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March 8, 2017

**TO:** Select Committee Inquiry into the Tasmanian Dairy Industry

**FROM:** Sarah Hirst, Tasmania Invest Managing Director

**RE:** Impediments to dairy industry expansion in Tasmania

**DATE:** March 8, 2017

Dear Honourable Members

This is a snapshot of current impediments identified by Tasmania Invest and its clients in establishing proposed multi-million dollar projects in Tasmania. One of our clients, who is about to launch a \$450 million dairy project in northern Tasmania, said their business model is at risk if the following issues are not addressed immediately by the Tasmanian Government and/or Tasmanian dairy industry:

## 1. Freight across Bass Strait

One of the greatest impediments to expansion in the Tasmanian dairy industry is the ability to ship fresh and processed products out of the State. There is currently no capacity to move tankers or processed dairy product from Tasmania to Melbourne. Our client has been trying to secure freight allocation for five milk tankers per day – to no avail.

- The three current freight operators are over committed
- TT Line runs two boats per day at 10-11 hour crossings. Freight allocations are fully booked. This week TT Line left up to 15 trailers of Tasmanian product per crossing on the wharf as the boats were at full capacity for freight;
- Searoad currently operates one boat per day at 18-hour crossings. The new boat Sea Road Mersey II is in dry dock in Sydney for repairs, expected to return to the route by the end of March 2017
- The third Bass Strait freight operator Toll is fully committed
- If Searoad only runs one boat per day instead of the intended two, the turnaround time becomes cost prohibitive for our client:
  - For fresh milk, the maximum turnaround time is 10-12 hours
  - If a boat departed Devonport each morning for a day crossing and each night for an evening crossing, then the time frame would be workable
  - If one crossing prevails, our client would then have to purchase 20 milk tankers at \$250,000 per tanker, rather than 10, if a second boat can't be added to the service – even if freight space was available
- As a short-term option to fulfil current international market demand for premium Tasmanian fresh and processed milk, as well as expand potential demand, our clients may process Tasmanian milk through Victorian processing facilities until construction on new processing facilities in Tasmania is completed
- Once Tasmanian factories are constructed (a signed Term Sheet is already in place for the purchase of the identified commercial land), our clients will fill half a boat every day with product for domestic and international markets
- The freight issue is not price, but capacity



#### **POSSIBLE FREIGHT SOLUTIONS:**

- a. *Our understanding is that TT Line has been pushing for a dedicated freight service across Bass Strait. Although the freight cost is higher (up to \$1000 per 44-foot container more), this is a very workable solution for fresh dairy products*
- b. *The State Government to provide a soft loan to enable the purchase of an additional freight boat to add significant freight volume to the current Bass Strait offering*

## **2. Quality Assurance and Place of Origin Certification**

As per Tasmania Invest's costed proposal, many of Tasmania Invest's clients are seeking premium Tasmanian fresh and processed products that are certified and guaranteed authentically Tasmanian produced. There is currently not a "brand", "logo" or "trademark" that underpins the brand values of Tasmania and the quality produce from our State, which will no doubt result in lost investment into the State and lost export of product to the mainland and overseas.

This proposal is all about:

- Protecting Brand Tasmania and ensuring all products that are branded Tasmanian are in fact grown in Tasmania
- Educating the market that organic produce is not always the answer. Naturally Tasmanian certification will tick the majority of the required boxes so that Tasmania does not miss out on investment that is based on the sourcing of organic produce (that is unlikely to ever be produced on the scale required for these investment projects)
- Ensuring the QA and Place of Origin scheme is self-funding post development
- More detail is available in the full proposal

#### **POSSIBLE BRANDING SOLUTIONS:**

- a. *Approve and fund Tasmania Invest's proposal as a matter of urgency to develop an industry-backed quality assurance and place of origin certification scheme*
- b. *The State Government, together with industry, backs the design and scheme with appropriate registrations and trademarks to give it further weight in the international market place*

## **3. Roads**

- Our dairy client's business model is based on the operation of 52-tonne A-Double tankers throughout northern Tasmania. Tasmanian roads and bridges need to be upgraded to cope with this weight
- While some roads and bridges have already been upgraded, many have not
- This means our client would either run tankers at two thirds capacity (and less economically) to ensure compliance with tonnage restrictions or have to run twice as many trucks on the road

#### **POSSIBLE ROADING SOLUTIONS**

- a. *The State Government commits to working with investors to identify priority road routes to transport milk from farm to factory and to upgrade these roads and bridges for A-Double tankers*

## 4. Open up investment channels into Tasmania

Since launching Tasmania Invest almost 12 months ago, we have found it increasingly frustrating that the majority of investors searching online re how to invest in Tasmania are funnelled into Austrade or the Tasmanian Coordinator General's Office.

During many meetings with senior representatives from these offices, we have been further frustrated to learn that many investments below a \$5 million level are not acted upon and that once these leads progress to the transactional level, the State Government representatives have to withdraw (ie it would be a conflict of interest for the Government to select one vendor / tax payer over another for a possible sale).

As a result, it has been near impossible for investment leads in Tasmania to be converted to finalised transactions.

In fact, several new investor clients that we have signed have told us that they had almost given up on investing in Tasmania as "it was just too hard" and their original inquiries "went nowhere".

We launched Tasmania Invest to assist with this process to ensure Tasmania is regarded internationally and domestically as "open for opportunity and investment". Unfortunately we or any other operators in the private sector have been denied this opportunity. At an Agribusiness Investment Forum in Melbourne last week organised by the Australia China Business Council, senior Austrade representatives informed me that in most other States, it was common practice for their colleagues and others in similar investment facilitation roles to pass leads to and work with the private sector.

### **POSSIBLE INVESTMENT CHANNEL SOLUTIONS**

- *Outsource the functions of the Coordinator General's Office to the private sector to ensure that all investment inquiries into Tasmania are given the best possible chance of success*

## Summary

Tasmania Invest is committed to working with the State Government, industry and other private sector professionals to create jobs, opportunities and wealth for our State.

There has never been a better time to invest in Tasmania – but it is essential that we are ready, willing and able to cater for the levels of investment that are on the table.

We look forward to working with you to create real, sustainable and long-term change for future generations.

*Sarah J. Hirst*

Sarah Hirst

Tasmania Invest, Managing Director





**Tasmania Invest is a unique buyer's agency pinpointing individual and aggregated investment opportunities in the spectacular State of Tasmania for sophisticated investors, and offers strategic business, project and marketing management to further grow these investments**

Tasmania Invest Directors John Lamb, Sarah Hirst and Robert Harrison have a combined 73 years of business leadership experience across more than 10 industry sectors, as well as a shared passion for creating jobs and generating new economic opportunities in Tasmania.

From aggregated vineyards to large-scale dairies, to resource-rich mines, to innovative tourism developments, to leading farms producing globally-acclaimed seafood, vegetables, fruit, truffles and dairy products, we develop a tailored portfolio of investment opportunities in Tasmania for each investor.

Tasmania Invest believes there has never been a better time to invest in Tasmania. No other first-world investment destination offers Tasmania's combination of clean, green and natural brand; low prices; under-developed business opportunities; security of capital, supply chain and title; natural resources; infrastructure, services and support; and connectivity to the world.

Tasmania Invest's professional and prompt business consultancy services include:

- Locating individual and aggregated properties and businesses, many of which may not ever be listed on the market, negotiating and finalising sale contracts;
- Post-settlement project management to add further value to the investment, such as the construction of luxury accommodation units, a robotic dairy, a feedlot or a processing factory;
- Employment of management teams to professionally run and report on each investment;
- A confidential and professional intermediary negotiation service for private investors;
- Introductions to Local, State and Federal Government leaders and assistance with financial grant applications;
- Detailed business analysis reports, business and strategic management plans, industry sector reviews, OHS, risk management and much more;
- Branding, marketing, media, public relations, logo development and much more; and
- Managing all on-ground investment needs with our preferred partners in migration, legal, accounting, auditing, tax, insurance, human resources, design, social spend and much more.

**Building long-term relationships based on listening, learning, trust, knowledge and exceeding expectations**



**To develop a strategic partnership with Tasmania Invest, please contact:**

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