertise in the regional small business sector will be engaged to assist enterprises to recognise signs that their business may be unwell and in need of treatment. Their primary role is to undertake the initial health check and diagnosis. They then refer clients back to Rural Business Tasmania and depending on the focus area, a case manager would be appointed. The case manager will then service that client on an ongoing basis, bringing in external expertise where identified.

A touring schedule would be developed that would map towns and communities that the mobile BizHealth clinic would visit. The schedule would then be promoted through local councils, relevant government agencies, LINC centres, and media outlets informing business operators and rate-payers of the fact that BizHealth would be visiting the town or community on "X" date.

Pop up BizHealth clinics would be set up in civic centres or town halls and between certain hours people could call in to undertake their initial free business health check. Based on the results of that initial contact, a subsequent appointment would be made for a more detailed diagnosis to be undertaken.

If for example a business requires a marketing plan, Rural Business Tasmania's marketing expert would be brought in to liaise with the client and would manage that client through research, planning, and implementation. If more than one area is required the designated case manager would work with other internal consultants to get the work done but would remain the sole point of contact for the client.

BizHealth Clinic would as a starting point undertake for clients a thorough diagnosis of their current business position and approach as well as a review of regionally relevant business impacting factors and opportunities.

In summary Rural Business Tasmania's primary objectives in providing a mobile business health service for Tasmanian small business is:

1. To deliver a mobile, flexible, practical, tailored, inclusive, and personalised service that through thorough and impartial professional business and financial analysis can provide insight and expert guidance on how clients' businesses can be restored, improved, and grown.
2. To deliver face-to-face diagnosis and business health management programs that goes out in to communities with a view to improving its overall economic and social wellbeing.

Through the mobility of the clinic, Rural Business Tasmania is well placed to provide business health improvement programs that would complement its existing suite of services providing invaluable support and advice to small business operators that currently lack access to existing mainly urban based service providers.

## **2. Good Better Best Business and Financial Management Coaching Service. TARGETED EXPERTISE**

The Good Better Best Business and Financial Management Coaching Service seeks to deliver guidance and practical support in the four business operations areas identified as most wanting namely:

1. Business Plan Development - including comprehensive retrospective business analysis
2. Financial Business Management - cash flow forecasting, book keeping
3. Bank and creditor negotiation skills - refinancing
4. Marketing including traditional and digital channel development

As with the BizHealth program as a starting point utilising Rural Business Tasmania's proven and systematic financial and business data analysis tools and frameworks, provide in-depth analysis of a client's current position, and then would work with them in developing a new or revised business plan and associated action plan to achieve positive outcomes.

Leveraging the considerable professional and in-field experience of its team, Rural Business Tasmania proposed it would work with other relevant stakeholder bodies in ensuring that its network is mobilised for the positive economic development of regions in which the *Good. Better. Best! Business and Financial Management Coaching Service* was offered and delivered. Through active referrals, this would include inviting specialist mentors to work with clients in specific areas of expertise.



Rural Business Tasmania subscribes to a formalised case management model whereby there is mutual agreement and prescribed obligation for clients to take ownership of a collaboratively developed action plan and its subsequent implementation. So that progress can be effectively tracked, bench marking at commencement of the program would be undertaken and key performance indicators set for those time intervals. This model would be applied to the *Good. Better. Best! Business and Financial Management Coaching Service*.

As with BizHealth, the *Good. Better. Best Business and Financial Management Coaching Service* would implement rigorous client follow-up at 6, 12 and 24 month intervals. Agricultural business operators that have accessed and completed coaching would automatically join the Rural Business Tasmania Small Business Network - a hub for idea and intelligence sharing. It is envisaged over time that through regular communication this will develop into an ongoing support resource across the State

It is the firm opinion of Rural Business Tasmania that the provision of a business and financial management service would assist marginal agricultural business enterprise become self-sustaining and innovative. This would in turn provide the economy with opportunities for jobs growth, export growth, increased profitability and build local communities resilience and diversity. Policy and resource that support provision of such these proposed services should be pursued with fervour.

## **2. Access to affordable finance –VIABILITY AND AFFORDABILITY**

As Rural Business Tasmania has identified it is paramount that people working in the primary production and regional business sector are well trained and supported. Of equal importance is that they are sufficiently stable as economic entities to concentrate their energy on production.

For Rural Business Tasmania advocating for access to affordable finance is a key objective. The organisation is of the belief that the State Government has an important facilitation role in ensuring that rural and regional business operators have access to the capital that they need to remain sustainable and to grow.

Promoting competition in the banking sector and working with the financial sector to ensure there are clear and transparent processes has been a focus for Rural Business Tasmania for some time.

Competition in particular is known to deliver better options and outcomes for primary producers in particular. This is amply demonstrated by the Australian Government offering, at interest rates below the norm, its Farm Finance Package and associated concessional loans. It was interesting to note that it was the threat of lower competitive finance rather than actual uptake of it that achieved the desired goal. It can therefore be construed that it was only the fact that there was a single, independent, and non-banking sector entity's (in the form of the Government) competing product in the market that forced the banks to offer more affordable finance products to primary industry customers.

Understandably many agri-business operators were and indeed are attracted by this lower cost finance to either fund productivity enhancements or for existing debt refinancing. Faced with a competitive threat banks' agreed to lower their interest rates to match the Farm Finance Package rates.

With the national scheme soon to be defunct – the program that has been extended to June 30 but there is no indication that this will be extended further- there is an opportunity for the State to introduce its own Finance facility – a rural and regional bank targeting small business or similar offer of long term finance – that through loans or the competition led ability to renegotiate with their current lenders, will enable primary producers and regional small business operators to remain sustainable and competitive with interstate and overseas suppliers.

## **3. Talent development and retention within the sector FUTURE PROOFING**

Young people, including those in rural and remote Tasmania, who have an interest in primary industries should have access to education opportunities. Pivotal to this is the creation and promotion of clear pathways for agricultural education and training at

secondary and tertiary level, and to opportunities for training that will deliver lifelong learning for those in the primary production industry.

Barriers to entry including lack of clarity about career options, growth possibilities and high capital start-up costs also need to be considered and addressed.

Rural Business Tasmania has already identified an inherent need to increase professionalism and to facilitate better business practice and process across the agriculture sector in the State. Addressing this early in a producer's career including offering clear advice and information of education pathways of careers in the primary sector is an obvious way of ensuring that sound foundations on which new entrants can build are established and realistic expectations can be set.

Rural Business Tasmania is heartened by the proposed work of Skills Tasmania and Tasmanian Farmers and Graziers Association to progress the implementation of the \$450,000 Agricultural Skills Plan and encourages further initiatives to assist in the development of skills required for the sector.

Rural Business Tasmania supports the establishment of a young farmers mentoring and networking programme, and encourages particular emphasis on financial and business literacy in the context of agricultural business operations. Leveraging its vast knowledge, experience and expertise, Rural Business Tasmania is well placed to develop and deliver youth facing educational training in financial and business matters including important operational considerations pertaining to the banking and financial services sector.

Targeting potential and existing farm managers, Rural Business Tasmania sees huge opportunity and benefit in developing and delivering a well-resourced pro-active rural business process enhancement awareness and support program. Its *Good. Better. Best! Business and Financial Coaching Service* should be considered as a potential vehicle for this.

The existence of such a program has the potential to attract new blood to the sector as such a facility would ensure that these individuals would be better guided and supported as they navigate their new rural business ventures. Additional funding to support program content development and delivery methodology that leverages new and emerging technologies should be considered as a viable service charter extension.

4. Access to technology and practical applications that will enable agribusiness operators to compete on the global stage. **SUPPORTING INNOVATION**

Recent Australian Innovation Research Centre figures showed a 22 per cent drop in spending on technology, advanced equipment and machinery. This indicates that rural

business operators are potentially not keeping up with innovation and technologies (and associated procedural practices) that will enable them to stay competitive.

The Sense-T initiative and the recently launched Bureau of Meteorology crop predictor app provide solid examples of the State's ability to develop and introduce sector specific market leading technology innovation.

To meet the unique climate and geographically diverse needs of the State, Rural Business Tasmania would like to see a Government driven collaboration between those in the technology space and those working in primary production sector.

As convenors of the Rural Stakeholders Forum, a representative body from all facets of the primary production sector, the organisation is well positioned to facilitate this type of collaboration. It also has the business and professional expertise to propose practical bottom-line effecting modelling that could be explored and developed.

### **In summary**

Rural Business Tasmania through this submission has sought to highlight areas of opportunity with the primary production and regional business sector. With a combination of practical solutions and more theoretical assertions we feel that the four areas have merit and should be taken under consideration as feasible policy and resource recipients. If any of the ideas shared here are of interest Rural Business Tasmania is both prepared and willing to execute on them if and as required.