

## **PUBLIC**

### **THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON GROWING TASMANIA'S ECONOMY, MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 20 MAY 2015.**

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**Mr DAVID CLERK**, CHIEF OPERATING OFFICER, **Mr CRAIG BARLING**, CHIEF FINANCIAL OFFICER AND **PROFESSOR SUE DODDS**, UNIVERSITY OF TASMANIA WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Hall) - Thank you very much for your very comprehensive submission. I was having a look at it this morning and you have covered a lot of facets. Given our short time constraints, and we have a lot of other witnesses lined up for the day, I invite you to go through in a summary of what you have there and then we will have a Q and A from the members.

**Mr CLERK** - I am David Clerk. I am the Chief Operating Officer at the university so I have responsibility essentially for managing the university as a business as opposed to looking after academic issues.

Looking at the impact that the university has on Tasmania's economy the last formal assessment we did of the university's economic impact was in 2010. However, we did an update last year but it was at a very high level.

In 2010 we assessed the university had about a \$1.17 billion positive impact on the Tasmanian economy in terms of the value of output across Tasmanian industries. At that point we thought we were supporting about 6 500 full time jobs resulting in about \$462 million worth of wages being paid to Tasmanian workers. We thought it had an impact on the gross state product back then of around \$661 million.

If we fast forward to 2014 we did quite a bit of work last year around the impact on the Tasmanian economy that the university was having. We did not bring in an independent economic advisory firm to assess the calculations we did. However, we did bring KPMG to look at the work we had done and to verify the calculations and the multipliers we had used. We estimated last year that the impact on the Tasmanian economy was around \$1.7 billion, so quite a substantial uplift. Most of our funding is Federal funding so it is all flowing into the state. It is also driven by international and interstate students and the impact that they have both in terms of fees they pay but also the amount that they spend within the state. An interstate student studying in Tasmania would spend, in 2010, it was around \$26 000 per year. That will now be somewhere around \$30 000 per year. An international student in 2010 was spending around \$34 000 a year. We estimate that is probably close to \$40 000 per year now. It is quite a substantial impact.

In addition to the international and interstate students we have a very large construction program under way. Over the decade 2008-2017, that 10-year period, looking back and looking forward, we estimate that we will spend close to \$590 million on construction. Right now we have \$118 million-worth of build going on in student accommodation across the state. We have a \$90 million build going on, once we get a few things sorted out with the state government, next to the Theatre Royal. You probably would have

## PUBLIC

heard that in the north of the state we are looking to relocate our university from where it is to Inveresk. If that goes through that will be accompanied with a \$160 million build. There is quite a big construction program taking place as well.

At a very high level there is a lot happening with construction, a lot happening with the growth of the university. We have been growing over the last five years around 6-7 per cent per annum in terms of our student numbers coming through. The employee numbers within the state in terms of FTEs, we have grown from 2010 when we had about 2 500 to today we have close to 2 800 full time staff.

I will ask Sue to comment on this quickly. We have a very large research agenda and the value of the research grants that we now win on an annual basis has increased in the last five years from something around \$80 million per year to close to \$154 million last year. That supports a huge industry in its own right.

At a high level that is probably a summary of how we perceive the university's benefit in state gain.

**Prof DODDS** - I am Susan Dodds. I am the Deputy Provost at the University of Tasmania representing the academic side.

The contribution in skilling the workforce, in bringing a skilled workforce to Tasmania in that growth of nearly 300 full time equivalent staff, many of whom would be highly qualified professionals who would be coming in to the state. They are spending their resources here, but also that capacity for the research partnerships which the university has with the State Government and other industry we estimate was something like \$500 million in 2015 assessment. That capacity also grows the future potential for industrial growth within Tasmania.

**CHAIR** - Thank you very much for that snapshot. I will start with a couple of questions and see how we go.

Regarding international students, this one might come out of left field a little. I was in China last year on a private trip and talked to people in Shanghai. Their view at the time was that Tasmania and Australia particularly had become the most expensive places in the world now for international students. We have surpassed even the UK and the USA. I am seeing a lot of international students here. How do you think that is going to translate in the future? We are now right up with Switzerland, the most expensive country in the world in terms of all sorts of things. Might that have an impact upon your expectations in the future?

**Mr CLERK** - It certainly does have an impact but there are various points of view. When the Australian dollar is strong, we notice an impact on the volume of international students applying to come here and it certainly has a dampening influence. That said, there is also quite a large international cohort of students who perceive high fees as equating to quality, so many students, particularly affluent students in China, for example, will look to go to universities that charge the most expensive fees, which is a little perverse, but that happens.

## PUBLIC

If you look at the competition Australia faces for international students, at the moment the US does not heavily chase international students because all students effectively pay the same amount for tuition there. Here it is a different system. For every international student you bring in they effectively pay their own way and you can charge whatever you like. It is not regulated, as are domestic students.

We certainly see a dampening of student numbers when the Australian dollar strengthens which tells you that as we become more expensive relative to competitive countries, that will have an impact, but if you look at the quality of education that Australia offers relative to other Asian countries there would not be too many out there that would offer better university education. We have that advantage.

**Prof. DODDS** - You get that interesting experience of students who, while they equate the price of the fees with quality, they then look at the cost of living, so Tasmania, within Australia, comes out reasonably well because although we have a quality product it does not cost them a lot to be able to live here well.

**CHAIR** - I take that on board and only asked the question because I have to say that Austrade was quite negative in that respect. That is what we were getting from the Shanghai office when we had meetings with them and I thought that was interesting.

**Mr CLERK** - When we look at international students, we look at commencing and continuing students because most students would do a two- to three-year degree or postgraduate qualification. The commencing students are those coming in for their first year and the continuing are those who are going from first to second year or second to third year. With our commencing students, we are looking for this year at about a 48 per cent uplift year on year, so we are seeing a massive uplift in international students which is a good thing for Tasmania. But if you look at our percentage of international students relative for the total student cohort, about 14-15 per cent of our total student body are international students. That is well below the national average which is around 22.5-23 per cent, so there is quite a bit of room to move.

**Mr BARLING** - This year we are also seeing a trend away from reliance on China. There are a lot of students coming from other countries now. That has been really prevalent in the first five months of this year.

**CHAIR** - That is good. We talked about growing Tasmania's economy and we have already had quite a lot of evidence in Launceston in the last day and a half. I will be more specific and talk about agriculture, which I am still involved in personally. I recognise that the TIA does a terrific job but there has been disappointment expressed by the agricultural sector, particularly in the very low numbers of people doing an agricultural science degree which they feel for the future of agriculture is perhaps in a lot of ways a step too far. It doesn't produce what agriculture needs in the short term, even a diploma-type tertiary education and then they might be encouraged to take the next step to an ag. science degree. In the short term what we desperately need here is people with more management skills and some other things. At the moment some might go to Marcus Oldham or they might go to the mainland or whatever. I ask your opinion on that as to what we could do.

## PUBLIC

**Prof. DODDS** - The university is actively looking at its capacity to do pre-degree programs in a number of areas, with agriculture certainly being among those. The agricultural science degree across the country has been a very expensive one to run and so it's been one of those ones where there are supply and demand challenges there. The capacity to use business skills study, which comes out of things like the Faculty of Business, is something which is increasingly integrated into the range of things that we would offer as pre-degree programs, the associate degrees and diploma type of area. We are quite sensitive at the moment that we have caps on the number of places we have in those areas, therefore our capacity to grow that has to be carefully thought through in terms of where we're going and that is why it is more associated with future programs that we might have as part of the broader plan for the institution.

**CHAIR** - There was also a feeling, might I say - not being parochial here at all - that 80 per cent of agriculture is based in the northern half of the state and therefore the Launceston campus of UTAS ought to be the place where any diploma courses or anything else like that should be. Do you have an opinion on that?

**Mr CLERK** - We do. We have spent probably the last six months refining the associate degree and pre-degree model if it were to be based in the north. There will be a big focus, as Sue has mentioned, on agriculture and on business. We recognise that we have this gap between TAFE in Tasmania into relatively low levels with the certificate III. That is not as broad as what is on offer in, say, Victoria, for example. There is this gap between the cert III qualification and a university degree, and I take your point about the agriculture space and what is missing. We have recognised for some time that we just cannot get students into some of our courses. We have a very broad curriculum down here. Being the only university in the state, we are almost forced to offer everything to everyone and that's been the case for a long period of time. It has just been proven that we cannot get the students in. A lot of people who have ATAR scores are not going to university. They are able to qualify for university but are just not going. I think we calculated in the under-24 age group - this is the stuff that Brett did - that there were about 15 000 students who had ATAR -

**Prof DODDS** - They have an ATAR, therefore they could qualify to go to university but they don't choose to go. That is a cohort we are keen to try to attract.

**Mr CLERK** - It is not just an issue in agriculture, it is also an issue in business and education.

**CHAIR** - One of the other key drivers going forward for Tasmania's economy is tourism. A few years ago my son did a Diploma in Tourism Management. Perhaps there was a bit of a failing in the system and the tourism industry wasn't geared up for it, but of his cohort virtually none of them could get a job. They could get a job pouring beer but they had gone further than that and there was an expectation, so my son went overseas and did different things and now he is doing different things. Have you any comment on that at all? Do we need to refocus and has there been a bit of a refocus there to try to get that sorted?

**Prof. DODDS** - There has been a rethink of the tourism degree which runs out of the Faculty of Business and that is currently now available as a second major within a business degree, so that is more about developing up business skills. One bit is to work with the

## PUBLIC

industry partners to ensure there are appropriate placements for students so therefore you have an understanding by the industry of the skills of the students so there maybe a demand. One of the challenges is often that what the industry thinks it wants from students and what they students may have developed in terms of their skills may not be as well informed as it should be.

Second, we are looking at developing some of the changes in the industry and the university to develop the knowledge base for tourism, such as the interpretation you find at Port Arthur and elsewhere, and develop the wide suite of creative skills needed for tourism as well as the basic business skills. That is still in train in order to get the right level of placements for those areas.

We have to make sure the industry understands the students they may be getting have this set of skills and that our students understand what the industry is looking for. We are still working in that partnership. As you appreciate, tourism and hospitality are extremely well spread across the state at varying levels and stages of development in different areas. Many of them are family-run businesses who are not necessarily looking for our students. It is getting the right match, so we are working actively with the industry to try to get the right match.

**Ms RATTRAY** - I am interested in the community partnership and regional development section of your submission. Would you like to expand on that? You talk about the centre of food innovation which is something that particularly interests me because there was some talk around establishing that in the north of the state. Where are things in relation to that?

**Prof. DODDS** - There are two parts to that. One is the focus within TIAR on the research in agriculture and the other part is looking at the more artisanal approach to work that has come out of Janelle Allison's work on the north-west. My understanding is that it's a very slow developer but we're working to try to get that link between the Institute for Regional Development and the range of farmers' markets and other producers in order to increase both the skills of those farmers who are trying to produce high quality niche-based foodstuffs into the market in a way which recognises the quality, and it partly links up with the tourism bit about being able to produce work which is recognised as Tasmania's claim on purity or natural resources. We all know it is going to be important to get that right and to figure out how to protect that brand. That is the way they are working that process through but it is a slow process because there are lots of small producers.

**Ms RATTRAY** - In relation to those community partnerships, are there any partnerships established as yet with community organisations and farmers' markets?

**Prof. DODDS** - Yes. My understanding is there has been a lot of work done by Janelle Allison, especially in the north-west, and there was the UTAS tent at Agfest last week. A number of those things are working at the moment but their level of momentum depends an awful lot on people having the capacity beyond the production of their food for the market to be able to then step back and think about creative ways of marketing their work.

## **PUBLIC**

**Mr CLERK** - We are starting to invest more in this space. We have a distinguished professor coming from the United States to be based in the north-west of the state. Her speciality is in regional development and community entrepreneurship, which is fantastic. This is quite a big investment for us in an area we have been interested in and have started to grow, but we need to put more focus into it.

**Ms RATTRAY** - Can you tell me whether in this particular area Brand Tasmania has been engaged or had a role?

**Prof. DODDS** - Janelle has been doing work in that area with me to find out more on that.

**Ms RATTRAY** - We had some evidence yesterday about marketing and I am interested to see where Brand Tasmania was in that space. On another tack, it would be worthwhile getting some information about Sense-T because it has received a lot of funding over the last few years. Would you like to give us an update on that?

**Mr BARLING** - I will start with the most recent because there has been a lot of publicity about it. Most recently, 14 research projects have just been approved, worth \$6 million, around trying to extract the value out of the data and provide a meaningful piece of information for businesses and researchers. That program has just started. I think they were approved in March or April. Those funds are now being directed and those programs are actually starting at the moment.

In regard to the remainder of the Sense-T program, we have just signed off on stage 2. The second lot of funding has been achieved in regards to the delivery of the devices and a platform that is able to collect and disseminate data for the purpose of Sense-T technology on farms. That project is well underway. Like I said, we've just hit the second stage of the four stages. We're continuing to work on the commercialisation strategy of that actual area as well. That's an area the university is contributing their own funds to and we've already contributed over \$2 million to that. There is likely to be at least a further \$1 million spent this year in trying to get those devices and that platform commercially ready so they can provide a benefit to the general community and the farming community.

**Ms RATTRAY** - How will the objectives of Sense-T going be measured? At 12 months are you going to have a look at what's being measured, or is there no time frame around that measurement?

**Mr BARLING** - Sense-T itself is really focusing on these 14 research projects now. They each have their own submission and their own objectives which are measured individually and each person or group that receives the funding have some objectives they have to deliver on which we ask them to report on on a regular basis. They are over very different periods of time but we certainly measure them individually based on each project.

**Mr CLERK** - The university needs to report back to the Commonwealth as well against how it's performing.

**Ms RATTRAY** - Will that information be available when it comes to hand?

## **PUBLIC**

**Mr CLERK** - Absolutely, yes.

**Ms RATTRAY** - Thank you.

**Mr FARRELL** - Just going on from Sense-T, regarding the university and IMAS and research into the future of the fisheries and that type of thing, there has been a lot of current debate about the supertrawler and the salmon industry and the effect that has. I wonder where you see the university fitting into the future of that role as far as making sure that Tasmania can grow sustainably in that area.

**Mr CLERK** - In terms of aquaculture in particular?

**Mr FARRELL** - Yes.

**Mr CLERK** - We are very committed to this space. In December last year we approved a project which was, from memory, around \$11.5 million, to build an experimental agriculture facility at the Tarooma IMAS base. That was to enable us to study issues around particularly the salmon industry but that facility will also be available for studying other marine species. It is a major platform of the university. We are ranked very highly internationally with the work that comes out of IMAS and it will continue to receive significant support from the university.

**Prof. DODDS** - It's probably worth mentioning that in addition to the work we're doing on the farm fisheries, there is also the maintenance of records on what's happening with the wild fisheries. So in answer to the question you have about supertrawlers, in order to be able to make any assessment of impact you have to have measured something first.

**Mrs ARMITAGE** - Regarding the proposed move to Inveresk, I noticed the newspaper today saying it won't go ahead if the deregulation doesn't go ahead. I'm a little confused because I have also read that Peter Rathjen didn't favour deregulation or the millions that went with it. Can you give me an update on what's actually happening there? Is it actually going to be a possibility, or is it as Andrew says, that if the deregulation doesn't go ahead then there will be no move to Inveresk?

**Mr CLERK** - I'm happy to answer that, Rosemary. I have been heavily engaged with this behind the scenes. The funding that has been provided by the state government, along with any funding the university decides to put in because we will have to put some in ourselves, would be enough to undertake a phase 1 of a move from the current Newnham campus to Inveresk. Certainly federal funding is required to move the whole campus. It is a massive undertaking. Our view is that this is a project that needs to be undertaken regardless of whether deregulation goes ahead or not. I think that Mr Nickolic is probably positioning the project a particular way and it would be the university's view that we would be seeking federal funding for this regardless of deregulation going ahead or not.

**Mrs ARMITAGE** - Your view on deregulation?

**Mr CLERK** - Whether it will go ahead?

**Mrs ARMITAGE** - No, not quite that easy.

## **PUBLIC**

**Mr CLERK** - On the university in Tasmania in general?

**Mrs ARMITAGE** - On the university in Tasmania. As I said, I had read such conflicting views and I wondered what the university's view is, whether you are in favour of deregulation or whether you are not.

**Mr CLERK** - We have done a lot of work over the last 12 months or so on deregulation and the implications on Tasmania. The big issue that Tasmania has with deregulation is that deregulation essentially frees up competition and allows everyone and anyone that is registered as a university to provide courses and to teach anywhere and to charge whatever they like. That is absolutely fine. If you are a large university and a well-established university, like in Melbourne, or University of Sydney or University of New South Wales, your fees are inelastic. You can charge whatever you want and you will still fill the classrooms because you have a good reputation and a large catchment area.

If you are down in Tasmania and you operate in a low socioeconomic environment where a large chunk of your students are mature-age students, greater than 25 years of age, you don't have the luxury of having that inelastic demand, so your student base is price-sensitive. If the federal government is going to reduce funding and you need to fill that gap by increasing fees, it becomes very difficult if you have a price-sensitive student base from which to draw. That is the major issue.

**Mrs ARMITAGE** - Thank you for that.

**Mr BARLING** - I might just comment on the Inveresk move as well. Dave is 100 per cent right - we do need federal funding for it. At the same time, there is a big benefit to the university for that move in the sense that we lose a significant amount of money on our Newnham campus. We feel the move to Inveresk will stimulate some growth. Growth obviously comes with the level of profitability that will help sustain that precinct. The university is more than committed to contributing to that program as well. As much as the state has contributed its money, we see us contributing a component and the federal government money will be required.

**Mr CLERK** - That campus at Inveresk will be built to support the associate degree or pre-degree space, which you spoke about earlier. It would be a much more efficient campus and most importantly, it is located in the CBD and students today, people going to university - globally, this is the trend - don't want to be based out in the suburbs. They want to be based where the action is, where it is vibrant, in the city centres.

**Mrs ARMITAGE** - What would we lose with the move to Inveresk? What courses would we lose?

**Mr CLERK** - None. You would gain, because we would not only keep what we have, but we would also be expanding into a new area as well.

**Mrs ARMITAGE** - So we won't be losing Health, we won't be losing Medicine?

**Mr CLERK** - No, you will not.



## **PUBLIC**

**Mrs ARMITAGE** - Thank you.

**CHAIR** - You talked about, I think it was point (e) there, once again going back to agriculture and the concept of the farm school. You make some very good points there and that is something which is in other states but we have let go here. If we are going to have agriculture as one of our principal drivers, then something needs to be done in that respect. I see the disconnect between the rural community and the urban community. You say that there is no clear pathway for students from farm school to university. That is a conversation I thought you would have with the Education department, which you will be having. I would like you to expand on that, please.

**Prof. DODDS** - As you can appreciate, this fits into that range of activities which would be in the associate degree and the diploma area and building into university degrees. We are at a formative stage in that discussion, both with the Department of Education within the state and within the university, about how we can best develop those programs which would allow for a nice movement from farm school through to diploma and associate degree. We need to work closely with the accreditation for education degrees in order to make sure that we don't end up offering something that students cannot then use at some later point. We are keen to develop those areas, but it is the early stages as yet and we would welcome any support from the Department of Education with that work.

**Ms RATTRAY** - There is no time frame around when that curriculum would -

**Prof. DODDS** - I suspect we are talking of quite a short time frame. It is just that it is one of those ones where that conversation is at the beginning.

**Mr CLERK** - Sue is absolutely spot-on. I think the time frame is the issue. We are considering, and it is not locked in yet, running a pilot next year in the associate degree space and we are looking at a couple of areas where we would position it in this pilot and agriculture is one that we are looking at.

**CHAIR** - There are no more questions from members. I am sorry we are on short time frames. It is a very comprehensive submission. It is really well done and we appreciate that. Just to explain a little bit further, this committee will be making observations from what we have done, not necessarily recommendations as such. What we will be doing is collating all of those and sending them through to the Productivity Commission. The Productivity Commission will be looking at it as part of their brief at the moment. They will be then making their recommendations to the federal government. That is what all this is about so it is giving an opportunity to all sides of Tasmanian life and everything else to do that. That is what we are doing. I really appreciate it and thank you very much for what you have done.

**Mr CLERK** - Thanks for having us.

**THE WITNESSES WITHDREW.**

## **PUBLIC**

**Ms SHERALEE DAVIS**, CHIEF EXECUTIVE OFFICER, AND **Mr GRAEME BERNARD LYNCH**, CHAIR, WINE TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

**CHAIR** (Mr Hall) - Welcome. All evidence taken here is protected by parliamentary privilege, however what you might say outside may not be. Everything is transcribed and recorded here.

**Mr LYNCH** - Sheralee has prepared this submission with significant input from the board of Wine Tasmania. I thought it might be interesting to acknowledge some really recent news. You may have read in the newspaper a couple of days ago that a pinot noir made at the vineyard out at Tolpuddle won best red wine in the International Wine Challenge in London, also best pinot noir and best red wine. When you think there were 12 000-odd entries in that show as a whole, that is an indication of where the Tasmanian wine industry is in being able to live up to the reputation of producing high-quality wines. Also at the same challenge, Lubiana, a vineyard in Craig's electorate, also won a trophy as the best Australian chardonnay in that show, competing against many other wines.

To summarise where the Tasmanian wine industry is, on page 5 of the submission you will see there the contrast and how different and unique the Tasmanian wine industry is and the Tasmanian value proposition is to the rest of Australia. We produce a very small percentage of Australia's crush, but in terms of value it represents nearly 6 per cent of volume. The varietal mix, if you look at the bottom, is completely different to the rest of Australia, where it is cool-climate varieties like pinot noir and chardonnay, delicate varieties like riesling, to some extent sauvignon blanc and pinot gris, are the dominant wines that we produce. All of these wines really fit into that high cachet, high premium section of the market. When we talk about the whole of the wine industry, while Tasmania is a member of the Australian wine industry, the challenges we face and particularly the opportunities around marketing are quite unique in Tasmania.

Wine Tasmania has now been in existence for about eight years. It is a company limited by guarantee. At the time when it was formed the industry recognised the need to move beyond the nuts and bolts of wine making, how to make wine, production, and move into the marketing orientation. We have a skills-based board. We have been driven by a very clearly articulated strategy over the last six or seven years. The key points around that are to maintain the value proposition for Tasmanian wine, to grow that value proposition, but for it to be market-led growth. This is critically important in the issues this committee is looking at for Tasmania more broadly in terms of its economic development. It really is the Brand Tasmania, the uniqueness of Tasmania and the niche markets where we can really make a significant mark in the longer term.

Everything in our submission is very much geared towards market-led organic growth with sustained but sensible and pragmatic investment, which the industry can't necessarily control, but certainly at this stage nearly 98 per cent of the production in Tasmania is represented by members of Wine Tasmania. All of our members are very much on the same page when it comes to the value proposition. The future for market-led growth is over a sustained period, with support from the private sector but also strategic support from government. We have highlighted a few places in our submission where government may be able to contribute, not just in terms of cash investment, but in

## **PUBLIC**

terms of attracting and continuing to promote the image of Brand Tasmania where wine fits within that.

**Ms DAVIS** - It is fair to say that the position the Tasmanian wine sector is in is certainly of envy nationally. It is worth recognising that that position is largely due to the very clear and united strategy that we have been employing around that market-led growth. I guess my only additional comment would be to note that any initiatives we think that can happen to continue to make sure that we are contributing to the economy need to build on that very strong platform that we have built.

**CHAIR** - Thank you very much. This is what this committee is about, looking at the strategic advances and Tasmania going forward. Wine is a terrific story in that regard. I think we all appreciate that. I notice you say that whilst Tasmania's wine sector is in a strong position, Tasmania is an expensive place to grow grapes and make wine. It is difficult for producers to recover these high costs in the very competitive market place. As we know, there is wide disparity between the sizes of vineyards in the state and how they are structured and everything else. Is it the case that it is still pretty difficult, from a business case point of view, to turn over a big dollar in the wine industry?

**Ms DAVIS** - That is absolutely true, and it is true of viticulture around the world. It is particularly true in cool climates like Tasmania where we struggle with issues around managing and controlling how much volume we produce. We just touched on in our submission the vintage variability that we experience as a result of being in a cooler climate. It is very tough, and our strategy around that is obviously to continue to promote the quality of Tasmanian wines that we can grow, not only the demand, but the price point, so we can build in profitability at the same time as supporting vineyards to improve their productivity as well. If you wanted to make a quick buck you would go anywhere but the wine sector, and you would probably go anywhere but Tasmania. But if you were looking at things from a long-term perspective and you were looking at the opportunity to be part of what is still a very young, emerging wine region, you would look at Tasmania.

**CHAIR** - What other impediments are there to that profitability in regulation? We touched on some of the labour components but what are the other impediments?

**Ms DAVIS** - It is fair to say one of our key impediments is our scale today. We are still very small. We have a large number of vineyards that are very small. The average size of a vineyard in Tasmania is only 5 hectares. We have quite a lot of distance between those areas so in reaching that critical mass and overall production we are not quite there yet, which is why we have taken a strong and proactive approach to growth. We believe that, in itself, will start to resolve some of the profitability issues and challenges that exist. That is a key opportunity to continue that growth and make sure we reach some economies of scale.

The impediments we have are very similar to any other industry that operates in Tasmania. Obviously we have to get a lot of our dry goods across Bass Strait and then back over if we are selling wine on the mainland or into export markets. That is unquestionably an issue for us, as it is for anyone else. We also recognise there are advantages in being an island. That is just a fact of life for us as opposed to an impediment. It is just something we need to deal with. Our strategy around that is

## PUBLIC

making sure we build the profitability and the value of the sector overall so that some of these things start to be less of an issue for vineyards.

**Mr LYNCH** - We have done quite a lot of work in the last few years trying to get a very good business model and understanding of the various business models. There is a whole range of business models in Tasmania. I mentioned Tolpuddle. They have a major vineyard in the Adelaide Hills, and Tasmania is a scion to that. We have very small microsites where some producers just produce sparkling wine off four or five hectares - very high value. That is a business model that is successful. We have larger investors, companies such as Smith and Sons, well known for Yalumba and Hill Smith. Brown Brothers is another example. Taltarni is producing much larger volumes and is able to market those under the umbrella of their national and international brands.

Throughout our submission that we have intertwined the connections between the wine industry and other activities in Tasmania. We work very closely with our colleagues in the whisky and spirits business, the cider business, which is growing, and the boutique beer business, but also the links to tourism and the role tourism can play in the business models. Stefano Lubiana, to use that example, with their cellar door activity, retail activity, encouraging people to come to Tasmania and for wine to be part of that experience. MONA is the best example of all, the vineyards you see when you arrive, the very large winery and the offering they have.

This is where a lot of the potential lies in the wine industry. It's not only in its own production of grapes - and there are very significant margins to be made for people who just sell grapes - there is the value-add in selling wine, whether that be through wholesale, export or cellar door directly, and then the other activities that can sit around that. There is scope for all these business models to be further developed and encouraged.

**CHAIR** - I can see that's the case. At Easter I was in the Clare Valley and the comments I got were that they were really struggling, and a lot of those were very long-established vineyards. I was surprised to hear that.

**Mr LYNCH** - The value proposition is critical for Tasmania. If Tasmanian wine becomes a commodity, the cost structure kills us. This market-led growth strategy I spoke about in the opening statement is very much around moving the price points for Tasmanian wine and supporting that with a value proposition. The pinot noir I mentioned currently has a retail price of around \$75, so that is a unique niche market. Tasmania has the opportunity, as it has in seafood and other niche products, to command that sort of premium over time in international markets and in those niche markets in Australia. That sort of wine is not going to appeal to the mass market.

**CHAIR** - Sheralee, on page 8 you are talking about stabilising yields and that one of the biggest challenges confronting Tasmanian wine producers relates to yield variability. You talk about the 2013 vintage of that, which was the biggest and then the next year it was halved. Can I put it to you, having had some experience with horticulture myself, that sometimes you have a year on and a year off? I don't know why it happens but it is nature and sometimes you cannot control that. It is unfortunate and we would all like to have a stable yield.

## **PUBLIC**

**Ms DAVIS** - I completely agree with you. We are dealing with agriculture at the end of the day so we are never going to be able to absolutely control our production. The real issue is that over the past 20 years we have seen vineyard area increase something like 550 per cent. We have planted a lot more and yet, if you look at the output of the volume of wine, it only has something like tripled. Yes, you expect the variability, but I think there is an underlying investigation that needs to occur, not necessarily to control but to stabilise the sorts of volumes that we're able to produce in our vineyards.

**CHAIR** - You work for TIA and all that?

**Ms DAVIS** - We do indeed. We need to investigate this. We need to find out exactly what we can do at different stages of the growing season starting right with pruning and pruning decisions, but the whole way through. We need to investigate this to understand what are the optimal yields, how we can potentially do different things in the vineyard to stabilise them and to make sure that our quality output is maintained throughout that whole process. There is a research project which is, at the moment, the subject of a funding submission from our perspective. We really believe that unless we investigate this, we may find ourselves in another 20 years having planted another 550 per cent in vineyard area and still not having that much more in the marketplace.

**Mr FARRELL** - I did some research a couple of years ago on the wine industry in Tasmania and how it came about. It was good to read that the Legislative Council, being a bunch of fine connoisseurs, played a fairly important role in the 1980s when they disallowed, by law, blending in grapes from outside and for the wine to be labelled as Tasmanian wine, which then set the Tasmanian wine industry on this quality rather than quantity path. It's been pretty much a story that is successful and fits perfectly with what Tasmania should do.

We heard yesterday how we grow very good potatoes, but we are cutting them up for McDonald's chips. Not that I am against any particular corporation, but we were told that the value of the potato is so good that they could be used elsewhere.

I just wonder if you have any ideas on how we can take the lessons learned from the wine industry and how well it does function and get that message across to other producers. I know it's a different product, but there are some really sensible ground rules that the wine industry has followed over time.

**Mr LYNCH** - Marketing potatoes is a bit out of our expertise.

**Ms DAVIS** - However, value-adding is a good one. There are potato farmers who are looking at distilling - value-adding and making it a premium product.

**Mr LYNCH** - Exactly. The lesson that Wine Tasmania and the wine industry has learned - you spoke about the issues about passing off effectively that was a real issue 20 or 30 years ago. Fortunately now, through trade practices legislation, consumer protection legislation and label integrity, we don't quite have those problems but from the wine perspective, it is about value-adding and making sure that supply and demand are aligned. In a large commodity like potatoes that may be a little bit more difficult, but certainly in products like I mentioned before - beer, cider, spirits, and vegetables, too - there are those niche markets where we can be looking at selling the Tasmanian brand.

## PUBLIC

Wine Tasmania and the wine industry recognise that there are specific drivers of consumption of wine and selling wine, but we very much align that to the strength of Brand Tasmania. The key to this from the industry's perspective is that we need to encourage the development and the continuation of the strengthening of the Tasmanian brand so it is very clear what the proposition is. From our experience, we would certainly encourage other producers of primary products to look at the opportunities to align and differentiate themselves so that they sit under that Tasmanian brand and what that represents. There has often been discussion in the wine industry about the diversity in the wine industry. It is very diverse, not only from area to area but also within areas - different wine styles, different wine-making practices and so on.

We, as an industry body, recognise that around the world most people do not know where Tasmania is. Even around Australia in the fine wine market, people do not know about Tasmanian wines. To be marketing Tasmania as the key driver is very important for the wine industry and I think it would apply to potato producers or other manufacturers.

**Mr FARRELL** - You spoke, too, about growing the industry. It seems to be pretty well controlled as far as the wine industry goes, it is not growing too fast. We have seen in dairy, vegetable processing and even the timber industry that really they have been ruined in Tasmania in lots of ways by the growth - where we started with small cooperative ventures run by the producers themselves largely that have eventually ended up under multinational control and have all but disappeared in many cases. I would like to know how you manage that. There seems to be, with all the wine makers I speak to, an understanding - as you mentioned before Graeme, supply and demand - a really good awareness of the industry within the industry.

**Ms DAVIS** - Our best example has been the national wine industry and also the New Zealand wine industry to a certain extent. Our wine producers are acutely aware of the challenges, as you mentioned. Even in the Clare Valley, which is considered a premium wine region, producers have suffered tremendously. It is through a couple of things. There were schemes put in place to grow production, not the market. There were managed investment schemes and there were accelerated depreciation arrangements around vineyards which saw a lot of that growth occur in the vineyard area and not necessarily in the market area. That growth occurred quickly and there was no strategy to make sure the market was growing ahead of that.

We have really seen that and we have really been aware of that. The vast majority of our wine producers have recognised the fact that you need to grow the market. They are seeing that within their own businesses, which is why they are growing their own markets at the same time as we are collectively, and are now in a situation where they have confidence to reinvest in their businesses.

**Mr FARRELL** - That is good, thank you.

**Ms RATTRAY** - It is always really interesting to hear about an industry and particularly as the wine industry appears to be so important to Tasmania.

## PUBLIC

I want to touch on the industrial relations aspect. In your submission you have indicated that you have put in a request for changes. Would you walk me through that, Sheralee, and tell me and the committee where you are with that request and that process?

**Ms DAVIS** - Certainly. We are participants in the Fair Work Commission's review of the modern awards. The committee may well be aware that the Fair Work Commission is going through a review of all of those awards. The awards came into place in 2010 so we have now, for five years, been living with those conditions. There was an interim review to which we had some input but that was only ever going to address what were seen as anomalies. We originally had an award; it is worth briefly touching on that to show you just how out of step the national award is with our Tasmanian situation.

There was recognition of vintage and harvesting grapes. That vintage period as specified in the award was November to March. We start in February so even the fact that there had been no recognition of the fact that we are still picking grapes by the time most other regions have finished was an anomaly which, fortunately, was corrected through that interim process.

We are now in the situation that started last year, the full review of the awards. We are participating as part of a national approach led by the South Australian state wine association, which has expertise in the area of industrial relations, and we have had the opportunity to put forward our key points, as outlined in this submission, to be part of the representation. It has been a very prolonged, drawn-out process. There have been several hearings. There are different stages that go through. As you can appreciate, it is a review across all the awards that are in existence. There have been different things that have been tackled in terms of common issues versus industry-specific issues. We have had the opportunity to put forward a submission but we are still aren't at the stage where there has been a hearing and we have been asked to provide evidence and witnesses. We hope that is going to happen in the not too distant future.

The other process that has been running parallel is the Productivity Commission's inquiry into the workplace relations framework. That has given us another opportunity to put forward our views to the Productivity Commission, which we hope may have some influence over the Fair Work Commission's process.

It is ongoing and in the meantime our wine producers have been paying a lot of additional money for five years now.

**Ms RATTRAY** - Which makes remaining viable difficult. It has been suggested through this process that Tasmania should revert to having its own industrial relations, specific to Tasmania because we are unique. Do you have a comment on that?

**Ms DAVIS** - I am not sure if it is likely but it would be tremendous. We look at the situation that we had prior to the national award. We operated under the horticulture award largely. Today, even from a national perspective, the horticulture award recognises that if you are picking grapes people are going to eat, you pick them whenever you need to pick them any day of the week, without penalty. But if you are picking wine grapes, apparently Sunday is something special, you have to pay people more. There is this ridiculous situation and we could very easily tackle those issues if we were dealing with on a state basis. But nationally it is a real struggle to get that.

## **PUBLIC**

**Mr LYNCH** - We are members of the Tourism Industry Council and I am sure you will hear from them about the difficulties in hospitality and tourism and so on. I take you back to my comment about the various business models. You very rarely see anybody who is talking about the virtues of Tasmania, particularly from government from any perspective that does not include the word 'wine' when they are talking about success stories and what Tasmania represents, the wine and food offering, the tourism offering. In terms of our industry and its integration and the various business models, it is not just picking grapes that is important, which goes to the point about a state-specific industrial system because we cover cellar door, tourism, events, all of these things.

**Ms RATTRAY** - You will be aware Western Australia is doing its own thing and seems not to have been parted from the Commonwealth.

**CHAIR** - They were the only jurisdiction who didn't sign up.

**Ms RATTRAY** - Yes. Have you had a conversation with anyone in that area?

**Ms DAVIS** - You are right; they have not signed up to the workplace, health and safety legislation but their vineyards still operate under the wine award.

**CHAIR** - In 2009, when we devolved our industrial relations powers, this is in the private sector, we are not talking about public sector, which is still done by the Tasmanian Industrial Commission, Western Australia was the only state that elected to stay outside that system. They still run their own game.

In clause 13(3) you mentioned, Sheralee, a minimum four hours for casual staff and you request a reduction to two hours. That has been raised with us before, particularly in the dairy industry where sometimes somebody only wants to come in and they want to milk cows for an hour and that is all they want to. They don't want to do anything else. Yet there is a requirement there, under the federal Pastoral Award for the employer to pay for three hours. In your case it is four hours.

**Ms DAVIS** - It is high, isn't it?

**CHAIR** - It seems inconsistent.

**Ms DAVIS** - Yes. That is the point. Apart from it being high, it is inconsistent because in the hospitality awards, if we have cellar door operations that are operating under the wine award but acting as though they are hospitality operations, two hours is the minimum under the hospitality award. The same with the restaurant award; the horticulture award is two hours. Apart from it being high, it is also inconsistent. That is a request we would like to see.

**CHAIR** - To encapsulate, we are taking the evidence from people from all sides. We will then make observations and we will be sending it all through to Fair Work Australia and it will for them to make the recommendations through the federal government.

You are saying what we need to do is get some consistency and try to get some more flexibility in the arrangements so that people aren't disadvantaged.



## **PUBLIC**

**Ms DAVIS** - Absolutely, and even just consistency. You are looking at the horticulture award; looking at consistency would remove some of those penalty rates in our awards. It is a good starting point.

**Mrs ARMITAGE** - One area is the transport out of Tasmania. I noticed you mentioned that we tend to build the distance factor into the price, but how would that affect the wine industry, the proposed 800 per cent increase for the Port of Melbourne?

**Ms DAVIS** - Apart from the short answer that it would tremendously impact, of course, there is another related issue that is worth mentioning. We have a number of vineyard operators that are choosing to take elements of the supply chain off island. That is already due to freight restrictions. Increasing costs is potentially going to see a whole lot more take some of their downstream processing off island. That is a very big concern if we are talking about this in an economic discussion.

**Mrs ARMITAGE** - Thank you, because I know in the past we have lost many industries for the very same reason before they had this huge impost. Now with this possible 800 per cent, or even if it is only half of that, it is still a huge impost for Tasmanian industries so I just wondered how you would cope. So you think a lot more could go?

**Ms DAVIS** - I really do. Already we have had a situation where we certainly are aware that a number of producers where they are focused on selling off island have indeed looked and investigated the costs of taking downstream processing off island. At this point in time it does not seem as though specifically setting something off island is worthwhile in an economic sense. Where producers already have facilities on the mainland they are certainly utilising them but if the costs were to further increase to this extent that would certainly be my serious concern.

**Mrs ARMITAGE** - Has the wine industry looked at combining with the government and other players in a delegation, because I know that the government has been looking at talking to the Victorian government regarding this? Has the wine industry been involved at all about it?

**Ms DAVIS** - Not directly. It is certainly something that we would look at. I guess our freight volumes when you look at some other sectors are still quite small, but certainly the impact is great. That is certainly something that we would be interested in looking at.

**Mrs ARMITAGE** - It might be worthwhile contacting the appropriate people and making some inquiries.

**Ms DAVIS** - Yes.

**CHAIR** - In this morning's media I noticed there may be some sort of solution coming up in that the Victorian Parliament may enact some sort of legislation to protect Tasmanian exporters so that those charges will be nothing like what has been mooted in the past. That is still work in progress but they are confident of getting some sort of an outcome, but we will have to wait and see of course.

**Mrs ARMITAGE** - The word 'may' is always a worry.

## **PUBLIC**

**CHAIR** - Yes, but there is some progress being made it. We will wait and see.

**Mr LYNCH** - An additional thing on freight is that from the cellar door perspective a lot of our producers sell one or two cases of wine directly to customers interstate and certainly freight can be quite a significant component. Of course the higher the value of the wine the less the freight is as a proportion but it still falls to the bottom line. It can cost up to \$20 a carton to distribute to some parts of Australia, and whilst that is recovered in most cases from the purchaser it is a disincentive to purchase Tasmanian wine.

**Ms RATTRAY** - We had UTAS in this morning talking about restructuring some of their courses to be more suitable to what is required in Tasmania for people to go on to tertiary education. Is there any dialogue between you and the university about what courses are offered and whether they are fit for purpose for your industry and your participants?

**Ms DAVIS** - Yes. Most of our discussions with the university are often via the Tasmanian Institute of Agriculture. With Olga Makhotkina having the connection across both areas we have very collaborative and positive discussions. At the moment with university education, the only course that is offered that is relevant to our sector specifically is the agricultural science one. We have had conversations about whether there may be modules we can incorporate that pick up and address the viticulture side of things. We have also had discussions relatively recently, which have been very positive, talking about the step between a certificate level and the graduate level, so something sitting in the middle, which is where we could see a great deal of opportunity for the wine sector to put something specific together.

**Ms RATTRAY** - It was suggested yesterday in some of our hearings that management in any industry is key to a successful business, particularly if times get a bit tough and you have that management skill to do a business plan and predict for the future. Is that one that might be added into the courses available?

**Ms DAVIS** - Absolutely. When we talk about succession planning in the Tasmanian wine sector, what we are often talking about is buying or selling a business. We have a lot of very small businesses so it is not necessarily somebody moving through the chain of a business as an employment prospect so much as somebody coming in and running a business. That business/financial/economic piece is absolutely critical for us.

**Mr LYNCH** - We have done some work around the financial modelling for the wine industry and it is clear there is a gap, particularly with many of the smaller producers in keeping the sort of data we could bring together to inform committees such as this, government, and the industry, in making decisions. We have also done a lot of work in vocational planning outside the university sector. We have written a plan that is being supported, so we have identified a lot of those gaps. Leadership is key in all these things and there is a very big leadership role there for the Government in taking the brand to the world.

**CHAIR** - Thank you very much, Graeme and Sheralee, for your time this morning and for your submission.

**PUBLIC**

**THE WITNESSES WITHDREW.**

## PUBLIC

**Mr HOWARD HANSEN**, HANSEN ORCHARDS, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

**CHAIR** - Thank you very much, Howard. As you may know, any evidence you give today is protected by parliamentary privilege whilst you are in the proceedings. However, outside this door you may not be protected by the privilege. That is standard procedure. It is being recorded by *Hansard* and is on the public record.

Thank you very much for coming to appear before this committee. We have had a lot of interesting evidence from a day and a half in Launceston and now in Hobart. What I invite you to do, because you haven't provided a written submission, is to outline your business and what you do, for the benefit of the committee, and address any of the terms of reference.

**Mr HANSEN** - I am a fourth generation fruit grower from our family, fourth generation apple grower and first generation cherry grower. Cherries have fast become the main part of our business. I suppose we have witnessed a lot of change over many decades. When my father started growing apples in Tasmania there were 2 200 apple growers in Tasmania. When I started 20 years ago there were 220, and today there are 20 where that is their full time job. It has been a major change for a community and for a district.

Through that time we have to be early adopters of new technology and look at the opportunities. When I was in my final year of study in 1994 I started the opportunity of diversification into cherries. We were looking for another product where we had counter seasonal supply opportunity through the northern hemisphere, the same as we had previously had with apples. Technology that was developed through the 1970s and 1980s meant that everyone in the world could keep apples for 12 months of the year, so they didn't need product from Tasmania any longer.

We are export focused, about 65 to 70 per cent of our cherries go outside the country. We are suppliers to both Woolworths and Coles inside Australia. They are the major cherry customers domestically. The apple business is pretty much all domestic market focused now.

It has been very difficult to compete internationally over the last 10 years. The key thing has been that because everyone in the world can keep apples for 12 months of the year, our labour costs particularly is way out of whack with the rest of the world. Our nearest competitor is in New Zealand, our labour costs are twice theirs. In Chile and South Africa, we are about 10 times the cost of their labour. We are about four times the cost of American labour and 100 times the cost of Chinese labour. The reality is we really have to sell a product for a similar price, so there has not been a lot of export in recent years.

The high Australian dollar was a real impediment while that was occurring, and also the loss of international shipping out of Tasmania was another nail in the coffin. The last 12 months the dollar is correcting itself and getting back to where it probably should be, which is making us far more internationally competitive on both our apple and cherry business. The international shipping is a big improvement with the recent announcement on freight equalisation applying to stuff destined for export, which was absurd that it

## **PUBLIC**

wasn't previously. Those two things will make us competitive again. This week we are air freighting some samples of Pink Lady apples.

**Ms RATTRAY** - I heard that on the radio.

**Mr HANSEN** - Pink Lady are now the most widely grown apple variety in Australia, but there are so many of them in the country this year that there will be pressure on price, and with two main customers in Australia, when there is oversupply they will get the benefit of the lower price. We are air freighting some samples of that product. We are doing five air freight shipments this week to three different countries, five different customers, hopefully to get something going. Also, in recent times, we have been exporting some Tiger Fuji from a grower, Andrew Scott, at Geeveston. The export of the apple business, now that we have a better dollar, we are starting to look at it again and we are quite hopeful.

We still grow a great product. Tasmania is one of the best places in the world for growing hard red apples, but unfortunately, with things out of our control, we haven't been able to be competitive, but we think going forward we might have a chance again. We are the only state in Australia that has access to China, so it is an interesting opportunity. They are very big apple growers, but they know about Tasmania. They are becoming increasingly aware about Tasmania and the fact that we're the cleanest agricultural environment on the edge of the earth. There are plenty of very affluent people there who don't trust the production from their own country. There are people who are wealthy enough to pay a premium for Tasmanian product.

That is probably a little bit about our business, Greg. I will make a few other opening comments. Realistically, I think Tasmania's economy in the future is probably not going to look that different to the past. The industries and businesses that were important in the past will continue to be important in the future. Certainly we are seeing tourism and agriculture reviving quicker than anything. I'm not suggesting they are the only industries. I still think there are great opportunities for forestry and education. We have a great resource in the University of Tasmania. We have a market in Asia that wants to educate their young people. It is not something I feel qualified to speak about, but I think it's a huge opportunity.

I've been watching with interest in recent times - and it is a complete aside, it is not my area of expertise at all - but next time any of you are in Melbourne it would be worth a visit to the new Docklands library that is being built by Lend Lease. That building is all built out of cross-laminated timber. I'm not sure where they got the beams to do it, but I can bet my bottom dollar they were not made in Australia and certainly were not made in Tasmania. I reckon they've either come out of New Zealand or Canada. With a trend of that style of construction and the resources that we have in our state with - whether you agree or disagree with what happened under the managed investment schemes - it is an asset that is in the ground and it is growing every day. We don't want to be selling our product off as woodchips down the track if we could be selling cross-laminated timber beams. Design and architecture people in Tasmania could have the potential to work with that product, and builders have the potential to work with it. It is not something I can really speak about.

## **PUBLIC**

I completely agree with the State Government's Agrivision 2050. I think it is achievable that by 2050 we can grow the value of agricultural production to \$10 billion. It has almost been forgotten a little bit with the new Government, but the previous government commissioned a report by Jonathan West. He was on exactly the right track where he identified the five key areas that have the potential to each be a billion-dollar industry for Tasmania: aquaculture, dairy, red meat, horticulture and I am forgetting what the fifth one was - wine was the other one he identified. I completely agree with those.

Whether we will be, as we have been told for 20 years, the food bowl of Asia, I don't know that we'll be the food bowl but we might be the premium-branded niche product provider to Asia. We are not going to compete in the commodity space because our costs of production are a bit high. I always say that in anything that can be done from a tractor seat, we have a chance of competing. You are looking at poppies and pyrethrum, where we grow 40 per cent or 50 per cent of the world supply. Because it can be done from a tractor seat and doesn't require a lot of labour, we can be internationally competitive. Both of those products are things that leave Tasmania in small volumes shipping-wise because it's been so concentrated, but it is really high value. I'm not all suggesting that those industries don't have a future, but for something like what we do with horticulture, we can never be a commodity player because we know we're always working with a higher labour cost, so we have to be realistic. Maybe it won't affect the Huon too much, but the rollout of the irrigation schemes through Tasmania is going to enable a lot of these things to happen.

In thinking about what you as a committee can do, really a lot of the issues we need to address are federal ones and some of them are outside your sphere of influence. We need to be creating the environment to let business get on with business. I was proposing that we could talk about a few of those opportunities to be creating that environment that is going to let us grow agriculture. Are you happy with that, if I address a couple of those quickly?

**CHAIR** - Yes, sure.

**Mr HANSEN** - It might be a bit repetitive because it sounds like you've had a couple of days of hearings. Some things may have been addressed previously.

**CHAIR** - That is okay.

**Mr HANSEN** - I heard them at the end of the wine industry presentation touching on agricultural education. It's a very disappointing fact that in 2014 there were only three new ag science students enrolled at the UTAS. They have corrected that a bit. I think it was up to over 30 this year. But honestly, it should be 60 next year and it should be 100 the year after that. I was at a presentation recently where they were talking about the GFC - not the Global Financial Crisis but the Global Farmer Crisis. The world population is heading to 9.5 billion people. Between now and 2050 the world has to produce the same amount of food again as it has up until this point. That says something about the increase in production that will have to occur.

**CHAIR** - We heard that at the Nuffield dinner, didn't we?

## **PUBLIC**

**Mr HANSEN** - The other recent fact is that there are seven positions for ag science graduates for every graduate that's coming out of there. Here we are in Tasmania, and I think there are only five schools of agricultural science, and we have one of them. Yes, it's a little bit fuller now, but we should be having 100 people in there. Honestly, it's only a matter of making school-aged students aware of the opportunity. With high youth unemployment, they are wanting to get trained in something where they are going to get a job. They are better off being trained to be agriculturalists than they are to be architects or something else because that's where the jobs are. We recently had a group at the university - career advisers from the schools - who visited three agricultural operations and a wine industry player and one of the aquaculture players, and they were really excited at the end of the day. They couldn't believe that there were all these opportunities.

I don't understand how that is not getting through to them. I suppose they think there is this mentality that people on farms don't earn good money. The reality is, looking around our operation we were able to point out a few of our key people and tell those career advisers what they were earning and they were a bit surprised. Businesses require good, skilled management to operate them.

The other thing is, with the recent Budget we probably saw the start of something. We really want to see the federal government create an environment where farmers want to invest in their own businesses. Nearly all European economies see agriculture as the cornerstone of their economy. Here we are, producing something out of sunlight and water and turning it into something we can sell - creating wealth out of nothing effectively. In those European economies virtually everything that a farmer might want to invest in is 100 per cent tax deductible in the year of expenditure. We just saw in the Budget - at this stage that's not going to apply until 1 July 2016 but it would be a great thing for Tasmania - that the expenditure on dams, irrigation and water will be 100 per cent tax deductible in the year of expenditure. For those farmers in the Midlands who now have water delivered to be able to invest in pipelines and irrigators, being able to claim 100 per cent of that as a tax deduction in the year of expenditure is a massive opportunity.

They have done a similar thing with items up to \$20 000 for small businesses. That is absolutely fantastic for small business too, but unfortunately businesses like ours don't qualify because our turnover is a little bit high.

We would like to see greater accelerated depreciation. We've just lost most of our cherry crop in the Huon to rain. For \$75 000 to \$80 000 a hectare we could protect that block with a rain cover and keep the rain off it. But we can only depreciate that over the life of the cover, which we probably can't argue to be any less than 10 to 15 years. If I was able to insure my crop against rain damage, the cost of the insurance premium would be 100 per cent tax deductible, but if I lose my crop to rain I have no crop to pick, I don't require any people, I don't use any transport and I don't export anything. Why don't we make protecting the crop tax deductible as well so I am incentivised to protect the crop - so I have a crop every year, I improve the pack-out, which is increasing the revenue, I need more people, I need more transport and packing and, hey presto, I am earning more dollars for the country? We want to invest but we want to be encouraged to invest by making a lot of what we do a bit more tax deductible.

## PUBLIC

I heard the end of some discussion about freight as well. I am not a freight expert and I don't want to spend too much time talking about it, but I will put it in perspective for you. If I want to send a 12 kilo box of apples from here to Sydney, it costs me \$4.50, and that is about 1 500 kilometres. If I am anywhere in New Zealand, which is more than 2 000 kilometres away, and want to send a 12 kilo box to Sydney, it is going to cost me below 80 cents. I have to pay \$4.50, they have to pay 80 cents. How can we compete against that? I heard today there is going to be an announcement about some of those domestic freight issues.

**CHAIR** - The Melbourne port thing?

**Mr HANSEN** - No, that was separate. This was an announcement I thought was going to come from Eric Abetz, so something is happening there.

The TT-Line is another favourite topic for us. The TT-Line is still the most preferred method of perishable product leaving Tasmania, because of the schedule. We can have product leave us in the Huon as late as 2 o'clock in the afternoon and we will have it delivered to our freight forwarder in Melbourne by 10 o'clock the following morning. From there we can fly it around the world.

I commend the Government on what it is doing with retrofitting the ships and making them more appealing to passengers, but we're not addressing the capacity issue. Over the last two summers there have been up to 20 trailers a day being left off on the northbound journey. They haven't kicked off any of my product because cherries are high value, but something has to be left off. The only thing that has been said about capacity is that they might do more daily sailings. The reality is that tourists don't like day sailings. They would rather sleep on the boat than sit there for that length of time. For us, with the schedule we have, we can work all day, get product away in the afternoon and use the overnight sailing to meet the flights.

The previous recommendation of the TT-Line board to the previous government of two additional ships dedicated to freight - I thought they had it. That was absolutely perfect and capacity building for the growth in agriculture we are going to have. It is our Hume Highway. We can't get anything anywhere without it.

**Ms RATTRAY** - Howard, is air freight not price effective?

**Mr HANSEN** - Currently everything we do in air freight has to go in wide-bodied planes, so we use an LD3 or LD7 air freight shipping container. It has to be in a wide-bodied plane and we're not bringing any of those into Tasmania. Most of the cherries we do are going in the underbelly of passenger flights.

I was recently asked to speak at the launch of the Australia-China Business Council, Tasmanian Chapter, and I said to them - and it sounds a bit pie in the sky, but I honestly don't think it is - the federal government made a commitment to extend the Hobart runway. A 747 can already land there but it can't take off again when it's full of fuel and product. Those 747s hold approximately 110 tonnes of product. Cathay Pacific has multiple 747 jumbo freighters flying out of Sydney back to Hong Kong completely empty almost every week of the year. It is entirely realistic for us, when this runway is



## PUBLIC

extended, to be working on regular airfreight shipments direct out of Hobart, to avoid all that Melbourne cost.

The Melbourne cost - if you're talking about sea freight again, it costs us more to get to Melbourne than it does from Melbourne to virtually anywhere else in the world. We can get rid of that by going straight out of here. I know 110 tonnes of product sounds a lot, but on a busy day during summer we're doing 60 tonnes on our own, and that's just our business, without the rest of the cherry industry.

We could very easily imagine, a few times a week, 10 or 15 tonnes of salmon, 10 or 15 tonnes of fresh milk, cream, cheese and butter. There is already a lot of Tasmanian crayfish, abalone, mussels, and oysters going to Melbourne to be air-freighted - they could go from here. We talk about the opportunities for apples, cherries, fresh vegetables, lettuce, wine, red meat - there is no reason you could not be flying red meat out as well. I think it is entirely realistic.

We could probably only go to a market that does not have any quarantine restrictions, so maybe Singapore or Hong Kong - virtually all those products would be allowed direct access to those places. Somewhere like China is certainly not an option at the moment because there are not enough Tasmanian products that have quarantine access there. But for somewhere like Singapore or Hong Kong they would be fine.

**Ms RATTRAY** - Word would soon get around.

**Mr HANSEN** - No doubt. I was speaking to someone the other day. Imagine, we could have an aisle of Tasmanian products. I was floating the idea. We sent the first Australian apples to China last year when the Prime Minister was up there for the Australia Week Celebrations and that got me thinking. Why couldn't we go to a supermarket chain? We're a direct supplier to the Dairy Farm group in Hong Kong that owns 5 000 supermarkets, or something ridiculous. Why couldn't we go to them with five or 10 Tasmanian products and say, 'We want to have a Tasmanian Week.' They could set aside a part of the store where you could buy your salmon and fruit, and red meat and some lettuce from Houstons - as a pilot project, just for a week. You eat an elephant by taking one bit at a time. I reckon something like that could be the first bite. Anyway, open to questions.

**CHAIR** - Thank you very much and I know how enthusiastic you are. We've had conversations before. I want to talk about education and the Ag Science degree. One criticism has been that the Ag Science degree is pretty high level and, without being derogatory, somebody said it only turns out lab rats. There has to be something in between. It has to perhaps be a diploma of management type of course to get the right skills on the farms, and then you can step up to the next level.

**Mr HANSEN** - I completely agree. I'm sounding like an old man, but 20 years ago in 1991, when I was contemplating my education, Ag Science was an option, but I didn't think it had enough management content. I attended Marcus Oldham College in Geelong in Victoria, which offers a course with a strong management focus. I couldn't agree more that there is an opportunity to offer these courses. We have a young guy working with us who was not engaged in school - his parents couldn't keep him at school. The only way

## PUBLIC

they could keep him there was if he started doing a workplace apprenticeship with us. He came to us for three days a week, as long as he went to school for the other two.

He has just received a scholarship to study at Marcus Oldham and it's like flicking a switch. All of a sudden he is committed and engaged. He rang me on the weekend and he said, 'Look, at the end of this year I get a Diploma in Agribusiness, but I'm speaking to the college about doing the prac here and then coming back in two years' time and doing the Diploma in Farm Business Management'. Straight away we've engaged him and we now have a kid who is going to make a very valuable contribution to our community.

I completely agree, there is not a course like that in Tasmania.

**CHAIR** - I think there is now going to be movement afoot, and it will be based in Launceston and that is fine. It doesn't matter.

**Mr HANSEN** - Marcus Oldham has been the most successful institution in this space in Australia, but one of the things that they do, probably addressing exactly this issue, they will not take an application from you unless you can prove you have had 12 months of experience in agriculture. You have to have got your feet dirty first. The farm management diploma is a sandwich year. There are two years of full-time study and in the middle is a year that you have to spend working somewhere in agriculture or agribusiness or banking, in something to do with agriculture.

This young fellow I was speaking to on Saturday, we were talking about where we might send him, most likely North America, where he can get exposure to some of our peers, get his eyes opened and broadened.

**CHAIR** - That's it. To change tack slightly, I will ask one more question of you, Howard, and then hand you over to other committee members. You have been very entrepreneurial. You haven't exactly been risk-averse, you have really had a red hot go. What do you think are the main impediments to your business going forward in Tasmania? You can talk about the industrial relations bit, that is part of our reference, or whatever. How can we manage that better to make sure that we can go forward?

**Mr HANSEN** - I see our biggest challenge as remaining competitive. It all comes down to viability. We will keep doing what we are doing as long as we are making money. If we cannot make money we won't be able to keep doing what we are doing. If I talk specifically about our cherry business, our biggest concern - I gave a presentation to Cherry Growers Australia recently, my 10-year-old set it up for me - if we bombed Chile, we thought that was what we needed to do to improve our state of affairs because cherry production in Chile is going to increase to over 300 000 tonnes in the next three to four years.

**CHAIR** - What is the Australian production? Could you put that in relativity?

**Mr HANSEN** - Australia is 12 000, Tasmania is 3 000 or 4 000. They are going to increase to 300 000. On my biggest days of payroll, if I was operating a business in Chile instead of Tasmania, my payroll would be \$100 000 a day less. That is our biggest challenge. If you look around the world, where we have competitive perennial horticulture businesses,

## PUBLIC

they all have access to competitively priced labour resources. If you go to New Zealand, it is all workplace negotiation. The end result is their wage rates are about half the cost of ours. If you go to European economies, many of the workers in the orchards are coming from Poland, Czech Republic and Slovakia and are paid well competitive wages. If you go to North America, North America would starve if it wasn't for the Mexicans coming up to perform most of the work.

We are trying to be internationally competitive, but our biggest individual cost is costing us so much more than any of our competitors in the world. This is not unique to Tasmania, it is not unique to our business. It is happening with our whole economy. Here we are, losing our car industry, we are losing other manufacturing and we are on track to being net food importers.

We have been lucky that we have had the mining resources we have had, et cetera, that have possibly allowed Australians to live a little bit beyond their means, but it is not going to last forever. The greatest example for Tasmania and what we should be trying to achieve is only to look across the Tasman. New Zealand has none of the natural resources we have in terms of mining, yet they are one of the most competitive economies in the world. They lead the world in a number of agricultural pursuits. Their climate, their land, their water is no better than anything we have in Tasmania, but they are well competitive, particularly in their labour resources. Their economy is sound and flying.

**Mr FARRELL** - Howard, you were saying how you have diversified from apples into cherries and it has done well for you. Without giving away any of your business secrets, do you feel there is room for further diversification in the area you are in?

**Mr HANSEN** - There is - I suppose we wonder how much passion we have to go around. The main thing we find challenging about our business is the fact that we are so reliant on this expensive labour. We are all the time thinking, is there a horticultural business - because horticultural is what we do and understand - where we do not have to rely on labour as much, whether it be berries for processing or even wine? There is not much mechanical harvesting of grapes in Tasmania but in the rest of the world it is fairly commonplace. I think there are. We watch what is happening with the berry category in Australia. In the United Kingdom supermarkets, the berry category already is the biggest fruit and vegetable category. I think it is only being limited in Australia by supply. Tasmania has a climate that allows a longer season of production. It is not too hot. We are seeing that on the north-west coast and we are probably seeing the tip of the iceberg there. Again, most of that production is being targeted at Australians and yet somewhere along the road you reach a point, like we did with our cherry business, where you grow too many for the Australian market and then you have to be internationally competitive. There is no doubt the berry product out of Tasmania is good enough to be internationally competitive. Whether or not they can do it at the price it needs to be because of the intensity of the labour resources, I am not sure.

**CHAIR** - Thank you, Howard, we could talk for hours but we cannot and we have to move on. We have other witnesses this afternoon. I really appreciate your coming in.

**Mr HANSEN** - One last comment. We are talking about trying to make agriculture an attractive place for farmers to invest their own funds but also Australian agriculture says

## **PUBLIC**

it is short of capital and Australians seem to get a bit excited if there is any capital coming from overseas. We are collecting a quarter of a billion dollars a day in Australia in superannuation and not one dollar of that is going into agriculture and into rural and regional areas. If the government could only do a few things, and I think accelerated depreciation would be one of them, that makes it a little bit more of an attractive place to invest so that we can be using some of the funds we have all contributed to rather than relying on overseas superannuation funds or overseas governments, all of a sudden we attract those funds. We are probably using our superannuation funds for buying office blocks in Singapore where the Singaporeans are buying farms in Australia.

**CHAIR** - Thanks, Howard, you have put a lot of lateral thinking in there and made some very good points.

As I said before, what we are doing here is taking this evidence and we will make observations but it will all be going through to the Productivity Commission when we finish our evidence and have dealt with a couple of other formalities. Hopefully, your comments will be looked upon in favourable light by somebody in the Productivity Commission.

**Mr HANSEN** - I think the timing is good because the Federal Government is working on the agricultural white paper at the moment as well -

**CHAIR** - That is right.

**Mr HANSEN** - So the timing is perfect.

**CHAIR** - Thank you so much, we appreciate your time and everything else and hope everything goes well.

**Mr HANSEN** - Any time, thank you.

**THE WITNESS WITHDREW.**

## PUBLIC

**Mr ADAM CLARKE, AND Mr STEVE WALSH**, UNIONS TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Thank you gentlemen. You would both be aware that any evidence you give here today is covered by parliamentary privilege but what you say outside may not be, and you are also aware that *Hansard* is transcribing the evidence.

**Mr WALSH** - One of the main thrusts of our submission is the importance of bringing forward investments in public assets and around infrastructure. We see that as an opportunity to create jobs and create wealth through these projects. Some of the projects which we have identified, I suppose have been gazumped a bit with the announcement of the Government in the last few days. We know a lot of work has been done around the proposed new Bridgewater Bridge, the Pontville-Dysart bypass and the Perth bypass. They are some examples of where we see infrastructure could be of assistance in creating wealth in this state.

Public works is another area. The refurbishment of public housing stock is well overdue. There should be a priority list developed whereby, for example, police stations, public buildings that need to be renovated and refurbished, should be identified and put on a list of priority works.

In our submission we also referred to the importance of having a workforce plan and how best is government able to deliver the services we all want. There have been reams of papers and discussions about the redundancies that have occurred in the public sector. The union's position is well documented in relation to that. It's important we still have a public sector that is able to deliver the services we want, and that requires a workforce plan. It requires cooperation with the educational institutions. For example, we refer in our submission to the importance of having intercultural competence. There is an example of a recent visit by a delegation from China and because of a lack of awareness about the importance of culture within Asian communities, their food was Japanese, Korean and Thai, but there has been a bit of friction between those countries. So little things like that which to us probably don't mean a great deal but from my experience with different cultures that can have a significant impact. That highlights the importance of having skills and training that are so vital to have a long-term investment in this state.

I want to specifically address the penalty rate issue. That seems to have been the main thrust. Our submission was more about the broader issue of how we grow Tasmania's economy and it will come as no surprise that we believe reducing or even eliminating penalty rates will not solve Tasmania's economic ills. For us to be long-term internationally competitive within that framework we need to have well-skilled, highly-qualified workers in well-paid, meaningful and secure jobs. The trade union movement's opposition to any changes to the penalty rates is well documented, but in looking through all the submissions I noted many of the other submissions did not refer to the issue of penalty rates. It doesn't seem to be front and centre in a lot of the submissions you have received. That may be different in the evidence that is tendered, such as we are today, but in their written submissions it was not a major issue. For example, in the Dairy Tasmania submission they identified themselves as working in a low-cost environment.

## **PUBLIC**

**CHAIR** - That's because of grass-fed cows, not because of labour, but that's another story.

**Mr WALSH** - They didn't clearly enunciate that in their submission. What they identified in their submission was that the main constraint to growth was access to capital and skills. That is the important point we want to stress and how important it is in this state to retain skills.

In relation to the Tasmanian Hospitality Association submission, that was a straight-out attack on wages. In my experience in more than 35 years as a union official, businesses will not open if there is not a demand. ASIC figures show that of failures in the hospitality industry, 19 per cent of them are due to poor strategic management decisions. I would have thought a poor strategic management decision is to say, 'Penalty rates don't exist on a Sunday now so we will open', and they have two cars drive past in the middle of the night. That to me does not make economic sense so I do not see the rationale behind cutting wages and therefore we can stay open longer, because if there is no demand then businesses will not open. ASIC figures also show that 14 per cent of failures occur because of poor financial control and lack of records. That just strengthens the notion that we say that training and skills development is so important not only for the workers that we represent but business skills are vital for ensuring that small businesses do survive.

We would also contend that there is currently plenty of flexibility within modern awards. We have enterprise agreements, we have individual flexibility agreements which are quite relevant. ABS figures show that the growth in cafes and restaurants is far higher than in the overall economy. We should not forget that wages growth is at an all-time low. Three years ago the average wage increase was around about 4 per cent. Currently it is averaging around 2.6 per cent. Minimum wages are currently 43.3 per cent of the average full-time wages, and that is the lowest proportion on record. That is contained in the ACTU submission to the minimum rate before the Fair Work Commission.

I would like to highlight in our submission the harmonisation of holidays. We believe that it makes no sense to have half the state closed on Regatta Day and the other half closed on Recreation Day. That is a small issue in the overall scheme of things but it is just another example in a state the size of Tasmania with 500 000 people and we close down half the state to have a public holiday. We go into detail in our submission about the fact that we do not class Easter Saturday and Sunday as public holidays. They are just normal days. If you took the balance of public holidays that other states have, then we have fewer public holidays than other states. Of course, you have Victoria now that has declared that the day before the AFL grand final be a public holiday.

**CHAIR** - There is still a bit of a dispute about that.

**Mr WALSH** - The other aspect in our submission is that we have urged the Government and everyone to give serious consideration to clauses around domestic violence leave. That is an important part if we are serious about growing Tasmania's economy. I know people will immediately say you are putting in extra costs to the business, but when you weigh up the cost of the impact of people not being honest about why they have to take leave, the fact that they will take sickies, the uncertainty around it, we need a better system whereby people who are suffering such appalling things like domestic violence that there is an avenue for them to access leave. Do you just have a simple clause about domestic

## PUBLIC

violence? That raises questions about how you access that. They are all issues requiring a consultative and cooperative approach. We are not always going to agree about things but unless we are talking about them, sitting around the table, having a mature discussion about them, then we will never move forward.

Of course in recent times there has been much debate about the use of ice in the workplace. We would come back and say you cannot just look at the use of drugs in the workplace in isolation. You have to look at the economic factors. You have to look at the economic factors, you have to look at the uncertainty around security of employment. When I was growing up people turned to alcohol - that was the escape. It has now moved on from that but you have to look at it with an holistic approach. Things like certainty of hours, income and simply to cut penalty rates will just increase the stress that workers we represent are under.

I would briefly like to make a comment on part 2 of your terms of reference. We would put to the committee that there are many challenges in rescinding the referral powers. It would disadvantage industry. There would be a significant cost to the state in bringing back control of the IR system into the state. It would only have sole traders, partnerships or natural persons covered under a state jurisdiction, apart from crown employees.

I have a supplementary submission which I am happy to table and to forward. It deals more in depth with how the national system came about, the fact that the Commonwealth proved, through the High Court, that they had the power to legislate or regulate over corporations. As I said, we have three sectors that aren't covered and that required the state. I also have a more detailed response, particularly to the Tasmanian Hospitality Association's submission. I am happy to table that.

**CHAIR** - Thank you very much, Steven, for that. I might just make a comment about what we're doing. We're hearing from all stakeholders but this committee is not making recommendations as such. We will make some observations, but it is all part of a package; when everybody has had their say it then goes off to the Productivity Commission, and what the Productivity Commission does with it is their business. I just wanted to clarify that bit with you, so we have that there.

**Mr CLARKE** - May I ask a question? You will be putting in a submission to the Productivity Commission inquiry?

**CHAIR** - Yes. All of what are doing this week and whatever else we have had on paper in written submissions will be forwarded to them. We will make some observations in general about what has been said and what hasn't been said, and everything else and that is really where our role sits. That is the case, and I noticed you said that the Legislative Council should find such-and-such, but we're not into that or going down that definitive track, so I thought I would explain that to you. Certainly, Steven and Adam, in the last couple of days there has been a pretty big conversation about penalty rates and that's been going all around Australia for a bit.

I think none of our people - correct me if I'm wrong - have said that the penalty rates should be abolished. Nobody has said that at all. The question to you is, and that is what some people have been asking, is there another way that we can get better outcomes?

## PUBLIC

Can we have some more flexibility? Would you like to address that issue? That is the main thrust of what people have been saying to us in business.

**Mr WALSH** - It would be our view and our contention that there is plenty of flexibility within the current system to deal with issues of penalty rates, hours of work, structures and this will be in the more substantive document that we provide. Modern awards contain a standard flexibility provision. Modern awards cover probably 80 per cent to 90 per cent of - I do have that figure somewhere - 18.8 per cent of the workforce are paid national minimum rate. Two-thirds are certainly on the minimum rate so there is quite a significant amount. In those modern awards there has to be a standard flexibility provision which covers such things as you can amend overtime rates, penalty rates, allowances, leave loading when work is performed. They are pretty much in every modern award but there has to be a flexibility agreement. There is plenty of scope for companies of all sizes to either enter into an enterprise agreement and/or have an individual flexibility agreement. There is plenty of scope for any company to say, and I have negotiated myself many agreements which say, there are penalty rates, night shift allowances, let us roll them all over into a composite wage and you smooth out -

**CHAIR** - Am I getting confused here that perhaps a lot of this applies to larger industries, larger corporations? If we are talking about an average restaurant which employs 30 or 40 people, have they the flexibility then? That is what they are saying, and that is why when we looked at Tasmania's future in the tourism industry and so many places have been shut on public holidays, is there flexibility on that day to not pay double time? Is that what you are saying?

**Mr WALSH** - There is flexibility provided, there is genuine agreement reached that an individual worker has not been coerced or intimidated or harassed into accepting an agreement which is substandard. There is flexibility. The employer cannot just decide 'I don't want to pay double time Sunday and instead I will give you Monday off'. He or she cannot do that.

**CHAIR** - Sorry, he can't do that?

**Mr WALSH** - Without having a certified agreement. There has to be a certified agreement with the group of workers. He can enter into it, and obviously from a union movement point of view, we would say we can properly represent this group of workers. But if they elect to do a non-union agreement, they are within their rights under the Fair Work Act to do so. They do not have to be a member of the union to enter into a certified agreement but it does have to be certified and it does have to meet the BOOT test. Small employers might complain that they have all this red tape and all these hurdles to jump but there has to be some safeguard for a worker who has no power in the workplace.

If you employ me and say, 'I'm going to pay you \$15 today,' I only have one choice. I either take it or I do not work for you. But there has to be a minimum standard and that is what the Fair Work Act provides for, and that is what the modern awards provide for. You can reach agreement with me by saying, 'Listen, I would prefer you to have Monday, Tuesday off; I would like you to work Saturday, Sunday. Here is an agreement. Here is a base rate of pay or here is the rate of pay which I will give you, it is not calculated at double time for the Sunday, it might be some other things'. There could be all sorts of provisions in there but provided it satisfies the BOOT test - the Better Off



## **PUBLIC**

Overall Test - then you are quite free to reach those agreements. It seems to us that employers just want to be able to say they do not want to pay double time for Sunday, they do not want to work as the owner of the business, but they expect someone else to work with no proper fair compensation.

**CHAIR** - Thanks. Adam, you were about to -

**Mr CLARKE** - No, Steve, has basically enunciated all of what I was thinking as well. The point about the BOOT test, which I am not sure if you are fully familiar with, which is the Better Off Overall Test -

**CHAIR** - Yes, we have been through that.

**Ms RATTRAY** - We have heard a lot about it.

**Mr CLARKE** - I can imagine. At the end of the day, if you think about the employment arrangement over a period - a year, a fortnight, a month, whatever it is - the point is that the overall value of the person's work in remuneration in either entitlements or in cash has to be maintained. If you are thinking about the way you operate a business as well, it would be pretty remarkable to suggest you would operate a business on a cash flow cycle on a daily basis. There is the daily cash flow but the costs cover an extended period of time. Even with applying the BOOT test, where you will find that people have the same total value of their remuneration package, it should not shift the costs over a broader period of time. I am not quite sure what industry is arguing for when they suggest we need to have a lower rate on, say, a Sunday because ultimately it means they have to pay a higher rate during the course of the week. What we have found is, that in the Launceston Chamber of Commerce's submission, for example, to the PC inquiry, a number of business operators said we would like to do something about penalty rates but we need to find ways of incentivising workers to work on the weekend.

I did hear, and I have forgotten his name, the chairperson of the Small Retailers Association who has stores in Hobart on the radio a few weeks or months ago commenting on the proposal that had come out of South Australia with this template agreement, which it must be noted no business or employee group has taken up in South Australia because it is too inflexible for them. He said, basically, 'I would be horrified if something like this came in in Tasmania because I do not want to pay my staff more during the week, and if I had to pay them less on a Sunday they would not come in.' You have to deal with the issue of incentivisation and the penalty rate system is here because businesses and unions and various other groups over the years decided that the best way to deal with incentivising people to come into work on the weekend or a public holiday, is to remunerate them more. You can come to agreements and arrangements, and as Steven said, even in non-unionised workplaces.

You can have a group of eight people and they could enter into a contract with their employer, take it to Fair Work, and if it met the BOOT test it would be certified, but the total costs for the business over a period of time are going to remain the same because that is how you meet the BOOT test. I do not think reducing penalties on a particular day in order to pay them more on another day, is going to work. If what they are contending is that we reduce penalties but not pay more, there is no way we could agree to that.

## **PUBLIC**

**Ms RATTRAY** - A follow up question to Steve and Adam. It has been suggested that Saturday and Sunday, in the modern society in which we live and work now, should be treated the same. That going to church on Sunday morning and having lunch after with your family isn't exactly what we see predominantly now.

**Mr CLARKE** - We do have some figures in our submission from the Australian Bureau of Statistics which are quite interesting and talk about the number of people who work from 9 to 5. Comparing the number of people who work on average 9 to 5 jobs, Monday to Friday, from some time in the 1990s.

**CHAIR** - I think that was mentioned the other day. Paul Griffen might have raised that.

**Mr WALSH** - It was in a letter we sent to Ms Maree Tetlow from the ACTU which said ABS data shows in 1997 69.7 per cent of Australians worked from Monday to Friday. By 2012 the number of people working during the week had fallen by less than 1 per cent to 68.9. It becomes a convenient phrase for lots of us to say we live in a 24/7 economy, the reality is we don't. You are hard pressed anywhere to find anything open 24 hours. Even in the major supermarket chains, when I first went to Melbourne in 2000 it was great. I could go to the shop at 2 a.m. After I did it once, I thought why the hell am I in the shop at 2 a.m., but lots of those supermarkets do not remain open for 24 hours because the demand is not there. It comes back to a business decision as to whether I am prepared to keep my business open when there is very little demand.

**Mr CLARKE** - The other thing which you would be aware of is that school is Monday to Friday. People spending time with their kids remains the thing for the weekend. If you are going to say there is no difference between Saturday and Sunday and Monday to Friday you are going to have a situation -

**Ms RATTRAY** - I said between Saturday and Sunday.

**Mr CLARKE** - Oh, between Saturday and Sunday. I am sorry, I misunderstood the question.

**Mr WALSH** - Sunday is still traditionally the day most parents try to spend with their children. There is still a large degree of that happening.

**Ms RATTRAY** - They play sport on Saturday and Sunday, either or both.

**Mr WALSH** - There is not a major difference between the penalty rate for a Saturday, which is time-and-a-half.

**Ms RATTRAY** - Do you consider there is a difference?

**Mr WALSH** - There is a difference. Sunday has been traditionally the day on which people have more family functions. We are of the view there needs to be that differentiation between them.

**Mr FARRELL** - It was suggested to us that you look at averaging the Saturday-Sunday rate and apply more on Saturday and less on Sunday and have the one weekend rate.

## **PUBLIC**

**Mr WALSH** - I wouldn't give a blanket refusal to that because that's the nature of the industrial relations system. If we have proper, mature negotiations based on no fear and intimidation, but genuine bargaining, and not take it or leave it, particularly in what people call the high-risk areas of employment in some of the lower-skilled areas such as hospitality.

**CHAIR** - Steve, you talked about being internationally competitive and when we start to talk about tourism and agriculture being forward drivers of our economy, a lot of evidence has been put to us - and a lot of visitation back through the main holiday period, and particularly in the regional areas - people complained bitterly that where they went they couldn't get a cup of coffee because shops were shut, which is not a good look for our tourism industry. You can understand, if you have worked in or owned a small business, with all the compliance issues, it is a tough gig. Is there some way we can work through some of these issues - and I know you have said there are flexibility arrangements there - to enable those tourism operators to be open at more appropriate times? That is one of the great difficulties facing a lot of people.

**Mr WALSH** - I am sure you drive up and down the Midland Highway quite frequently. Come 9 o'clock at night I am quite confident the roadhouse at Epping Forest is closed. That is not because of penalty rates, that is because of lack of traffic and it's not viable.

**CHAIR** - I'm talking more about tourists places such as Swansea and the east coast and down the west coast, 5 o'clock in the afternoon. I am talking about another issue.

**Mr WALSH** - It comes back to demand. I would contend that, irrespective of what they were paid, whether they were paid \$5 an hour, whether that place would remain open.

**Mr CLARKE** - There are two other issues to think about in this. What you are talking about are relatively small operations presumably - not many employees, Swansea, Strahan, and those sorts of places. One of the key problems - the constant argument - is the argument you have put. The argument we put back is, 'Well, the reason the employer wants to put staff on to work those hours is because, quite understandably, they themselves do not want to work those hours'. But it is the same for the employees. If they are not provided with the incentive to work those unsociable hours, they don't want to do it.

They can come to arrangements that make sure they remain remunerated - better off overall. But why should they take a pay cut without getting some sort of pay increase somewhere else, maybe through their ordinary time earnings through the course of the day? If they want to do that, they are entitled to do that, but they shouldn't be expected to just take a pay cut.

**CHAIR** - Conversely, we have had evidence that because of the nature of the penalty rate system, there are a lot of - particularly young people - who just don't get a job, full stop. They just don't get that work, and that raises an issue. It would be good put on their CV that they have worked for someone. There is that issue as well.

We have had further evidence of job seekers saying they are not concerned about receiving penalty rates - they just want a job. But an employer cannot legally do that. Are you saying a more flexible arrangement might allow them to do that?

## PUBLIC

**Mr CLARKE** - This is an interesting side note from what you were just talking about. I arranged for a young worker, [TBC] Poppy Hannan [TBC], in Launceston, to do a story with the *Examiner* a couple of months ago, following the Launceston Chamber of Commerce's submission to the Productivity Commission. She worked at night doing bar work at Bakers Lane, and during the day at Inside Café. She juggled two positions. Unfortunately there was some misquoting during the course of the article - which happens from time to time, and she probably was not quite clear about it herself - about whether she would accept a lower rate of pay in order to allow some of her friends to get a job, or whether she would prefer to work just one job.

The article came out, and made it sound like she would not mind a pay cut. She put it up on Facebook and did this whole rant about how dare they misquote me, blah, blah. It was very interesting to see her Facebook feed light up with all the comments from other young workers around Launceston saying, 'What kind of person would ever think that any of us would ever want to take a pay cut?'.

If you talk to young workers, who are already on very low rates of pay, and in many cases junior rates, which are less than adult rates of pay, they are not prepared to accept a reduced rate of pay.

**Mr WALSH** - We don't want to participate in this race to the bottom. It is about lifting people's standard of living. I hear it often - that manufacturing and other production has gone to Thailand, or China, because labour costs are cheaper. But that is no reason for us to say, 'Well, we have to reduce our labour costs to compete'. We compete on things like skills.

**CHAIR** - Once again I am being a bit of a devil's advocate here. If we look at being internationally competitive, particularly in agriculture, and tourism and those sorts of things, we have only to look across the Tasman at New Zealand. Why did McCains go to New Zealand? Because they do not have a penalty rate system they - just work a five-day week. They are our main competitors in many areas.

**Mr WALSH** - That was one aspect. If I recall there has been plenty of rebuttal of McCains saying that was one of the factors, it was not the sole factor. McCains is a mature company. They have been around for a long time, and they have entered into various enterprise agreements. They had a reasonable relationship with the union - it was my union. But they were not prepared to reach an agreement on the flexibility they wanted. The flexibility on offer did not go far enough for them, so they took their bat and ball and went. But does that mean that we are to be held hostage by multinational companies?

As a farmer, I am sure you are aware of the market pressures that organisations like Coles and Woolworths exert on suppliers, and it just cascades down. We all want cheaper prices, but when we buy goods at a cheap price do we think about the impact that cheap price is having on the farmer who produces the litre of milk, for example?

**CHAIR** - That is another story, I suppose, and I could argue with you on that one too. Being devil's advocate again, we have become probably the most expensive place in the world to do business and to produce goods, and that spreads right across all industries - the automotive industry, the whole lot. I am not saying wages and salaries are the only part of that, but it has become a factor. We have been very lucky to ride on the back of the

## **PUBLIC**

iron ore boom, but that is now tapering off. Would you accept there is probably going to have to be some fairly major adjustments to the Australian economy to maintain our standard of living?

**Mr WALSH** - Major adjustment does not require decreasing wage rates. It is interesting you use Western Australia. In one of the submissions I read that if we had state systems, and Western Australia didn't refer their powers - their minimum rate is \$25 higher than every other state. You have to ask why? It is because of demand, because they had the mining boom. A small manufacturer in the middle of Perth - a small printer, for example, and I can speak with assurance because I come from the printing industry - would have to pay higher wages or their qualified print staff would leave to earn the big bucks in the mining industry.

You cannot simply say that wages are too high. I lived in Switzerland for three years, and let me assure you it is far more expensive to live in Switzerland than it is here in Tasmania.

**CHAIR** - Prices are about on a par, though, aren't they?

**Mr WALSH** - No.

**CHAIR** - Generally, I was there last year and it was about the same.

**Mr WALSH** - I was there two years ago and I tell you what -

**Mr FARRELL** - If you do the McDonald's comparison, which people do around the world.

**Mr WALSH** - The Big Mac.

**Mr FARRELL** - The Big Mac in Geneva is about \$20 or something.

**Mr WALSH** - Yes, it is \$14 at least. I was there for three years and I don't think I ate meat once in that three years, and I'm a big meat eater. I couldn't afford it.

**Mr CLARKE** - Could I make a general comment on that point you just made, about adjusting the economy? The reality is the Australian economy has grown for almost 20 years now and our wealth has grown dramatically. Not only that, the level of equality of income through the Australian economy is far greater than in places like the United States, or most other advanced western economies that have gone in the opposite direction. I contend that the enterprise bargaining reforms of the 1993 era have underpinned the strong success of the Australian economy, and continue to underpin it. It provides the necessary flexibility while also ensuring that lower paid workers - not just minimum wage workers, but from the median income level down - are well remunerated enough to provide the necessary consumer confidence and aggregate demand that causes an economy to grow.

The hospitality sector - cafes and restaurants - are growing much faster than the broader economy. Anecdotally we all know that over the last 15 years many more people are drinking and eating out. One of the reasons for that is our enterprise bargaining system,

## **PUBLIC**

because it allows people to get remunerated much more fairly than in places like the United States where it is just hopeless for some people - they are socially immobile.

**CHAIR** - Steve and Adam, we have reached the end of our tether. Thank you very much. We appreciate your submission. We have a process to go through, as I explained, and more witnesses to hear this afternoon. Thank you very much - we appreciate your time and your frankness.

**Mr CLARKE** - Thank you.

**THE WITNESSES WITHDREW.**

## PUBLIC

**Mr PHILIP JOHN PYKE**, BUSINESS DEVELOPMENT MANAGER, FRUIT GROWERS TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Hall) - Welcome, Phil. All evidence you give here is protected by parliamentary privilege, however anything you say outside may not be protected. We are being transcribed by *Hansard* so it is on the public record.

**Mr PYKE** - In many ways it is a boom time for the industry. In the past three years we have planted more apple trees than in the previous five decades. People in the cherry industry are waiting two years for root stock. In the berry industry we're looking at potentially up to a 400 per cent increase over the next four years. I have just come from the minister's office where we are delving into the next potential export from this state, which will be blueberries at this stage. We are working on trying to get the Federal Government to look at protocols around that. It is an exciting time for the fruit sector.

What is also partially guiding that is the federal minister's vision of the world through the fruit and vegetable task force, which has some interesting outcomes of increasing the amount of fruit and vegetables sold out of the state by \$400 million by 2020. The vegetable sector unfortunately does not have access to key protocol markets across the world, as the fruit sector does in China, Japan, Korea, Taiwan and Thailand, so it would be a hard struggle for them to move into that space. I have a seat on that task force, with a meeting coming up in the next few weeks, and it will be interesting to see where that heads.

We represent not just FGT members; we represent all of the industry. What we do every day, particularly around skills and training and our representation around biosecurity issues - that is including on biosecurity responses. We had little cherry virus detected in the state last year; we had blueberry rust detected in late 2014 and that evoked a huge response on behalf of Biosecurity Tasmania. I have to commend Biosecurity Tasmania's responses. It is a professional organisation willing to listen to industry and willing to engage industry. It suffers a lot of unwarranted criticism but I if I was going to put something squarely on the table at this point it is the fact we don't recognise our biosecurity officers are frontline officers in this state. They should be because of the value of what they protect.

The issues around fruit fly in New Zealand made us very nervous. They found 14 in Auckland. They also found larvae in some rubbish. The Horticulture New Zealand biosecurity manager is a friend of mine and he advises they were brought in by airline passengers. That is the key point of suspicion, as opposed to commercial fruit coming into New Zealand untreated. That is of concern for us and we welcome the minister's recent announcement around \$2 million into detector dogs for the airports, because as we know and we are certainly up-front about the fact that when you come in there is a person asking you if you have fruit and vegetables in your bag and really no-one wants to answer that question anyway because we all want to get our cases and nick off home. We need to have the dogs there working across that. We certainly welcome that because really it is a \$2 million investment in the fruit sector. We cannot afford to lose these markets. To lose that market, particularly China - two flies in two traps in two weeks.

## **PUBLIC**

That is such a knife edge. Certainly the minister has responded quite admirably in relation to that.

We spoke a bit about market access before. The Korean free trade agreement will potentially see Korea become a dominant market with cherries as China has, so it is a nice counterbalance there. Apples are being sent to a number of areas. You had Howard here this morning. Across Asia he is trialling some of those, with the Pink Lady, because the domestic market is flat. Outside contractual arrangements with supermarkets no-one can deliver a carton of apples to the mainland so export is the only way they are going to make a dollar this season. Once again it is China with record containers of apples going into China around the Ruby Golds, which are unique. They come from Briggs's property, one property in the Huon. Tiger Fuji's which come from another single property in the Huon. The Chinese like a point of difference and that is what they have with these apples. They are buying them on the back of the cherries because as we know most apple growers are cherry growers as well.

There is a lot of innovation going on. When we look at Tas Irrigation which as I openly say is the most exciting infrastructure project in Tasmania in my lifetime, except for one and that was the Tasman Bridge. To look at that and what the potential will bring and the work that we have been doing up in China and the interest in water resourcing is a critical factor for China, where 61 per cent of their water resources are completely unusable because it is just polluted or it is not in the right place around their key agriculture areas.

We welcome Chinese investment as part of this and most of the Chinese are not coming here with the stereotypical approach of buying farms. They are coming here and were looking more for joint ventures. We really want to look at how we can advance that as an industry because we want them linked in with Fruit Growers Tasmania. We have had those that are wholly and solely owned and run by the Chinese, and they have really struggled. We have spent hours with them working through the export regimes, linking them with key agronomists and looking at potentially how they can get to a point of where they are exporting back to Taiwan in this case.

We saw, and you may have seen it over Christmas and New Year, I think it was around the middle of January, where Glenburn Orchards down in the Huon was picking and packing and sending via courier to their consumers in Guangzhou, Shanghai and Beijing within 72 hours, which is fascinating because nobody has ever done that. Our big growers here sell to someone in China, but this was managing the entire process. This was through the Alibaba group, the online e-commerce group, the largest in the world. It was a privilege for myself and my counterpart, Nick Featherstone, last November to go to Hangzhou and brief the Alibaba group about Tasmania. That was critical in the fact that they thought this is something different. They sell cherries from all over the world online. They are an online platform. They don't actually sell them; they transition them through that platform and the money is that transfer point as well.

That shows the level of innovation that we are now going to get here, but we have to remain on top of it. We can have the biggest export markets in the world but we have a critical skill shortage coming up as well. That is why Fruit Growers Tasmania is not just in the business of market development and maintenance, because you cannot take your eyes off the markets, but looking at how we turn this 17 per cent youth unemployment



## **PUBLIC**

figure around, and the 8 per cent migrant unemployment figure and then the general unemployment. How do we get people work-ready?

We have gone through the door. I came back home - I left the wife on the farm and I don't know whether that was a good idea or not - after a year away with Defence in the Middle East and Afghanistan, back to Canberra and then came home to Tasmania to take up this job. Very quickly I detected that we sell world-class fruit and the guys are going really well with their production but we don't sell jobs, we don't sell careers and we don't sell training courses. If you go to Agfest you can buy a water tank, you can buy a tractor, you can get your shoes shined by the guys with the beeswax - I bought a can this year - but you cannot find an agricultural job there. You cannot find a career. We have a critical gap there.

That is our mission and our vision of how we then move forward to produce work-ready people. We have negotiated with TAFE around the Certificate II in Production Horticulture. They were not even teaching production horticulture in this state. That is production horticulture for the fruit, vegetable and nut sector, and the Certificate II is suitable for the wine sector too. We have the support of Wine Tasmania to get those people in.

TAFE has established Certificate II courses in Huonville and we have been talking to the Trade Training Centre at Deloraine - that is such a unique hub because it has the vegetable farms around it, it has the nuts, it has the fruit, it is a really great place to trial this. We are looking at TAFE and they are very keen to come on board to install Certificate II courses in Burnie, Launceston and Hobart at their campuses. For us as an industry body, in a technical term, to own it and drive it forward to make sure the students who are coming through, that is the entry-level course.

A critical shortage across Australia is that of orchard grower-managers. We are bringing them in from New Zealand and Canada. In Tasmania they poach each others' orchard managers to the point that some just climb the fence to the next farm. How do we make up that critical shortfall? It is about training. Fruit Growers Tasmania, TasTAFE and rural equity trainers have a partnership where we are teaching the Certificate III course, which is for leading hands, and the Certificate IV course, which is the assistant managers' course on-farm, with subsidies through Skills Tasmania. It is a way we are trying to make up the middle management gap which is going to bite as production increases and export markets open up. There is a need, with the flatlining in domestic markets, to ensure that is continuing.

TasTAFE and the University of Tasmania are discussing ways that the credits from the Diploma and Advanced Diploma in Production Horticulture can be recognised towards tertiary qualifications. If we can achieve that, we will be the only state in Australia in the production horticulture sector to have a full training continuing.

Then comes the question: how do we then put those people in jobs? I work in the industry and I have no idea where the jobs are because, as I ask farmers, 'How do you advertise your jobs?' 'Just word of mouth, really,' and so he gets one locally who may not be qualified. Their view of locals, to appoint locals whoever they are - I don't employ locals, they are just lazy. We had one of our growers say that in the media last

## PUBLIC

year; they will not employ locals. We have a problem around that, we have a perception problem, we have a training problem and we need to overcome that.

I would like to say this is my wonderful idea, my moment of madness in the middle of the night or something like that, but it is not. People have been discussing the point of job hubs in regional areas for a long time. We have spoken to everyone from State Growth to Eric Abetz's office and they are looking at how they can put them in place. I think they are going to trial one at Geeveston. I would like to see them in all the regional centres where Craig Farrell does his Certificate II, registers there and they know that he is going to spend four months working on a cherry farm, then he is going out to help the vegetable guys, then he is moving across to some vineyards for some work and all of a sudden he has 10 or 11 months' worth of work.

**CHAIR** - Some things are quite impossible, Phil.

**Mr PYKE** - Put him in charge of a train and he will be fine

**CHAIR** - I know, he's a great driver.

**Mr PYKE** - He'd be handy on a farm, too.

**CHAIR** - I do know what you mean.

**Mr PYKE** - Unless we bring all pieces of the puzzle together and we lead, then all the other sectors are going to have a similar problem. Dairy will end up having that similar problem. In the other areas of agriculture - grain, cropping and cattle - somewhere there is always going to be a point of slippage until we somehow hub these jobs and farmers are encouraged to come in and advertise there. Ultimately, it has to be a commercial operation. Someone has to pay for it.

It comes back to another issue around the word 'labour hire', and I don't mean around the *Four Corners* issue. Do you as a grower, Greg, prefer to hire your people, do their superannuation, their taxation and all the other onerous requirements on you, or do you pay one person for your 10 workers? We need to have that discussion as a state if we are going to move forward on this.

This is all realistic vision but how do we do it? If we are going to talk about growing Tasmania's economy we need to be collaborative. As I travel the state there are a lot of people doing a lot of good things. I was at Westbury the other day and there is basic skills course on chemical certification, chainsaw and quad bike that someone in Westbury was running and they couldn't get anyone for it. Someone has funded that but why wasn't it done through the Trade Training Centre where it would have benefited a broader sector? We have to be collaborative and that is my key message for today. Let us be collaborative in how we start to achieve some of these outcomes.

The good idea fairy is out there and a lot of people are well-intentioned but what does it mean at the end of the day? If it is not contributing to this state moving forward, to stop it being the economic basket case that it has been for most of my life here, then we have to be collaborative - personal pride, personal agendas, everything out of the way, politics to a degree, and moving forward.

## PUBLIC

I look at my own area in New Norfolk, there is so much potential but how do we do it? Craig hears me all the time: how do we put the bloody train on that railway to get it moving? It is absolutely criminal that, as a tourism venture, it is not operating and it is not through the fault of the Derwent Valley Railway group at all. These are the opportunities we are not collaborating on. I notice the Mayor of Glenorchy was talking about some similar system there, using the railway now for light rail but running it out to New Norfolk way.

**Mr FARRELL** - The football club as well has been having discussions about using the line for football trips and commuting between seasons. There is a lot people. It gets back to what you have said about getting everyone together, collaborative work.

**CHAIR** - Thank you, Phil, and I commend you for what you are doing there because some of that stuff you have talked about, the skills and training and labour, is critically important. I have been out of fresh fruit but we still employ some casuals in another field. It is the case, as you would be well aware, that even throughout the world, general agriculture has a lot of mechanisation, so there is not a great demand for labour but horticulture has to employ masses. Therein lies the problem.

If you go to the UK, and I have been to fruit farms there, most of the workers there are eastern Europeans, young kids. At the largest berry farm in the UK they have 700 people and there is one Englishman - that is the CEO. If you go to Victoria and right through the Yarra Valley, it is the contractors and they are almost all Asian workers, and here we have become the same.

I commend you for what you are trying to do to get local people into the jobs. I know a lot of farmers advertise on Gumtree. That is another way but then you get the backpackers in, you don't get the locals as a rule.

**Mr PYKE** - Yes, that harvest trail-type arrangement.

**CHAIR** - We have to be collaborative. It is a big issue.

**Mr PYKE** - It is a big issue. I was talking to a Sydney-based company, Bright Employment, which has installed a person in Launceston. They had this focus on if we got migrants - that is Tasmanian residents, that is not backpackers - humanitarian entrants who are residents in Tasmania or citizens in Tasmania, who really want to work, who are suddenly finding that because there is not any work, the drug epidemic is hitting the younger generations. They had a model where they were literally doing the labour hire movement of people around production horticulture. They cannot get anyone to take it up.

Probably the issue we have there is that farms do not see themselves as part of the bigger business culture of an economy. Farmers generally are fighting over something or arguing about water rights, dam issues, council issues, the whole box and dice, but do not see themselves in the context of being a small business making a valuable contribution to the economy of a state or a nation. It was rather disappointing that Bright could not achieve this because it was a way of getting our migrant community engaged.

## PUBLIC

I recall another migrant community that came to Australia in the 1980s. The support was not given to them. They had some significant issues. They came out of a war-torn area and consequently this nation, indeed the world, is suffering the effects of that disengagement today. I am talking about the Lebanese community who came out in the 1980s and we know what has happened there. We have to keep our migrant communities as valuable components of our society and we do not. It is very frustrating when you have a group of people, and in Tasmania it is the Bhutanese up north, who really want to work and who are so worried about their younger generations becoming disenfranchised, disengaged.

**CHAIR** - There has been a cultural change. A couple of decades ago we always found enough locals. That seems to have changed. As other people have pointed out, we have probably the highest casual rates in the world. Even if we advertise - I know from a personal point of view - and we paid above award rates, it is still very difficult to get people. You feel like you are butting your head against a wall sometimes. I don't want to be negative about it, but it is a fact, it sits out there.

**Mr PYKE** - I took the head of Skills Tasmania, Dr Chrissie Berryman, and Colin Pettit and Paul Murphy, out to the orchards so they could speak to the orchardists first hand. The question was asked, what do we have to do to get someone work ready? I said that person must show commitment. A certificate II is commitment. It is a course that potentially will have work placements. Already the certificate II down in Huon has been out on the orchards. They are changing some of the subjects because the orchardist said, no, I don't want people on the orchard simply for fruit picking. I need these people to be better than that. We spoke to them about adjusting some of those subjects that will make it the next level up.

To be work ready, to be engaged, they have to have the entry level courses, otherwise what makes them different to a backpacker? Nothing. That is what I said to this company, Bright Employment. They need to be getting into the certificate IIs, absolutely. But that is for us, as an industry, to drive, as opposed to TAFE. TAFE will put the ads in the paper, do up some glossy brochures and things like that, but their marketing is across numerous other courses. We are just one course stream.

If we don't take ownership of it as an industry, then what? We can only blame ourselves. The other part of that is a combination of our skills and training, what that means as a commodity in China. That is under the MOU that we're working on at the moment, and what that needs, to come back.

**Mr FARRELL** - You talked about the industry and you illustrated that the farmers concentrate on running the farm, the industry bodies look at the industry as a whole and that is the same story from Wines Tasmania. The way it is structured it is important to have the industry bodies looking at the way ahead and focusing on a different level. Howard was telling us, and you have told us, that everything is going pretty well and if we do things right now it is going to be very beneficial. How are organisations like yours funded?

**Mr PYKE** - We have a number of areas of funding. We have a membership base and we charge the growers a minimal amount to belong because our focus is while we have industry leaders like Howard and Tim Reid, it is those middle guys and those smaller

## PUBLIC

growers who we want to get up to the next level. We want to make them bigger and we know, as I have put in there, what the projections are over the next five years for people wanting to upscale, and they are quite impressive figures. We run the Export Registration Training and manage the Export Registration process so no company, not even the big guys, can export fruit out of this state without Fruit Growers Tasmania assisting. We are very hands on. We are not the TFGA; we are very hands on.

The majority of our work is funded through Horticulture Innovation Australia. That is the research and development body for the fruit sector. The projects have been predominantly about developing those export markets. As we have growth, as we have under this federal government plan, and that is going to continue for some time. However, to be quite blunt, Craig, we have hit an absolute hurdle. Horticulture Innovation Australia has undertaken a full restructure and under the statutory funding agreement between HIA and the government there is no regional recognition anymore. Either all our work is recognised and applicable nationally. Bear in mind that only Tasmania has access to China, Korea, Japan, and Taiwan for apples and cherries, nowhere else on the mainland, and at this stage we cannot get funding and potentially, all things remaining as right now, we will cease to exist next year.

**Mr FARRELL** - That is a pity. We have heard this a few times about how the national model doesn't always sit properly with Tasmania. It is interesting that this is another example of that, not just with award systems, but with funding systems. If we are trying to push this Brand Tasmania it is going to be very difficult if we are under some sort of national banner.

**Mr PYKE** - The other side is that the industry leaders are here, the national industry leaders. Tasmania is the largest cherry producer in Australia, so it is here. Apple and Pear South Australia is looking at our training model and what they can do there. This is a federal government report. These recommendations have been adopted by the federal minister, not the state minister, so they are saying that this is needed and this is a reasonable plan. How they are going to achieve this when they cannot fund this, is of concern.

It is not about our jobs, and we run an office of two and a half people, so we're not flush with funds, we run on the smell of an oily rag. It is about that the FGT is owned by the growers. It was set up by Tim Reid to chart their own course as they have done for five to six generations before. Therefore, this is the Government saying that they cannot fund growers of this state to chart their own course.

Will we go quietly into the night? I don't think so. We are very pleased to have the support of our state members, we just have to have the support of our federal members.

**CHAIR** - We are talking about growing the Tasmanian economy and you have pointed to all the positive aspects of growing fruit production. I have been in the game before and it is like a lot of commodities. When supply is greater than demand, the price has a fairly big dip, and conversely you can sometimes put average quality fruit on the market and get a good price when there is nothing else around. I look at the berry model and wonder sometimes about whether they are saying the demand is increasing exponentially, but there is always a limit. If you get into blueberries you can export, but with raspberries and strawberries it starts to become problematic because they are so perishable.

## **PUBLIC**

**Mr PYKE** - That is a good point, Greg. There are two parts to this. There is what we term 'blue sky'; that's a gap in the domestic market. For raspberries it is still 30 per cent, and Driscoll's and Costa are going flat out in that market. Blueberries have almost reached the limit, so potentially in the next two years we will see a complete market failure there. Strawberries still have a little way to go, probably another 10 per cent, but Tasmania has protocol export access for strawberries into Thailand. We don't know how the hell we ever got it but it appears in a protocol that we can export strawberries to Thailand. Driscoll's won't be a party to that. They're not interested, however the independent growers are. We have some significant issues about getting their runners out of Victoria at the moment due to an issue between the supplier and Biosecurity Tasmania that they are working through. There is room there for the independent strawberry production in this state to take off. We hope to register one grower this year to at least explore that market.

One of our broader visions here is when we head off to Asia for Fruit Logistica in September and the China World Fruit and Vegetable Fair in Beijing the week after; we are inviting the vegetable growers to come and understand what those markets mean. While they can't access protocol markets, they can potentially access the non-protocol markets.

**CHAIR** - With the often-maligned duopoly of Coles and Woolworths, what is the percentage they are taking in fruit? Would it be around the 60 per cent mark?

**Mr PYKE** - It would be very hard to say. There was a person sitting in this chair earlier today who probably would have said, 'Thank god we only have two of them'. Imagine if we were dealing with five or six? The supermarket chains will always be problematic but there is public accountability, as we have seen, and the public pressure keeps them honest to a degree. However, this year one of the major growers was contacted and invited by the supermarket chain to supply cherries and he said, 'No, thank you. I am exporting all mine'.

**CHAIR** - Thank you very much, Phil.

**THE WITNESS WITHDREW.**

## PUBLIC

**Mr BRIAN WIGHTMAN**, EXECUTIVE DIRECTOR, **Mr SAM HOGG**, PRESIDENT, AND **Mr TIM JOHNSTONE**, IMMEDIATE PAST PRESIDENT, PROPERTY COUNCIL OF AUSTRALIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Thank you for coming. Whatever you say here is covered by parliamentary privilege, but not if you comment outside this hearing. This is being recorded by Hansard and will be on the public record.

**Mr WIGHTMAN** - The focus is obviously on growing Tasmania's economy and diversifying the economy. The point I would like to make first up is that the economy in Tasmania is quite well diversified. When I say that, we do have major industry as major employers in Tasmania, but the economy has had to diversify because of the size of our state. When you look at the Tasmanian economy, it is made up of a lot of small business in particular and a few of those major industries that still exist in Tasmania and are major employers. We should always be cognisant that the economy is quite well diversified in Tasmania and made up of small parts that create that vibrant economy which we are hoping to achieve.

In saying that, the property and construction sector plays a significant role. If it got as much air time as some of the other industries in Tasmania, which we are certainly working on, I think its influence would be even greater. Property and construction employ 17 per cent of Tasmania's workforce, pays over \$800 million in property-specific taxes, and also is about 10.9 per cent of the state domestic product. Property and construction is the biggest industry in the state, far bigger than manufacturing or mining, and we think it certainly has plenty to say in this space.

We have private enterprise in this state, combined with government infrastructure injection, that is doing a significantly good job to grow the economy. There is no doubt that the economy is in a pretty good position, an improving position, at the moment. We are seeing that through indicators, particularly through our Property Council survey, that sees increasing in confidence in our community, particularly from the business leaders. That is something that is seen as very positive.

What we think needs to occur is some major structural reform that allows either government at whatever stage to get out of the way to allow businesses to get on with their job and grow the economy in Tasmania. We think in the majority of places there is 95 per cent of regulation in Tasmania which protects people, places or the environment and is very good. It is the 5 per cent of duplication that occurs in Tassie and every intricate part and everybody wants to have a go and charge a fee and that actually puts a handbrake on the Tasmanian economy at the moment.

The property and construction sector needs the support of local, state and federal governments to grow even more than what you currently see, particularly in Hobart.

**Mr HOGG** - Some examples of some of the red tape in the building and construction industry are the process to get a building permit, or the process to take a unit development from certificate of completion through to getting titles. It has taken me 10 weeks to get a completion certificate on a unit to get it through the other end of the Titles Office. It is a waste of time and money.

## **PUBLIC**

On the way in to get a building permit we are spending 14 days with a building surveyor, spending one week with the council plumbing, another two weeks with the council building, and two weeks with TasWater. None of this can be done at the same time. It is ludicrous. It is costing so much money and wasting so much time.

**CHAIR** - Are you saying it should be concurrent action?

**Mr HOGG** - It should be concurrent action. I am developing between 30 and 50 properties a year at the moment, and I could be developing 80. That would be employing more people. Because of these things being in the way, and because I have my own funding constraints, I can only build a certain amount at a time. But if I am building those quicker, I can be onto the next one, employing more people. That is one of the big ones from that point of view.

There is a lack of cooperation from councils and TasWater to achieve that. TasNetworks is equally as inefficient and bureaucratic. On that note, TasNetworks has an inability to provide price. From 2010 it was costing about \$1 800 to get electricity supplied. Now it is costing somewhere between \$5 000 and \$10 000 but there is no transparency in pricing. No-one is giving us that transparency in pricing. TasNetworks don't know. The process is that I pay them \$500 for them to do a design and give me a quote. Then they come back and say, 'All right, we will give you that price in six weeks.' It takes 12 weeks because they are hopeless. I am just being honest. They are inefficient organisations that don't know their own pricing. They operate on cost-plus scenario rather than the way the real business works in having to put your pricing down, understand what your pricing is and give that transparency to the market. There is no contestability with TasNetworks either.

**Ms RATTRAY** - There is no other option.

**Mr HOGG** - There is no other option.

**Mr WIGHTMAN** - Regulation is one of our key points of focus as an organisation, along with planning reform. They are two the Government has committed to, so we are keen to work with the Government to get those delivered in the time frames they made public.

Very simply around regulation I have four key examples. A shopping centre is refurbishing an escalator and it needs new belts, chains, et cetera. It has nothing to do with water, but TasWater requires a permit. It is nowhere near TasWater.

Second example. A member is building a six-star green-rated building and delivers more car parks than the council had permitted because you build smaller car parks in a green star building because you are encouraging people to drive smaller cars. The council then charge them for the additional car parks they have created.

TasNetworks is a monopoly in this state. They do infrastructure provision to the substation. For a subdivision you need a substation, high-voltage cables and low-voltage cables. Those cables are manufactured in Melbourne, Victoria. If you can't get them, you have to stop your subdivision and wait until they arrive. In one case one of our members had to stop work. They were then offered two high-voltage cables instead of a



## PUBLIC

high-voltage and a low-voltage cable because they had run out of low-voltage cables. In one of the high-voltage cables they then found a fault in that cable so they offered to our member they would cut the cable off by 15 metres and move the substation 15 metres back towards the front of the block, all because there is no contestability and because they can't get access to cabling. We think the government could do a trial that sees some contestability in the infrastructure provisions base.

One other example. You have a new subdivision and the access to that subdivision is off a council road. When you put the subdivision in you are required to put in road surfacing that can take a fire truck. No matter where you are, you need to put that in. The only issue is that the local government road by which you get access to the subdivision does not take a fire truck. A fire truck can't get access to it. You have to pay to put the road works in at the subdivision, even though a fire truck can never get to your subdivision.

They are four clear examples that we have collected in recent times about regulation reduction ridiculousness that we think could be corrected, which would make it far easier for our members to get on with the job.

**Mr HOGG** - If I could add one to that. The bushfire code requires every subdivision to be assessed for a bushfire code. Then to build on it, every lot needs to be assessed, which is just plain stupid. The subdivision should be assessed and every lot should come under that assessment. If it's deemed an area that is low risk, I don't understand why a map can't be put in the planning scheme or something to say it is low risk - it's in the middle of a town, for example. Why aren't we just deeming that you don't have to have a bushfire assessment done on it?

**Mr JOHNSTONE** - There are plenty more examples. With heritage, they require your building to comply, but once you get onto the footpath the council is not required to comply. So you might not be able to get to the building because of heritage issues.

**CHAIR** - They are real impediments to growth. All three members sitting here at the table and Rosemary in Launceston recognise that, often from a personal perspective. Our electorate officers deal with that sort of thing all the time. It could almost drive you to drink at times.

**Mr WIGHTMAN** - If I can make the point, I think my members are the most patient people I have ever come across. In my previous role, my level of patience was not as strong or as good as the members. They are so patient about these issues. They keep going because they know it's a process they have to work through, and if they upset people, it makes the process even more difficult.

**CHAIR** - That's part of the problem.

**Mr WIGHTMAN** - This would never get to a ministerial level. These are not issues that would get to a ministerial level. Somewhere along the way these issues are not being dealt with at a bureaucratic or an organisational level. That is where some change needs to occur.

## **PUBLIC**

**CHAIR** - Do you think we are worse off in some of these situations than other jurisdictions around the country? Perhaps the contestability issue might be one that springs to mind, for example.

**Mr HOGG** - Contestability is definitely one. We acknowledge that we are in a small state and it makes it a lot harder. I note other councils in other areas are far more proactive with development. There is an attitude problem in this state where there is a lot of -

**CHAIR** - Councils in other jurisdictions, you're talking about?

**Mr HOGG** - Yes. I'm saying that a lot of councils - and I'm not saying all, but some councils - are pretty reticent when it comes to helping development occur. It's an attitude that needs to change from the top down.

**Ms RATTRAY** - Do you think that's because we have so many small to medium councils in Tasmania?

**Mr HOGG** - Yes.

**Ms RATTRAY** - Is it just beyond their capacity in some districts?

**Mr HOGG** - Yes. But funnily enough, the smallest councils I have worked with are the best. The Circular Head Council will bend over backwards to do anything to help you out. I suppose they don't have a lot of development so -

**Ms RATTRAY** - So big is not always better.

**Mr HOGG** - No. That flies in the face of what we advocate. It really just comes down to the attitude in the council. Townsville City Council put in a plan to really drive development in the town, particularly inner city development. They put on council staff to make sure they worked through every impediment to try to get a development up, rather than just saying, 'Well, that doesn't fit with the planning scheme'. Does that make sense?

**Ms RATTRAY** - It does. Often councils have, in my experience, good intentions of trying to make things easier, then a development plan gets to the Planning Commission that has to sign off on it and it gets thrown out. More than just local government support is necessary to put a development plan in place.

**Mr WIGHTMAN** - The challenge with the reform we're talking about, whether it be planning reform or regulation reduction, is that you have to have so many conversations. You need to have 29 different conversations about 33 planning schemes. Our view is that if structural reform of local government is to occur, then it could occur alongside a planning scheme. The challenge the Government faces now - and we are very supportive of the Government's efforts and very supportive of the planning reform taskforce, which has made significant progress - is the fact that it is very difficult without structural reform of local government.

**Ms RATTRAY** - You think it would be difficult to achieve planning reform without local government structural reform as well?

## **PUBLIC**

**Mr WIGHTMAN** - It is more challenging. It can be done, but it would be simpler if local government reform was undertaken alongside planning reform. It appears from our work that the community is very supportive, but obviously it is a political challenge.

**CHAIR** - I will have to ask Michael Polley.

**Mr WIGHTMAN** - There may have been a few conversations.

**Mr HOGG** - We think the appointment of the Coordinator-General has been fantastic, however we are concerned that he is now getting stuck in the bureaucracy, which was not supposed to happen. This is just an observation rather than anything else, however, he is now in the position where he is operating in the bureaucracy. He cannot make the choice of his own team, he has to go through bureaucratic channels. He was supposed to be sitting outside of that and have some power of his own to really effect change. It is early days yet, but we are concerned that he does not stuck in the system and spat out the other end.

**Ms RATTRAY** - So, at this stage, you haven't seen any evidence of any progress with that position?

**Mr HOGG** - We are very supportive of the north and the north-west funding that is going through. Both Brian and I spoke to the Coordinator-General as soon as he took up the role about moving the Launceston UTAS campus from Mowbray to Inveresk. We are really supportive of that. We think that inner town living in Launceston is really important - to get students living in the centre of town, above the shops. It is going to change the vibe of the town and make it a far more appealing place to be.

We are very hopeful about that. We are concerned, though, that even at this point he does not have a team in place to support him. This isn't a criticism of him, but a criticism of the system. Is that fair?

**CHAIR** - Have you heard those comments about the university, Rosemary?

**Mrs ARMITAGE** - I did. I have spoken to the university at length about some of those issues. Of course it is always good to have young people in the city, and to have a bit of vibrancy, provided it is constructive.

One of the things I would like to question is planning reform - Part 15 - Reform in TasWater. I have had constituents come to me with issues to do with the statewide planning scheme. Brian might be able to give me his thoughts on the statewide planning scheme to do with unit development.

I believe previously, within Launceston, you could not build too many units in a particular area - they had to be dispersed, and units couldn't be the predominant development. Now, I believe there is an issue with the statewide planning scheme, and that is no longer the case. Basically any block of land can have as many units as will comfortably fit. You could have areas where units are predominant. Do you have a comment?

**Mr WIGHTMAN** - I don't know of that specific instance. Sam might.

## **PUBLIC**

**Mr HOGG** - I agree, Rosemary, with how it used to be. I'm not sure on where the statewide planning scheme is going with that.

**Mrs ARMITAGE** - I've been advised that is the case by an alderman who brought some issues to me. I wondered whether you had any concern. I appreciate in this day and age people are wanting smaller houses and smaller blocks, but I was wondering about the fact that there can be no requirement to build a certain amount of houses, a certain amount of units, that it could be subdivisions now entirely made up of units.

**Mr HOGG** - Yes, on the face of it that would be an issue if we can get those details then we will follow it up.

**Mr WIGHTMAN** - On planning reform more broadly we are extremely supportive of the move to a single statewide planning scheme. We are extremely supportive of the work of the Planning Reform Taskforce and the work of the local government minister in getting to that single statewide planning scheme. There is no doubt that we need to see improvement, we need to see consistency, accountability, certainty, for developers and investors. We think that is excellent work that needs to be continued to be funded and ongoing. The point we always make is that we believe it would be far easier and far simpler if there had been local government reform alongside.

**Mrs ARMITAGE** - The only other one I mention would be TasWater.

**Mr WIGHTMAN** - Love to talk about TasWater.

**Mrs ARMITAGE** - I think of it as part 4. I've had a few issues brought to me recently dealing with TasWater and the size of the pipe that is going into unit developments. That is unit developments that have been there for quite some time and that it is quite a large cost for the owners of the units because the size of the pipe has something to do with fire fighting equipment and it is a very large cost, particularly for elderly people. It seems that with TasWater, there is no one to complain to. You go to the Government and they say it is not a GBE, it is owned by the councils; but then you cannot go to individual councils either because it is a collective. Where do you see that anyone can go to have something done about TasWater?

**Mr HOGG** - You are dead right. There is lack of accountability in these organisations, whether it be TasWater or TasNetworks. Both of those organisations are absolutely horrendous at having any accountability. This is one thing that we have been fighting hard with government to get some changes in those organisations because they put their head in the sand and you don't get results. Brian, you have plenty of examples on that.

**Mr WIGHTMAN** - TasWater has an extremely difficult task. Four per cent of wastewater treatment plants on their discharge are compliant. You have not only a public health issue, but you also have a handbrake on the economy, particularly around job-enabling infrastructure like good water and sewerage provision, which you think would be a given. In defence of TasWater, they have inherited a huge amount of infrastructure that has been poorly maintained and most councils would talk about that. It has been poorly maintained and is not up to standard. If you look at Launceston you have a dual flushing system, so if you have a big stormwater or rainwater event then you have a sewerage

## PUBLIC

issue in the Tamar. You then rake the Tamar and send it further down the river and it comes back on the salt. We all know what happens and it makes it look a little bit better, but it is not a long-term solution.

What we would like to see from TasWater, and the Government in particular, is a long-term vision about the improvement of our water and sewerage infrastructure right across the state.

**Mrs ARMITAGE** - Just to clarify - the raking of the Tamar isn't sending anything from TasWater down the rivulet, that's sending the silt. I'm afraid even when they rake it, the problems with TasWater still remain in the Tamar Basin.

**Mr WIGHTMAN** - Yes, I totally agree with you. I understand acid sulphate soils and the basin, and the water and sewerage issue that comes. The point I make is we would like to see a vision about TasWater infrastructure into the future. We know that it can't all be fixed tomorrow but we need to plan. There has to be a plan in place of how we're going to improve this. It is a handbrake on the economy. If you do some work on water and sewerage you immediately have jobs. It is a job creator. There is a lot of work that needs to be done. If you get it right then you have job enabling infrastructure for the future. This is not just about now this is a legacy that TasWater inherited that they can now, with the support of state, local and federal governments, have a plan to improve.

**Mrs ARMITAGE** - Do you agree, though, Brian, if you take the assets you also take the liability? In the case of Launceston, they knew the age of the system, they knew there were more than 9 000 houses with joint stormwater. Here we are in Launceston with ti-tree beds and, as you said, in heavy rain it can't take the influx of stormwater going into the sewers. Whilst it is partly treated, there is only partly treated sewage going into the Tamar River. Do you think they should not be treating that as a priority?

**Mr WIGHTMAN** - This should be an absolute priority.

**Ms RATTRAY** - So is Winnaleah's drinking water.

**Mr WIGHTMAN** - I have lived there and drank the water. There are so many competing interests. You don't need a solution tomorrow. This is going to take time but we would like to see a plan and a vision about how you go about that. There are ways you can look at money that can be spent. Dividends should not be going back to councils. Councils should not be taking dividends out of failing infrastructure. TasWater historically undervalues what its revenue is going to be each year and there is a surplus within its budgets that could be spent. State and federal infrastructure spend to assist. We need a long-term for the future. This is a public health issue and I suspect the EPA could shut down most of these wastewater treatment plans tomorrow if they wanted to. The regulator could close them down but you can't do that so what is the long-term future for TasWater for places such as Launceston and Hobart? TasWater came out of the issues that came to the surface around water and sewerage in major tourism areas such as Salamanca.

**Mrs ARMITAGE** - Not every council wanted TasWater to take over.

**Mr WIGHTMAN** - They weren't doing a great job themselves.

## **PUBLIC**

**Mrs ARMITAGE** - Some were doing okay.

**Mr HOGG** - We think one of the biggest impediments to growth in this state is payroll tax. We pay the second-highest payroll tax in the country. We pay 6.1 per cent with a threshold of \$1.25 million. Queensland pays 4.75 per cent with a threshold of \$1.1 million, and there are various rates in between. If we are serious about growth, jobs and prosperity in this state, then we need to be looking at the payroll tax issue. We understand the issue is that we need to get revenue into the state so there has to be an offset from somewhere. If we want people to employ people, we have to start looking at this to make it the most attractive place in Australia to do business. I could give you all the rates but it's neither here nor there, but they are way above what they should be. We understand all the issues that we are a small state and it is harder to get revenue but it is a chicken-and-the-egg type thing.

One company owner said to me he has offices up the eastern seaboard but if payroll tax was reduced he would make most of his work in Devonport and have satellite offices up the eastern seaboard. He is in that sort of service business that can do a lot of the work in one location and then have specific employees up and down the east coast of Australia. To us, that is a big issue that needs to be on the table.

**CHAIR** - I suppose stamp duty falls in the same category, and you talk about that in your submission. As a small jurisdiction we need that revenue, and stamp duty is a fairly big component of that.

**Mr JOHNSTONE** - The GST needs to be broadened and increased and then we could get rid of stamp duty.

**Mr WIGHTMAN** - Our understanding is if you went to 12.5 per cent you could take away stamp duty.

**Ms RATTRAY** - What is it in New Zealand, 15 per cent?

**Mr JOHNSTONE** - If we go to 12.5 per cent you can get rid of the stamp duty and we have the net going as well to cater for TasWater and -

**CHAIR** - That is beyond our control at this stage. Although, could I say, what we are doing here is making observations on the evidence we are taking so it is going to the Productivity Commission and it will be fed into the federal government. We will wait and see what happens out of it. It does make a good point.

**Mr JOHNSTONE** - Unless the premiers get on board, the federal government will not do anything.

**Mr HOGG** - Maybe land tax could be broadened to farms.

**Ms RATTRAY** - That was my question if you broaden the base.

**Mr HOGG** - It is an obvious thing that the base should be broadened on land tax.

## **PUBLIC**

**Ms RATTRAY** - We started a review on taxes and it all fell over.

**Mr WIGHTMAN** - That is a shame and obviously there were political reasons behind why the review of taxation did not occur. It would be great to see something occur because there is going to be a national conversation about tax, whether we like it or not, whether we commit to it, whether people believe in GST increases or land tax broadening or stamp duty reduction. There is going to be a national conversation around the white paper. The Property Council would like to see the review of taxation in Tasmania back in force.

**CHAIR** - I might be the devil's advocate here and we will talk about land tax for a moment, are you suggesting perhaps it should be broadened to rural properties, for example?

**Mr HOGG** - We are suggesting maybe that is an option. We think it should be put on the table to have a look at these things.

**CHAIR** - Would you not then concede they are part of the productive economy of Australia? If you tax a lot of those types of productive parts of our economy then that becomes a further impost on a family business or whatever and that, again, has ramifications for the wider economy. Therein lies a lot of the problems.

**Mr HOGG** - It is a family business that works in that commercial property that is paying the land tax for the land owner. It is the same argument.

**Mr WIGHTMAN** - You know and I know you know what occurs when you have a conversation about taxation. Immediately you think of your electorate, which is obviously primarily farming based and the people you represent, and you want to do your best to represent them. If we are going to have a discussion about taxation, everything needs to be on the table.

**Mr HOGG** - Including family homes.

**Mr WIGHTMAN** - Every option needs to be on the table. You put it out there - the John Key model: you put these things out there and then you have a discussion about it. If we are already talking about taxation and then we have a conversation about ruling things in and ruling things out, then the conversation does not go anywhere and that is what happens.

**CHAIR** - It is a bit the same as the GST, isn't it?

**Mr WIGHTMAN** - It just gets blocked, it stops.

**Ms RATTRAY** - The GST is a consumption tax. If you do not consume anything then you don't pay - simple. I know it is not easy to do if you want to live but you have a choice.

In an earlier submission it was suggested that the state should be borrowing a lot more money because it says here the Commonwealth Government is able to borrow at a record low of 2.28 per cent on 10-year bonds at the moment. Do you think they should get in and borrow while money is cheap and that would drive up the economy?

## **PUBLIC**

**Mr WIGHTMAN** - My personal view is, we are not a big enough jurisdiction to be able to pay it back.

**Mr JOHNSTONE** - You only have to look at Western Australia, which has gone from \$3 billion to \$35 billion in debt.

**Mr WIGHTMAN** - My personal view is, you cannot spend your way to that prosperity because it will always come back to bite you.

The other thing I would say about TasWater is, they have a very low debt profile as compared to other utilities on the mainland.

**Mr HOGG** - That is a different kettle of fish.

**Mr WIGHTMAN** - That is a different kettle of fish. If you are looking at rather than the state borrowing on bonds, TasWater extending their debt profile because they need to invest in infrastructure for the future, then we could be talked around to being supportive of that.

**Ms RATTRAY** - And more quickly, to address the member for Launceston's issues and the member for Apsley's issues and that of every other member's around this place.

**Mr WIGHTMAN** - They are borrowing-constrained by their owners.

**Mr JOHNSTONE** - What is it, 20 per cent?

**Mr WIGHTMAN** - I'm not sure of the exact figure.

**Ms RATTRAY** - That was from a submission we received earlier.

**Mr WIGHTMAN** - We made a note in our submission that TasWater needs to look at their debt profile. While I would not speak for the Treasurer I would suggest that they would be open to a conversation about that.

**Mr JOHNSTONE** - I have one that has not been raised, which is the fact that, as you know, capital is so mobile now that they can choose to invest in Tasmania. We have one guy who chooses to invest here, chooses to invest in Western Australia. If we do not make it attractive for those sorts of guys, they will not come here and without capital we have to borrow so we need to make it easy for people.

On that, look at the office market. I do not know whether you understand where we are at with that development next door and that has been 15 000 square metres on line which is going to have a huge impact on the rest of the office market in Hobart. The vacancy sits currently at about 7 per cent; there is no demand. Whilst we are not getting any supply, the vacancy is going to increase. We are going to have empty buildings and we are made laughing stock. We have two major buildings - one over there, the Executive Building, and one at 134 Macquarie owned by interstate institutions and their leases are up for renewal. One is up next month and the Government will not give a clear direction on whether they are going to lease it or not. It is because of this development next door, no-one knows who is going in there, who is going to occupy it, where they are going to



## **PUBLIC**

come from. They had a guy in Treasury who was employed to centralise all the offices. He left after six months. They have no-one there. We do not know where it is heading and that is just a small issue.

**Mr WIGHTMAN** - So it will go from 7.3 per cent. It is 8.9 per cent with regard to -

**CHAIR** - With one building?

**Mr WIGHTMAN** - No, 8.9 per cent at the moment, vacancy. If you come into Parliament Square in 2017 you then either have a problem or an opportunity, whatever way you look at it. While my colleagues may disagree with me here, perhaps there is an opportunity around inner city conversions, particularly of C and D grade buildings, to residential inner-city living, but there is no doubt that this is going to have an impact. We have talked to the Government about what their plan is when Parliament Square comes on line because the majority of those properties that are occupied by the Government are members of the Property Council.

**Mr JOHNSTONE** - A classic example is: Kirksway Place up the road has 3 500 square metres vacant. You have the Hydro building here, which is TasNetworks, which could be sold, they can move up there. You could sell it as a hotel. You could sell Treasury as a hotel but they will not look at that. There are solutions and there are opportunities but no-one is overseeing it all.

**CHAIR** - Interesting times down the track. Thank you very much. We do appreciate it very much.

**THE WITNESSES WITHDREW.**

## PUBLIC

**Ms KATRINA MUNDY**, DIRECTOR, MUNDY AND SONS MEAT WHOLESALERS, **Mr GARY RUSSELL**, CONSULTANT AND BUSINESS COACH, AND **Ms REBECCA DRAKE**, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Thank you very much and we appreciate you coming along and thank you very much for your submission. The evidence you give today is protected by parliamentary privilege but what you say outside this room may not be protected by parliamentary privilege. You are being transcribed by Hansard so everything is on the public record.

**Ms MUNDY** - We are a very diverse group of community-minded individuals and we have discussed at length, from our different perspectives, how best to grow the Tasmanian economy. The submission we present to you today is summary of that effort.

Mundy and Sons Meat Wholesalers is a long-established Tasmanian meat business. I have been president of the National Institute of Public Accountants and I have worked on various other community projects. My perspective in the group is more in supply chain management, small business and mentoring.

There is another person who couldn't be with us today and her name is Loraine Donnelly. She is in Western Australia on family things at the moment. Her area of expertise is sustainable family and community food production.

**Mr RUSSELL** - I am the friend and a colleague of these two good people and we have known each other for some time. I have a background in consulting work with small and large organisations and also run two or three of my own businesses. A lot of my work at the moment is helping small business owners become more effective and efficient at what they do. I also have a background in social science and community development and am Tasmanian born.

**Ms DRAKE** - I have a background in business administration, finance and payroll. I am a small business owner. My business is AdminEasy, which is admin and web support for small businesses.

We believe that small business is a key player in the future economic growth for Tasmania. We think Tasmania is a great place to live and visit, rich in agriculture, specialty retail shopping, fresh produce, cafes, restaurants, all of which are built upon small businesses and we want to encourage more of this. More local business is a means to improve local economies and encourage tourism in Tasmania. We can inspire innovation by encouraging communities to drive their own success in a bottom-up approach to economic development rather than top down. We think local government can play a role in facilitating community development but not necessarily initiating it.

Small businesses have a strong connection with their communities and we believe that, given the right support, have the ability to work within their communities, solve problems and grow ideas.

**Ms RATTRAY** - I am interested in the community support organisation proposal that you put forward. Probably about two years ago in one of the areas that I represent in the

## PUBLIC

north-east, it was suggested that there be a business enterprise centre where you would have one admin point, and then a lot of small businesses out of that building. There was a proposal put forward to the federal government and the state government and it did not receive any funding. Is that the type of model you are proposing in here, or am I a little bit off the mark there?

**Ms DRAKE** - The admin assist support we believe can assist in two areas. One is to support small businesses, and also provide assistance in interpreting awards, building confidence and also employing people. The other is providing administrative support for key community members - administrative support in grant writings. A lot of people in the community have really good ideas and things that are perhaps already working in the community, but are unsure or don't have the ability to put it in a format that is understood by the boards who are providing the grant.

In terms of how it would work, it is more community driven. The administrative side of it needs to come from people in the community to provide that support on a regional basis. Not all regions are the same. Each region will have its own administrative support services within that community.

**Ms RATTRAY** - If you are looking at a regional concept then, I instance the northern Tasmanian NTD. They are a group that supports all the local government areas in the north. I assume that they would have some sort of role. Is there something already operational that you could add in to, rather than reinvent the wheel? Is there already something that you have highlighted or that you have identified as being already in communities or available?

**Mr RUSSELL** - There was an item in the news last week about the Heart Foundation in the north-west, looking at how they were going to get local produce closer to consumers and how they were going to help the local community purchase the products that have been grown locally. They were coming at it from a health perspective. That is an example of a community action, where somebody has seen a need and is actually addressing it at the local level.

What we are thinking is that there is a lot of power in local communities that is under-utilised and untapped and it tends to be problem-focused. There is a whole variety of individual organisations, businesses and services, but it is often a vertical function where they get federal funding or a submission and they tend to go away and do their own particular service or their own particular program. While that is necessary, there is still a large measure of unmet problems that have to be addressed in the economy, in the way our communities function or don't function in some cases.

What we are looking at is some mechanisms where we can utilise the strengths, the expertise and experience at the local level. Some of this is being addressed by local government, but not a lot. There are often not the forums or the mechanisms or the facilitation to be able to have local communities come together and solve their own problems and have this bottom-up approach.

**Ms RATTRAY** - Like a multifaceted co-op model.

## **PUBLIC**

**Mr RUSSELL** - That might be one manifestation of it. The shift that we are looking for is enabling local communities to have forums and communication opportunities. Often small businesses are operating, but the mentoring programs that sometimes come out of that are often not connected to those that are not in business. You have business operating, you have the non-government sector operating, the community sector and so on, but often they don't talk to one another. It is often focused around - in the case of health care - people who are sick or people who are unwell in some way.

If we look at that area and look at the aged care, for example, often they are being done too because they're old. We don't have a mechanism yet to access enough of the wisdom and experience of the older people in the local community setting. They are at home, they get visited, but they don't often get asked, 'What can you contribute back.' There is no mechanism often for them to do that.

**Ms RATTRAY** - A couple of years ago there was a great deal of money put in by the state government for the Sirolli model, a mentoring type of system. I believe that that is still operating.

**CHAIR** - I don't think it went very far. A lot of money was spent -

**Ms RATTRAY** - It was a huge amount of money.

**CHAIR** - It was, but for whatever reason it basically failed.

**Ms RATTRAY** - I have not seen one outcome. That was supposed to be a mentoring system, but obviously it wasn't community driven. It was driven by a particular person. I can see the benefits of a community-driven project in preference to one that was driven from somebody outside of our state.

**CHAIR** - Most small or local government areas have a community development officer. They have an enterprise centre and all of those sorts of things that are already in existence. In my home town of Deloraine you have Deloraine on the Move. I'm sure it is the same up in the Derwent Valley and the north-west.

**Ms RATTRAY** - Progress associations -

**CHAIR** - Yes, all of those. You are saying really that there ought to be more cohesion between all of those groups to make it all work. That is basically the proposition you are putting?

**Ms DRAKE** - That is right and not reinventing the wheel. If one community is doing something well, and the other one has that same problem, connect them together to solve problems.

**Mr RUSSELL** - Tania was sharing with us before the problem with the closure of a small nursing home facility in her area. Very often the community doesn't get an opportunity to come together to work out how they could respond to that, because it is a community problem. It is not just that that particular 30-odd people's problem. It could be used as an example for how the community could begin to solve some of those issues about how they're going to look after their aged care people. Often we look to the federal

## PUBLIC

government or we look somewhere else for them to solve such a crisis, and the community doesn't really have a chance to start to work together in some way.

**CHAIR** - On page 1 of your submission we talk about the internationally competitive framework in retail, hospitality and tourism. We've had quite a bit of evidence from people within that sector and we're looking at the ways forward. We've talked about tourism and agriculture being a couple of key drivers of Tasmania's economy going forward, which is great. They have touched on other matters like industrial relations matters and everything else.

You state that 'service-based industries must provide good service to thrive. Good service comes from good people and good people come from thriving communities'. I am just going to be the devil's advocate here. Often interstate people and overseas people travelling here don't see our service culture in Tasmania as being particularly good at times. You might get a little bit more where you have more volume, say, around Salamanca, but moving out from there you will often go into a shop or an establishment and it's, 'Are you right?'. I went into a cafe the other day and I heard somebody ask - they were interstate people - what is the menu - 'On the wall.' Whereas if you go to Melbourne, to all the inner city stuff there, the service culture invariably is absolutely sensational, and people do note that difference. What do you think we can do about that?

**Ms DRAKE** - Reducing the proportion of people with low skills is just as, if not more, important than increasing the number of people with high skills. In regional areas it comes back to social needs - small community programs that get people involved in the community and talking to other people and learning new skills. The other thing that's really important about that is the use of social media. For example, Trip Advisor. For people going to these regional areas in Tasmania, service is really important. It's really important that we get it right because it's so instant now. If someone has a bad experience, they post it. It's on Trip Advisor. Then other people look at that. We need to make that a good experience online as well as offline to encourage people to come to Tasmania and share those experiences.

**CHAIR** - Do you think we need to have more emphasis, particularly in the hospitality industry, that there are more training facilities available? I'm not sure what the answer is.

**Ms DRAKE** - I do not necessarily think that's formal training. It could just be mentoring.

**CHAIR** - Mentoring within the business?

**Ms DRAKE** - From other small business owners, whether it's in their own region or from other regions, like swapping employees from different regions for a week or trialling, things like that to get a look at what's happening in other areas and bringing those skills back to their own community.

**Ms MUNDY** - We talked about the skills of small business people. Whilst they may not be academic or they may not be very good at writing papers, they are good at running businesses. They are good with people skills. They are often very community-minded and they know the people in the area, and they do their bit for the young people in the area where they can. We went on to talk about how we could emulate that kind of giving it a go at a community level, not necessarily at a paid level, but at a community level.

## **PUBLIC**

Let's say a project came up for providing gardening to the aged care facility to keep it open - that could incentivise people to do those projects. From that they would learn other skills, and they learn about working with people. OH and S could be a necessary requirement. So they learn a whole lot of things which is getting them ready for employment and helping train them in a step-back manner.

**Ms RATTRAY** - One of the impediments I see, and you might agree or disagree, is that we make it fairly difficult now for people to volunteer. I'm not sure if you are aware of any of those experiences. To score at a netball game, I have to be registered and I have to have a check to be of good character to work with children, and I only want to score. Do you see any of that evidence as you work around the community?

**Ms MUNDY** - Yes, I do, in that my husband is the president of Rowing Tasmania. There are a lot of people who put in a lot of community hours in running that organisation. They do get imposed on more and more with that kind of requirement. They have to keep going with it and make it happen. It is hard.

**Ms RATTRAY** - Do you think some of that is too onerous now and we have gone too far, or do you think it's absolutely necessary that we continue on that path?

**Ms MUNDY** - In essence, I don't think it makes an ounce of difference to what happens to the volunteers except put some people off maybe. They might be illiterate or might not be able to cope with some things to go through that hurdle, so they drop off.

**Ms RATTRAY** - Generally, you think that people will do it no matter what, make that obligation, make that -

**Ms MUNDY** - And be helped to do it. But it does make it harder on the volunteers that are already volunteering.

**Ms RATTRAY** - There are some good points there.

**CHAIR** - With regard to small business - and it is the backbone of many economies - what do you see as any other major impediments, if we have to look on the negative side? We have talked about the positive side of that. What are the major impediments to growth with regard to small business per se? You talked about the meat industry and about the training of apprentice butchers. That was one of the major change so -

**Ms MUNDY** - That's right. It is left to butchers to do industry training for that profession. Impediments for employers, and there are many.

**CHAIR** - There are all those statutory things - the stamp duty and those sorts of things - but payroll is an issue. Do penalty rates affect your business? Do you see that as being an impediment? Do you have workplace agreements in place?

**Ms MUNDY** - No. I am a small business and we don't have workplace agreements generally. It is too hard. Years ago we used to but small businesses don't. Big business can organise arrangements that we wouldn't even consider because we do what we have to do as best we can and follow as many rules and laws as we know about. Apart from that, you mentor and look after your staff like family anyway and probably put up with a

## PUBLIC

lot more than big business ever would. We understand our workers and we work with them every day.

**Ms DRAKE** - In terms of regional areas, Sunday and public holiday penalty rates are too high for them to remain competitive. I don't think it is reasonable that a small cafe in Burnie or Devonport is on the same scale as a cafe in central Melbourne or Sydney. In some cases it is easier for small businesses not to open at all on those days but then tourists have nowhere to go, or only the major chains they can go to. People don't come to Tasmania for that reason, they come for the speciality shops. It is an impediment to small business, particularly in regional areas in Tasmania. I don't think we are on the same scale as larger cities.

**Ms RATTRAY** - It has been suggested, given we have seven-day-a-week trading and we are a tourist state, that Saturdays and Sundays should be treated equally; there shouldn't be an extra penalty for Sunday. Is that something you have a view on, that whether you work on Saturday or Sunday, the rate should be the same? I am not saying take away penalty rates, I am saying the rate for working should be the same, given we don't probably have the same commitment to Sunday as we used to.

**Ms MUNDY** - When I employed people seven days a week - and we continued that for quite some years after the seven-day trading, until it was not worth it - Saturday and Sunday used to be our best days. We found that married women were very happy. It suited them very well to work of a weekend when their husbands were home to look after the children. It was their preferred time to work, not only because of penalty hours but because of child care.

**Ms DRAKE** - If the rates were the same on Saturdays and Sundays it may be more of an incentive for small businesses to employ people on those days or even to open on those days if they are not already doing that. Perhaps if the Sunday rate was lowered, it is better to have someone employed at a lower rate than not employed at all on those days. In the retail industry to employ someone for eight hours a day, it is \$325 for one person, including superannuation.

**Ms RATTRAY** - It's a lot of coffee and toasted sandwiches.

**Ms DRAKE** - It is, and that is just wages.

**Ms RATTRAY** - It has been suggested through this process that there is often quite a bit of competition for workers to work on Sunday because you get a little bit more, whereas if it was the same rate for Saturday and Sunday there would not be as much of that argy-bargy.

**Mr RUSSELL** - In the small business context, remuneration is an important element but if you're looking at the service side of it, feeling you are working for a good business where you are providing good service, there are a lot of intangibles that can be an incentive and a benefit to business owners and to their employees.

It goes back to what you were asking before about the service culture. Often in the Tasmanian context we do not feel we have much to offer. I have been to New Zealand and they have a very different service culture to Tasmania -

## **PUBLIC**

**CHAIR** - They have.

**Mr RUSSELL** - It is much better.

**Ms RATTRAY** - They have a lot of things different to Tasmania.

**Ms DRAKE** - They also have a lot of things the same. We have a lot of adventure here, but it is not portrayed in the same way it is in New Zealand. Whitewater rafting, and other good tourism points we have here, people go to New Zealand for.

**Ms MUNDY** - There is the possibility of developing those.

**Ms RATTRAY** - Good point.

**CHAIR** - Any further questions? I think we have covered the submission. Thank you very much.

To explain what we are doing here. We have taken evidence from a lot of different organisations and people on all sides of different arguments and we just have those two terms of reference. We will be collating all of that, and making some observations, and they will then be forwarded to the Productivity Commission, which is doing a whole review, federally. The Commission will take into account those views and forward their recommendations to the federal government. That is what the whole process is about. Obviously you have different views amongst different people on different matters.

**Mr RUSSELL** - Can any of that be actioned within Tasmania or is it up to the Productivity Commission to make recommendations?

**CHAIR** - It will be up to the Productivity Commission to make the recommendations. Point two of the committee's terms of reference is about the devolution of our industrial relations powers to the Commonwealth in 2009. The state government could say, 'We might take them back'. I do not think they are going to - in their submission they said they were not considering that at this time. Those sorts of things could be discussed, but it is more about the bigger picture federally, and whether particular regions of Australia like Tasmania ought to be treated in a different manner from other parts because of a smaller population, and fewer opportunities for economies of scale. Do you know what I am saying? We sometimes operate in a different way, because we are an island economy amongst other things.

**Mr RUSSELL** - Will the public have access to your report?

**CHAIR** - Yes. Everything will be on the website. All the evidence we have taken and the report of our observations. At a later stage you will also be able to see what the Productivity Commission generates from their Australia-wide review. They will come up with their two bobs' worth, they will feed it into the federal government, and then the federal government will make whatever decisions it thinks are appropriate at the time. That is the process in a nutshell.



## **PUBLIC**

**Mr RUSSELL** - We have an interest in demonstrating some of the approaches we think can work in Tasmania. We are looking at forming a group of people who are not represented in the submission, to work out how we can generate some of the community development we think is important. Bringing to life some of the suggestions we have made.

**Ms RATTRAY** - Chair, one of the interesting things I have learnt is that there is quite a bit of support for harmonising public holidays in Tasmania - not having the north and south divide closing one half of the state in one month and the other half seven months later. It will be interesting to see where that goes.

**CHAIR** - I am quite in favour of that. It is the Deloraine Craft Fair long weekend so it ought to be a public holiday.

*Laughter.*

**Ms RATTRAY** - In a state of 500 000 we should at least be able to get the public holidays in line across the state.

**CHAIR** - Thank you very much. We thank you for your submission and it will go forward as part of the package and the transcript of what we have done today. Thank you for coming in and giving up your time.

**Mr RUSSELL** - All the best with it all.

**THE WITNESSES WITHDREW.**

## **PUBLIC**

**Mr MARK ANDREW HUNT**, DIRECTOR, NATIONAL CENTRE FOR FUTURE FOREST INDUSTRIES, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Hall) - Thank you for coming along, Mark. What you say before the committee is protected by parliamentary privilege, however what you say outside might not be covered. We are being recorded by Hansard and it will be on the public record. Would you like to make a short presentation to the committee and we will then ask some questions?

**Mr HUNT** - I apologise I didn't prepare something you could have looked through earlier but it was only quite late that I came to be here.

**CHAIR** - We are appreciative you have come along to give your perspective on what we're doing here.

**Mr HUNT** - I am at the university as the director of an industry-focused research and development centre. Whilst I have worked with industry throughout my career, I am not a businessman. In some ways it is unfortunate I am the person here talking to you about what may be the opportunities for economic development. I am not in any way pretending I can present that point of view but I am hoping I may have something to add from where I sit and what I can see.

**CHAIR** - Just to clarify, you have worked for commercial companies as such?

**Mr HUNT** - I have done consulting work for commercial companies, and in my roles in R&D in the university sector and in the government I have undertaken most of my R&D for commercial companies to meet commercial business improvements. I am not a university academic and I sincerely hope I have my feet grounded in something that makes a difference on the socioeconomic front.

The first thing I would say regarding the opportunity for forestry in growing the state's economy is that there has been \$500 million worth of investment in Tasmania in the plantation sector in the last 18 months, and that's not an insignificant amount of money. There are expectations that is going to provide an economic return to those investors, which are private companies and generally international equity investors. Of the four sectors that were stated in your terms of reference that are leading the way, two of those, whether we like it or not, are inextricably linked to forestry: agriculture and tourism. Whilst the question may or may not be about the percentage of GDP that forestry may contribute to the economy, ignoring it is going to have a big impact on other sectors of the economy, particularly some that are going to leave.

My general comments - and please excuse me if these are not as ordered as they should be - the opportunities and challenges with forestry are that we are continuing to see forestry through a rear-view mirror, as much as there is a lot of rhetoric about it being otherwise. There is a lack of recognition nationally and in the state that forestry doesn't end at a sawmill, it ends at a building. Ninety per cent of the material that comes out of a tree ends up on a building site, setting aside those that go to making paper. When we are looking at the construction sector, it ends up on a building site as furniture or as cladding

## **PUBLIC**

or frames. And yet, the architectural and engineering part of the value chain effectively have been excluded from the discussion about what is going to drive the industry forward. This is not what has happened internationally. It is not what we see in Canada. It is not what we see in Europe and it is now not what we see in New Zealand.

Part of that lack of connectivity is seen through the way we are trying to address what we are going to do from hereon with forestry. We talk a lot about how we are going to maintain 137 000 cubic metres of category A sawlogs. Our aspiration is to work out how we can keep doing in 10 years what we were doing 30 years ago. That is our aspiration. We can talk about any other sorts of impediments to business but if our aspiration is to maintain what we have been doing for the last 30 or 40 years for beyond another 10 years, I really do not see any way through that. Again, that is certainly not where our international competitors have gone. They are moving away from stick-frame construction and building as we would see it and moving towards building as manufacturing. A company like Ikea basically flat-packs houses. That obviously is disruptive around trades and businesses that operate in the current space but it does not need to be detrimental to them.

At the moment, whilst the rest of the world is looking at engineered wood products and composite products and asking questions around bio-refineries, we are still talking about sawmills and pulp mills. There is not a way forward as long as you are doing that. That is not to say that there is not an opportunity for us to produce pulp. That is part of the bio-refinery output. It is not to say that we should not saw boards because architecturally they are a tremendously high value product, but to see that the sector will continue on that path rather than see it as a product split is not going to get us to the next stage.

The other opportunity with reviewing how we are seeing the sector is that - and I apologise if this is out of line - I have always seen business investment in Tasmania favouring a \$5 billion international multinational investment for a man and his goat down at Salamanca, and I do not think either of those is necessarily the whole story. The international experience around building and manufacturing wood products and forestry is about small to medium enterprises. That is the way it is done elsewhere. In a state where our economy is seeking opportunities in small to medium enterprises, there would seem to be opportunities here. That is the context in which I am presenting some opportunities.

Amongst that suite of things we may do, what are the impediments or the opportunities in being able to take advantage of that? We are still looking at exporting raw material and that always comes up against this hump of 'We want to build a pulp mill, we can't build a pulp mill so we export raw material.' But again, pulp is not the only thing you can do with woodchips. It is not the only thing you can do with trees. We have builders in the state, in Hobart, who are building houses made out of engineered wood products that they are importing from Austria. Austria is not a cheap-labour economy. Austria is not close. If we can import engineered products from Austria to build things in Hobart then surely we can export engineered products from Hobart to somewhere else, perhaps a market closer than Austria that is growing, such as Southeast Asia, where we may be able to make an impact.

The other thing we can take advantage of that we see in the European context is that their timber is a lost leader, or at best it breaks even. What they are selling is expertise in

## PUBLIC

building systems. Again, if we are going to, because of our constraints around labour cost and distance, our export markets are going to have to be very high value, so our export markets need to be focused around intellectual property and systems. Our raw material is what gets us there, but we make our return to the state in the systems that we develop, the smart systems.

The big opportunity there is for engineered wood products and building systems into Asia. The technology that develops the new products internationally has been developed in the northern climates, where the questions the architectural engineers are asking are about snow loading. It is about vapour barriers at very cold temperatures. Those are the sorts of challenges. They don't ask questions about termites, they don't ask questions about cyclones, they don't ask questions about very high humidity. They tend not to have the lightweight construction impediments that you do where you are dealing with a lot of reclaimed land and high-density housing in emerging economies.

They are all questions that we can ask nationally because we have a climatic gradient from Cooktown to here. Through the way that we are linked in from Hobart into the national wood product space, we can be leading and developing those systems to go into those Asian markets. Low-cost, high-density, lightweight and environmentally friendly construction in Asia is an extremely fast-growing market.

**CHAIR** - I might ask you a question, if it is not going to interrupt your flow at this stage.

**Mr HUNT** - No, not at all, no.

**CHAIR** - You have raised a really interesting matter with the engineered wood products and you are saying Austria is a high-cost economy. Conversely, we are also a very high-cost economy and we can then do this stuff here to go to Southeast Asia. I was in China last year, on a private trip for a few days, in Shanghai, and there will be, by 2020, 220-or-something cities of over 1 million people. Austrade said China's demand for wood products will be exponential because of all the extra building they have to do. They are saying is very well placed to provide that.

The question is, will those engineered products come from native forests or plantations, or a combination of both?

**Mr HUNT** - They will come from where we want them to come from.

**CHAIR** - Right, okay. Some softwood, hardwood, whatever works.

**Mr HUNT** - The whole idea with engineered wood products and about this approach is we are thinking about performance specifications. Let us think like architects, not like sawmillers. Let us think like engineers, not like foresters. We want a span that goes from there to there with certain strength characteristics and certain weight characteristics. Ideally, it will have other characteristics that have advantages around transport efficiency and OH&S. What do we need in order to do that?

Wood is a highly variable resource. Just in a single stand, as you would know, it is highly variable from one part of the tree to the next, let alone from native forest to plantation, from softwood to hardwood. If we can mix the raw material in ways that

## PUBLIC

meet performance specifications, we have an enormous amount of flexibility. If you were to say to me we cannot use native forest material, that's fine, we use plantation material. If you were to say we can use both, that is even better. That means we can take the characteristics and qualities from the slower-grown other material, match it and put it together and do something different.

We will use pine. What about this? If you were to take a laminate, like a laminated new lumber where you have, let us say, five laminates or veneers to make a really good product. If you go hardwood, hardwood, hardwood, say five hardwoods, that has certain strength characteristics. If you go hardwood, softwood, hardwood, softwood, hardwood, you lose 40 per cent of the weight and you retain 85 per cent of the strength.

It is not about saying: this is a tree, what can we do with that tree? It is about: this is a material, what can we do with that material? It is forestry and forest products as manufacturing. This is the real opportunity. We all know that - my view is and I think it is shared by many people - primary and tertiary industry is great, but we need some secondary industry. Manufacturing is difficult. Manufacturing is going to place a lot of challenges around a carbon and energy constrained economy, and it faces a lot of problems around our distance to market and our high labour cost. We have a natural advantage if we can use wood and wood is a material that is going to emerge and grow. Sorry, that is a very long answer to your question. You tell us what we can use and we will find a way to do it.

**CHAIR** - The second part to that was, it is more beneficial if we can do all that here and export it. If, on the other hand, that didn't quite come to fruition, can we sell the raw material in a raw state in the log form or whether it has been partially done, to China, for example, and they do the finishing off? That is just a devil's advocate question.

**Mr HUNT** - We're currently exporting whole logs to China from the Green Triangle and from here. They are rotary peeling it on spindle-less lathes and then using the veneers to lay up into ply and other materials, and using it for manufacturing. We see Ta Ann doing that at the moment. They are peeling and they have veneers and now they're looking to plywood to make it up to the next level. It is one of those things where it is neither a chip nor a board. We can peel it and then once we have that veneer we can do all manner of things. There is any number of products that can be made to suit a specification.

**CHAIR** - What will it take for local entrepreneurs and manufacturers to get into this game? Capital is an issue.

**Mr HUNT** - Capital is a big issue and the sovereign risk around that investment. It doesn't matter who I talk to, the sovereign risk involved in investing anything around forestry and forest products in Tasmania is enormous. Even to the extent that the University of Tasmania, and Tasmania generally, has been the leader in forestry research nationally for 25 years. Yet I still struggle to convince mainland companies and funding bodies to continue to invest here because their perception is too big a risk. If we invest money in R&D in Tasmania, it is tainted with the fact that you are still arguing about whether you should do it. Let us just go to Deakin or one of those other 41 universities on the mainland. That is the biggest issue.

## **PUBLIC**

**CHAIR** - That is rather sad.

**Mr HUNT** - It is very sad. That is a reality. That is an impediment.

What are the other impediments? There is capital, there is risk and there are some regulatory and policy things that can be done that are very hard things to do, but need to be mentioned. Canada has been very successful in its 'wood first' policy. That is not a mandated use of wood, it is a 'consider wood' policy. Why are you using concrete and steel instead of wood? What is your reason? Could you use wood? We produce wood here. I think it is at TMAG, the floor in the Museum and Art Gallery, the joinery, was won by a firm in Bowral. I'm not suggesting that we interfere with the tendering and market process, but there are opportunities to look at the regulatory and policy framework to at least encourage the use of timber and to facilitate it.

There is a broader question here. Because there is a discussion in the state about where the wood comes from, that swamps the discussion about whether or not it is a good thing to use wood. It is really useful to maybe separate them. It is my frustration in my discussions with some of my colleagues who are greener than me. Do you really want to use concrete instead of wood? Do you really want to use steel instead of wood? Here is the embodied energy figures. Here is the carbon emission figures. Here is the number of deaths per 1 000 people and hours in the sector. Surely you don't want to use steel and concrete instead of wood. They normally say, 'No, not really.' Good, if we can agree on that then we can work out how we get the wood.' But let's make that agreement first, and then that will mean that people try harder to think about how to resolve the supply problem. Then they are applying a problem to something they want, rather than just hoping it will go away.

**CHAIR** - Mark, as you would appreciate through the TFA process, we have all been down that long, convoluted process. But then we were told that with accreditation, with FSC, that would take all the heat out of a lot of these issues. If FT and then private forests could get accreditation, that would take some of that sovereign risk away. Will it or won't it? I'm not sure.

**Mr HUNT** - I think to a large extent it has and we can see that through that investment over the last 18 months with Forico and others. As I say, half a billion dollars, there is a resurgence and there is a renewal of interest. Interestingly, in my discussions - I'm not allowed to say anything off the record in here, am I?

**CHAIR** - No. It's a bit difficult. We can only take it in camera, and the committee has to decide whether or not we're going to do that. We can do that at the end if you wish.

**Mr HUNT** - That's okay. I will choose my words carefully. In my role it's very important to work with everybody with an interest in the sector. I meet with the Wilderness Society and Environment Tasmania and all of those groups, and the big industry players. The encouraging thing for me, in many ways, in light of the current state Government walking away from the forestry process, the comment that has come back from the participants in that on the whole has been, 'It's not up to the Government to tell us whether or not we can get along with each other.' Their attitude was the Government may have torn up the agreement, but if we can agree on these things, then we can still agree on these things.

## **PUBLIC**

On the whole, I have seen a lot of wait and see. That has given me some encouragement that the process has at least settled it down to that point. That is where the opportunity perhaps leads on. We are still talking about how do we get 137 000 cubic metres of cat A saw logs as if that's the future of the industry.

Are we going to be able to get it? Only if plantations come online by 2027. If they don't come online, or the ownership means that we can't guarantee supply to the existing processes, that creates an issue. The environment groups are very keen to see forest management improve over that time. In 10 years they want to see things done better as they see it than they are now. Given that we're now trying to get more material off a smaller land base, it's going to be very hard even to maintain the current.

**CHAIR** - That is right.

**Mr HUNT** - If we are going to use where we've got to now, to take the industry forward, we have to step out of our current focus on cat A saws and chips, and start thinking about building systems. We have to stop thinking about high-value products and waste and start thinking about a product sweep and that has been generated through secondary products. People are starting to see value. If pulp is one of those products, it is a lot less threatening than a pulp mill per se. It makes a lot more money and there is a lot more opportunity.

There is some low hanging fruit in this sector and there is always a lot of chatter about liquid fuels from tree waste. That is really hard to do. There are maybe two places in the world that are commercially making a cent out of that. When you consider the US military wants 20 per cent liquid biofuels in the Marine Corps in 10 years, there are a lot of people putting a lot of money into it. For us to think we are going to tear through the frontiers of technology down here, from a standing start - I don't know that is the best option. Somebody said to me, 'We don't want to put in the first plant, we want to put in the hundredth', and we want to see the technology working. But we are good at some other things.

We have had Boyer there for a long time. There are some good chemical engineers there and they know what they doing. The opportunity is to say, 'Guys, how can we leverage off what you already do well and help you diversify the suite of products that come out of your biorefinery that is currently making pulp?'

There are still opportunities for heating with fuel pellets. It is done really well. It is a great use. There are even export opportunities if we torrefy them or partly torrefy them. That technology is really easy. The boiler at Beaufort Hospital is now making a profit. It is only small, and it is not going to drive the economy forward in Tasmania. But it is that whole thing of - the farmer sees what is next door, the forester sees what is next door -

**Ms RATTRAY** - Put them into the schools.

**Mr HUNT** - Put them into the schools, put them into the municipal centre. If you had a boiler in the middle of Campbell Town it would run the schools, the swimming pool, the council chambers and the hospital. This is not new. It is not like you need half a dozen

## PUBLIC

scientists to spend years on it. You just buy it, and make a few adjustments. If we are making fuel out of our own residues it is not going to be exactly the same as what they are using elsewhere. We need to get that right. It is not a matter of 'if' - it is a matter of 'we need to address that'.

**CHAIR** - Going back to those wood pellet heaters, in most northern European countries they are the main form of heating and have been for some time. They are almost emission free. But is there an issue with the energy required to dry the pellet? What do you understand about that? I know pellet heaters are sold here commercially but there seems to always be this issue about purchasing pellets, because nobody has them.

**Ms RATTRAY** - We are importing them from New Zealand, I understand, and anywhere else we can get them.

**Mr HUNT** - Yes, but a good idea is not a bad idea just because somebody did not execute it very well. Sometimes it takes two or three people to think something is easier than it is and not get it right for others to realise they have to do it properly. Sometimes there are traps for players, and if somebody invests and it doesn't work out, it is harder for somebody else to take that risk. There are those problems.

Forestry and forest processing in Tasmania has not been a high tech thing, has it? If you look at the value chain. Look at cold chains - in pharmaceuticals, in hospitals or in food - they are pretty sophisticated. Our whole forestry and forest products sector is based on what you can write on a bit of paper with a pencil. It is no more sophisticated than that. It can be. We have mills around the place, not so much in Tasmania, but on the mainland - the big softwood mills with x-ray scanners that collect an enormous amount of information. They take a 3D picture of the tree, a hug amount of information. Yet, our building code and our architectural specifying and engineering specifying take no advantage of it. All that is specified is what you can write on a bit of paper with a pencil.

When there are new opportunities, and incumbents in the sector try to take those opportunities up and they don't necessarily have experience with their own business systems to support them, then it is easy for things to fail. That is where I see an opportunity for government. There are people with some good ideas, but perhaps they are missing some of the skills needed to move into twenty-first century technology. If support were available from government for those who are prepared to take a private business risk, that is not a bad way to invest government money. That is getting way out of my area of expertise, but that is where I see some impediments.

I talk to current business owners out there, and they see opportunities in engineered wood products and they see opportunities in pellets. They see these sorts of things.

**Ms RATTRAY** - They're gun shy.

**Mr HUNT** - Yes, and it's not what they've done. They've been trying to make an historical and existing set of processes work as best they can and as efficiently as possible. That has been a very successful business model for a long time. If they are going to step up to the next level they are not going to do it on their own.



## PUBLIC

**CHAIR** - Thank you. It has been very interesting. Just one very quick question about FSC. As you know, there is a large forest estate on private holdings. Accreditation - and I've been through that in agriculture, it can be a very frustrating and costly business and the bar keeps getting lifted. Do you see that as being an impediment for that portion of the forest estate?

**Mr HUNT** - There are some opportunities now. We have group certification schemes. There is enough of a diversity of ways that it can be done that it should not be an impediment. We have to be careful not to let anyone get a certification monopoly. There are two or three approaches to it, and as long as we ensure that those approaches are maintained - for instance, a big company like Forico might be able to bring their certification to your trees, in your forest. That is one way of doing it. There might be a group certification scheme from a forest manager. There may be another opportunity for individuals to chase up their own certification if they're supported by a third party. As long as there is a mix that should be okay.

**Ms RATTRAY** - A question about the management of our forests. It has been suggested that because we've been in such a quandary for the last four or five years, the management of our forests - our resource and our plantations - has left a lot to be desired and hasn't been up to scratch. Do you think that will have a negative impact, or do you not see that as being an impediment to what you have suggested today, which is really exciting?

**Mr HUNT** - Let us look at the plantations separate from the native forest. Some of the plantations that were established in Tasmania should never have gone in. The managed investment scheme was a very blunt instrument. Fortunately, about 80 per cent or maybe 90 per cent is okay. Although some of it has not been managed well, it should be okay, too. The biggest problem will be investor sentiment. When we knock those trees over are those landholders going to say, 'Well, thankfully that's over and I'm going to put it back to another land use', rather than see forestry as a future opportunity. That is our real challenge - whether we will have the reinvestment in forestry in the future. I think we will get away with the management because we will find something to do.

The native forests are the bigger issue because forests need management, they are not static. You cannot draw a line around it and walk away and expect it to be the same in 10 years. You might want to manage it for a different objective. You might want to manage it for biodiversity or as a watershed rather than forest, but you still need to manage it. The idea that you do not have to manage it is just insane and it is certainly not science. That is the biggest concern because as native forests move away from management by an entity like Forestry Tasmania, for instance, that has an economic interest in it and they move to another land manager that has scarce resources and is seen as a burden on the budget rather than a money maker then being able to maintain those so that they provide any integrity if they are to be kept as parks or reserves is going to be very hard. That certainly is something that is being found in other jurisdictions nationally and internationally: you are going to have to spend money managing your forests, it is just whether or not you are also going to get an economic return or it is simply a line out.

**Ms RATTRAY** - In a couple of my areas on the east coast they are taking out plantations that have been unsuccessful. They have not even been able to find a market to get rid of what

## PUBLIC

is there because of the travel distance so they are just heaping them up and burning them at the appropriate time.

**Mr HUNT** - The southern residues is the single biggest impediment to the forestry sector in Tasmania. Quite apart from the things I have been talking about which are more strategic, the operational impediment right now is southern residues. That stops everything. It is a very difficult situation and, as I see it, there is no simple answer. Any answer that tries to seriously solve that problem will take a great deal of political courage and it seems a terrible shame.

Even if we can take some of that off by using smaller-scale things, diversifying the small to medium enterprises doing different things, it will not solve the problem but at least it will do something.

**Ms RATTRAY** - Some of those plantations have become quite feral.

**CHAIR** - It is a fair comment perhaps to say for some of the existing plantations - we had some evidence yesterday about New Zealand and I have seen them - that is where plantation has gone into dairy. Then again it is different there in that if you are talking about the Canterbury Plain in particular, it is level, it is easy growing and there is a huge groundwater resource straight underneath. In my view, irrespective of the wrongs or rights of MIS, a lot of the places where plantations were put in was the best land use in fact because there is no way known you would make a commercial return agriculturally from a lot of that stuff now. If it has not got water near it, by the time you clear it and get the fertiliser on it, it is a big call. I know a couple who have tried and they have said they wish they had never started. It would have been better to have put it back into trees again. There is that side of it as well.

**Mr HUNT** - That points very clearly to where we need to go from here, and that is: we see a big company like Forico, an industrial forestry company, they are not Mickey Mouse, these are serious, they need to make a dollar. They are talking about the fact that they need to manage their estate, and that is not just the productive part of the estate but it is the parts of the estate that they are not going to chop down. It is the parts that they are managing for biodiversity and watershed and amenity and the other things because that is what gives them certification and that is what gives them a place in those communities where they are valued rather than seen as an intruder. It is the idea that the trees are occurring in a landscape in the best spot where they are providing the best return and that sometimes you will put it back. I am working with Greening Australia and Forico together to do some of this, to work out the best way to manage those bits we are not going to use for production, and siting and managing the best way of the ones we are.

As the irrigation expands in Tasmania, we are going to have a lot of water issues. We already have nascent salinity in many areas where irrigation is going in. We can either choose to ignore that and hope that it doesn't happen, which would be very sad, or we can see that as an opportunity to ask ourselves: where would we invest in trees so that they soak up that water so that we do not drive down productivity of the land and we get a secondary income stream from it? There is a real opportunity in how we are going to manage that agricultural landscape so that we get the benefits of the irrigation. The question is around trees. I believe there is probably an opportunity to double the radiata estate in Tasmania, simply by doing that appropriately.

## **PUBLIC**

**CHAIR** - One final comment, on Forico, for example. As you say, they are certainly not a Mickey Mouse company, they are a big outfit and I am encouraged to see some of our existing plantations up in my area that have also gone into a bit of agro use so that some farmers have access for stock. They have set careful stocking regimes and everything else which keeps the weeds down and reduces the fire risk, so it is a win-win on both sides. They go into a commercial arrangement, which is good. That land is not necessarily all lost to agriculture either. There are ways and means, which is good.

**Mr HUNT** - In a practical, real world, which I think we can get to, we ask ourselves: how is forestry activity enhancing our agricultural practice? Again, the opportunity in agriculture is that forestry should be seen as providing environmental and business benefits in the agricultural landscapes. That is a far different set of questions than the discussion we have around native forest management.

**CHAIR** - Thank you, Mark. It was very interesting and informative. This transcript will be sent on and we will make observations on what we have heard. That will all be forwarded to the Productivity Commission because they are doing their work and they will be taking a national approach to a lot of these issues. Your words will be on the transcript there somewhere. There you go.

**Mr HUNT** - If any members want to ask me about anything at any time, please do so. I will take one more minute of your time. I had some news today. We won an Australian Research Council Industrial Transformation Training Centre grant. This is extraordinarily prestigious and it has been awarded to a couple of us at the university. That is around the forest value chain, working across engineering, building systems and forestry. It re-cements University of Tasmania as the leading forestry university in the country. It is very good for the state to do that.

**CHAIR** - Thank you, Mark, all the best. See you later.

**THE WITNESS WITHDREW.**

## **PUBLIC**

**Ms JANETTE ARMSTRONG**, UNITED VOICE - TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Hall) - Welcome, Janette. Whatever you say before the committee is protected by parliamentary privilege but anything you say outside may not be. Your evidence is being transcribed by Hansard and will be on the public record. Would you like to make some comments on your submission?

**Ms ARMSTRONG** - We are the union for workers in hospitality, security, cleaning, early childhood, custodial services and a range of other industries. A healthy Tasmanian economy means greater job security, prosperity and opportunity for all our members, so we have a vested interest in growing Tasmania's economy. Given the industries our members work in, the vast majority of our members, more than two-thirds, are currently entitled to some sort of penalty rates - and that has been the focus of our submission to this inquiry. As we outlined in our written submission, the question of penalty rates is our primary concern and we don't believe reducing or abolishing penalty rates will help to grow Tasmania's economy. We emphatically believe the opposite is true.

Abolishing our referral of industrial powers to allow for the reduction of penalty rates would hurt Tasmanian workers and our economy. We are opposed to the reduction of penalty rates for several reasons. We believe weekends still mean something and that is why there is overwhelming community support for penalty rates - 81 per cent of Australians support weekend rates and all sorts of polling consistently demonstrates that. There is not a lot of community support to reduce penalty rates. There is also a lot of talk about our economy not being Monday to Friday 9 to 5 anymore, but with school and the average white-collar job most families base their routines around a Monday to Friday 9 to 5 schedule. There is a bit of a creep into Saturdays being a regular day of work but there is still a significant degree of sanctity around the weekends. Seven out of 10 Australians only work Monday to Friday. Weekends still mean something because working unsociable hours comes at a cost to family time and, more importantly, to physical and mental health, which is a very important consideration.

Workers should be compensated accordingly for working shifts, weekends and public holidays and businesses should not be given further encouragement to disregard the weekend and socially-unacceptable operating hours. This is particularly important in regional Tasmania where suicide rates, particularly amongst young males, are far too high. I urge the committee to consider if penalty rates on the weekends are reduced or abolished, what happens to the vital community groups and sporting clubs in our regional areas and what impact that will have on the mental health of young Tasmanian men who often rely on those sports clubs for connection and support?

A very recent study, which some of you may have seen in the press this week, published in the Scientific Journal of Sleep Health proves that shift workers are more likely to suffer health problems. They are more likely to be fat and suffer problems such as diabetes and high blood pressure. Experts are now warning the situation is especially worrying given the increasing number of people working outside those 9 to 5 hours. What greater costs would reducing penalty rates have on our society, as well as our economy?

## **PUBLIC**

Another reason we don't support the removal or reduction of penalty rates is that penalty rates are not the reason Tasmanian businesses are folding. Across Australia we see the main reasons for businesses folding are poor strategic management; issues with cash flow; poor financial control, including lack of records; undercapitalisation; and poor management of accounts receivable. That is data from ASIC.

Penalty rates serve a very important purpose of ensuring an available workforce. They have been part of Australian working life for more than 100 years now because they are effective in doing that. Workers would much prefer to be spending time with their friends and families on weekends and public holidays so what incentive will they have to accept work if they are not being more highly compensated for that on the weekends?

There are two great examples from New South Wales that I want to share with you today of businesses that got rid of penalty rates in favour of higher agreed flat rates across the board. That was the Sydney Crown Casino and the Stamford Airport Hotel. That was initially negotiated into an EBA and the next time the EBA came up for negotiation both those employers came to the table saying, 'We want the penalty rates back. We need the penalty rates back, this flat rate thing is not working'. They had trouble getting people to regularly turn up to Friday evening shifts, Saturday shifts and Sunday shifts on those flat rates. The current Crown Casino agreement is very interesting because it pays a premium for Friday evening work in particular that is far beyond the award requirements in terms of percentage.

All the polling we have done and the information we have gathered from our members and non-members, the general community, indicate that the majority of people who currently work weekends would not continue to do so if weekend rates were cut.

Any change to penalty rates is essentially a pay cut for Tasmanian workers. Our members at United Voice, particularly in hospitality, are some of the poorest paid in the state and in the country. They don't have large incomes that allow them to travel much, and the little disposable income they earn is always re-invested in Tasmania and in the local economy. They are the ones who are keeping the economy ticking over here.

For a huge proportion of our members, weekend and penalty rates are either the backbone of their family budgets, or often times the only thing that enables them to deal with emergencies such as the car breaking down or medical issues that arise, or it allows them to do those extra things, like sending their children to school camp.

I have spoken to a number of members who could not be here tonight but I have some personal stories from them that they wanted me to relay. There is Gary who lives in Lenah Valley. He works in hospitality full-time, including working every Saturday and Sunday. He says that penalty rates are important as they provide a better standard of living for his family and help pay the mortgage. He says, 'If penalty rates were reduced, my family would have to cut back on food and groceries.'

Carol is another member. She lives in Launceston and works in accommodation services and she works two out of every three weekends. To do that she regularly has to give up time with family and friends. She misses important events such as weddings and birthdays and her children's activities, and the ability to participate in community activities and volunteering for things she would like to do. Penalty rates, she says, are an

## **PUBLIC**

important part of covering her regular costs and if those were reduced Carol feels she would have to get a second or even a third job, potentially taking work from one of the many already unemployed people in Tasmania, and cut back on her food and groceries.

Finally there is Michael in Wynyard. He works in hospitality full-time every Saturday and Sunday. He said that he misses out on time with friends and family, and in particular the ability to participate in his local sporting club. He said if penalty rates were reduced he would change industries and would have to cut back on spending on food and groceries for his family.

As you can see, this is more than just employers who have the privilege of running their own businesses, wanting to be able to make even more profit by opening an extra day on Sunday. This is about people's livelihoods that are at stake and people depend on these penalty rates as they currently are to make ends meet.

I want to address some comments by the THA that have been made public today and that they have also made in their submission to this inquiry. They said it is arguable that Tasmanian state award rates and allowances should be set below modern award rates relative to the strength of the state's economy. I am not convinced of the logic in that. Hospitality and tourism a key pillars of the Tasmanian economy, and are growing. A key problem that the THA have been articulating at various hospitality events I have been at this year is that the industry is struggling in being able to attract and retain the calibre of staff they need to compete with other destinations and to properly cater to international guests, particularly Chinese guests, and other travellers. Plus, we already see a drain of young people away from Tasmania. If we change our award system so we go back to paying rates that are lower than the rest of the country, what incentive is there for our young people to stay here and continue to work here when they can move to Melbourne or anywhere else in Australia and get \$5 more an hour to make coffee or pour beers or do whatever it is they are doing.

**Ms RATTRAY** - Would you agree that the cost of living in Tasmania is less than what it is in some of those places?

**Ms ARMSTRONG** - That is a good question because I used to live in Sydney and I moved here before the award modernisation process. When I first moved here my income dropped dramatically because I went from a New South Wales rate of pay to a Tasmanian rate of pay. I thought, rent is cheaper and this and that is cheaper, but actually there are a whole lot of things in Tasmania that are more expensive. On the whole there are swings and roundabouts. It is not that much or not a significant difference in my experience.

**CHAIR** - Rent being the main one.

**Ms ARMSTRONG** - Rent is absolutely. Housing is much more affordable here. Petrol, groceries and those sorts of things are considerably more expensive in Tasmania.

**CHAIR** - True.

**Ms ARMSTRONG** - That concern about the brain drain is something that the Launceston Chamber of Commerce supports and identified in their submission as well.

## **PUBLIC**

If we take back the referral of powers, as the THA is suggesting, it is going to be a really costly exercise to completely renew our industrial relations commission again. We end up with that two-tiered system within the state industry. Not only comparing us from state to state, but there will be corporations, big businesses in Tasmania, that will have to pay a certain amount and then small businesses here will only have to pay, theoretically, a lesser amount. That puts those small businesses on a really unequal playing field and they will not be able to attract and retain the staff that the big corporates paying the higher rates will be able to do.

Despite the rhetoric from some employer groups there is absolutely no evidence that removing or reducing penalty rates either increases employment or has positive economic effects. Many other employer and business groups also put in submissions to this inquiry, but not many have raised penalty rates as a major concern or an impediment to growing Tasmania's economy.

Just on the note of empirical evidence, United Voice has commissioned some research into the social and economic impacts of penalty rates, particularly in rural and regional areas across Australia. We are hoping that that will be complete early next month. I am not sure exactly when you are planning on wrapping things up, but if you are willing we would be more than happy to forward that data and that information to the committee as soon as it is completed and available.

**CHAIR** - Thanks, Janette. We will be making observations about what different players have said and then we will be forwarding all of that to the Productivity Commission, which as you know is doing an Australia-wide thing. Yes, we can accept something else as evidence that we can include. We will be providing all of that evidence. We are not sitting in judgment on this. We are evidence collectors and so the Productivity Commission will be looking at and making judgments on a lot of these issues and then forwarding that through to the federal government.

**Ms ARMSTRONG** - Thank you; that does clarify things.

**CHAIR** - With the evidence we've had nobody has actually talked about abolishing penalty rates. They have talked about better ways of doing things in Australia. You gave an example of Crown Casino -

**Ms ARMSTRONG** - Crown Casino and Stamford Airport Hotel.

**CHAIR** - Yes. I put it to you that they are both large entities and they employ probably many thousands of people and they are able to put in place EBAs. If you talk about a small business it is very difficult for them to get an EBA in place. There is probably a lot of difference between running a small business on very small margins and a very large corporate entity that can put those sorts of things in place.

You talked about shift workers. A lot of shift workers are on contract as well and they do not have - I have some in my own family - penalty rates as such. They are on a contract. They can be called in at any time and that is part of their contract. As a part of their contract they are remunerated within that contract.

## **PUBLIC**

**Ms ARMSTRONG** - That is not common in the industries we cover. Restaurants, hospitality, that sort of contract work is not covered.

**CHAIR** - There are none at all like that?

**Ms ARMSTRONG** - There would be some who are on contracts and make agreements.

**Ms RATTRAY** - What about chefs?

**Ms ARMSTRONG** - Chefs would probably be salaried a lot of the time. Some will have individual contracts that do allow for some sort of agreement around a flat rate throughout the day but not particularly the being called in at any time and penalty rates.

**CHAIR** - I will open it up to other members.

**Mr FARRELL** - I remember years ago when I did shift work it was very much a small base rate but when I went for that job they said do not worry you will pick up 'x' number of Saturdays and Sundays. It was never guaranteed, it was never formalised, that was the way things were done back then. Does that still go on? Do your members get these words of assurance that they will get certain amounts of overtime?

**Ms ARMSTRONG** - Yes, it is spoken and it is also just an unspoken understanding and the expectation. That is part of the reason it is justified for the rates to be so low in hospitality because the penalties are there and they are working evenings, weekends and public holidays.

**Ms RATTRAY** - Chair, I know I have asked this a couple of times today and everyone is probably sick of hearing the same question but it would be good to get your view.

**Ms ARMSTRONG** - I haven't heard it.

**Ms RATTRAY** - We have seven day a week trading and that is the way society works pretty much now, do you have any view on Saturday and Sunday, taking aside Monday to Friday, as being classed as the same?

**Ms ARMSTRONG** - It depends upon what that rate is.

**Ms RATTRAY** - There is argy-bargy between people wanting the Sunday because that is a better rate. I wondered if you had a view about that. I am not saying take away having the same rate. Someone suggested, an employer, instead of having one rate for Saturday and one for Sunday you put them together and you divide them and it is the same for both days.

**Ms ARMSTRONG** - That is a very different question to bringing the Sunday down to the same as Saturday. What we hear from employers is that they want the Sunday reduced to the Saturday as the Sundays are too high. In essence though any reduction in penalty rates is a reduction to these workers' take home pay. It would very much depend on the rates and what that looks like.



## PUBLIC

**Mr FARRELL** - He suggested that the business he was in, because of the difference in the Saturday and Sunday rate, he did not want to pay them less but have it so he could get workers on Saturday because a lot of workers preferred to work on the Sunday because you get more money and that was the reason he was given. It might be something interesting to discuss with your members.

**Ms ARMSTRONG** - For a lot of our members Sunday is the only day that is family time even if they are not religious and it is not about church because a lot of people work Saturdays now but at least Sunday has always remained sacred and that is family time. I know for me Sundays I usually finish up what I am doing early, I am back home, we have a decent dinner on Sunday where as Saturday is a bit of a different day.

**Mr FARRELL** - Weekends used to be in the old days you would have weekends off when nothing opened and it was a whole different field. You're saying that most members probably still feel that Sunday is their weekend.

**Ms ARMSTRONG** - Absolutely, yes.

**CHAIR** - It depends what industry - if you're in the agriculture industry Sunday makes no difference. There is a lot of stuff out there that happens on a Sunday.

**Ms ARMSTRONG** - Yes.

**CHAIR** - That might not apply to some of your members, but that's the way of the world. You did mention - I think your words were, 'The privilege of owning a small business' and then opening on a Sunday to make more profit. I suppose I could suggest to you now that the privilege of owning a small business often means a lot of commercial risk and all that sort of thing. Extended bank loans and all of those sorts of things. Then to open on a Sunday, I suppose it's up to that individual business owner to work out whether they can make a profit.

I think where all this conversation has been driven from is tourism and is one of the ways forward for the state. A lot of people have been disappointed that certain facilities aren't open on a Sunday. Then the owners are saying, 'We can't afford to open on a Sunday because we have to pay such a large penalty rate.' I will put that to you. What do you think?

**Ms ARMSTRONG** - It's a really convenient argument because we see hospitality and tourism thriving in many other parts of Australia where they similarly have to pay the same penalty rates on a Sunday. Businesses do, as you said, have the option of opening on Sunday if they can make it profitable. That really comes down to the individual business and their business decision.

Just to touch on your comments about me saying it's a privilege to own a small business, I grew up in a family who had small businesses in the restaurant industry. I understand the pressures and all of the responsibilities that come with that and the things that they as small business owners put up with as well. I also see that it is, compared to these workers who are earning minimum wage and just making ends meet on the back of these penalty rates, a provision of considerable privilege compared to those people.

## **PUBLIC**

**CHAIR** - We might agree to disagree. The other matter was - I've lost my train of thought now we've agreed to disagree. I will come back to that. You talked about on the mainland and paying those penalty rates. I might say to you that there is a lot more economy of scale, a lot more high traffic areas, and therefore a lot more put through a particular business than there is here, particularly in regional areas where you may have much less through traffic if it's a cafe or restaurant. Yet tourists still come here and want those places to be open. Therefore there is quite a difference between that and inner Melbourne and inner Sydney.

**Ms ARMSTRONG** - Yes, I agree. It all needs to be weighed up. Part of the charm and the attraction of coming to Tasmania is the different pace compared to some of the big cities, and the quaint charm of Tasmania. The potential benefits of more businesses than already are open on Sunday being open on Sunday needs to be weighed up with all of the other costs and potential impacts that have been outlined.

**CHAIR** - If those people still come and want those services, they can't get that cup of coffee. I know quite a few who came down from Queensland through the summer. I know some international tourists who came, as I've mentioned before, and for that period went away with quite a negative perception. That's the way it is. That's the way it was. Any further comments you'd like to make, Janette?

**Ms ARMSTRONG** - No. I have got my main points across. The concerns that you have raised, Mr Chair, are valid, but as Tasmania grows and as Tasmanian businesses learn to adapt with the increasing and changing demands of more travellers, perhaps people would reconsider their business models and be able to figure out how to make that work within the current award structure that we have, rather than the simplistic notion that penalty rates are to blame for all of the problems facing the tourism sector and the experience of travellers who come here. Thank you all very much for your time.

**CHAIR** - Thank you very much for your time and your submission. It will go to higher places at some stage.

**THE WITNESS WITHDREW.**