

The Secretary,

Legislative council Select Committee - Dairy Industry in Tasmania

Legislative Council, Parliament House, Hobart 7000

A submission by Tony Clarke, MBA, GAICD, Director of White Water Dairy.

This submission will primarily will focus on the role of government with a view to grow the sector.

Recommendation 1 - Leave marketing to the private sector.

This submission recommends that marketing opportunities be left to the private sector. There is little evidence that regional marketing is effective and are extremely expensive. What is effective are brands that leverage some local quality but are privately owned and controlled. The success of a brand is intrinsically linked to these factors. A larger Tasmanian brand would have a dilution effect especially when products have competing interests. A more effective strategy would be a greater investment in bolstering tourists numbers.

Marketing opportunities abound for Tasmanian product, however, the role for Government, which ever level, remains limited. Effectively this would create an environment where a government would be picking winners and losers and would only be swaying in the breeze of what is in popular imagination, rather than what is in the long term good for the sector. As evidenced in the Labor Parties policy of favouring organic dairy production over all else.

Recommendation 2 - If Tasmanian branding is pursued, make sure it means something.

The case of Bellamy's is an interesting case of branding when there isn't any product to sell. Bellamy's does demonstrate the power of branding to create demand, but the fact that all of their dairy products are sourced from overseas and package in Victoria by a New Zealand company indicates Tasmania has some way to go to be competitive. The other aspect of Bellamy's is the risk that company poses to the rest of the sector. As it identifies strongly with Tasmania but most of its product come from overseas, the risk is that consumers may end up not trusting any branded product from this state. As a producer who only produces Tasmanian product, I believe this is a risk to my business.

Recommendation 3 - Create an environment that is more conducive for private investment.

The dairy sector requires more capital investment at both the farm level and at the processing level. The world capital market is a very competitive one, with billions of dollars worldwide looking for a home. However, capital doesn't recognise boundaries, it only recognises risk and return. The role of Government is to minimise some of these risks and not get in the way of maximising returns.

We need to be in the business of making the pie bigger and how we can make it more attractive to invest and operate here. As such, this recommendation goes to the heart of the role of Government and the implicit compact between Government and the private sector. It is multi factorial but can be summarised as cost reduction and Government impacts.

- Eliminate stamp duty.
- Streamline the planning scheme.
- Amalgamate councils.
- Reform the State Legislature.

- Keeping the door open for immigrants, especially 457 visas.
- Reduce the cost of service delivery.
- Lift the foreign investment review trigger to \$100 million.
- Make it easier for welfare recipients to go in and out of the welfare system to take up seasonal employment opportunities.
- Pay rises should be linked to productivity gains. High labour costs creates a disincentive to employ people.

Another aspect of the role of Government is the issue of sovereign risk or moving the goal posts. In recent times we have seen successive Governments do things that severely impact certain sectors without any regard to the welfare of those sectors as they have little political power. Recent examples of this is the stopping of live cattle exports to Indonesia and the introduction of the backpacker tax. In both of these cases there wasn't any consultation of those affected and little regard to the financial impacts. For some potential investors this risk would be seen as unacceptable and won't invest in agriculture as the other risks are already high.

Recommendation 4 - Infrastructure needs to be affordable and deliver value.

Being an island state, infrastructure is essential to our wellbeing as we will always have limited opportunities for freight, communication and expansion. Freight in particular remains the States economy's biggest millstone as it not only depresses the prices we receive but also increases the cost of our inputs. This put us at a serious disadvantage compared to our competitors who are either closer to their markets or, as is the case with New Zealand, are simply more efficient. We need to be the world's best in regards to freight rather than a laggard.

While, freight may always be relatively high compared to our competitors other costs need not be so especially irrigation infrastructure. Water remains the State's main advantage in terms of access, volumes and positive impacts on growth. However, recent developments in irrigation infrastructure suggest a determination to set an artificially high price on water. This policy seems to be an attempt to drive producers into higher value products, when in actual fact it has serve to depress demand. Irrigation development represents the greatest opportunity for expansion of production and manufacturing with increased guarantee of supply but needs to be competitively priced to attract further investment. The value of water needs to be aligned with the value of what we produce and not simply to maintain an artificially high water price. Also, much of the developments haven't taken into account future needs. For example, in Circular Head it has been estimated that the region requires at least a further 50,000 megaliters of irrigation water, whereas, the proposed scheme in that area will only deliver an 5,000 megaliters of additional water.

The dairy industry is a great sector and opportunities abound for expansion and wealth creation. We should never lose sight of this.

Yours Sincerely

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