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THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON GROWING TASMANIA'S ECONOMY MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON THURSDAY 21 MAY 2015

Mr LUKE MARTIN, CHIEF EXECUTIVE OFFICER, TOURISM INDUSTRY COUNCIL OF TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Luke, you have been before these committees before. Any evidence taken at the hearing is protected by parliamentary privilege and anything you say outside may not be protected. As you see, you are being recorded for *Hansard*.

We have had a lot of interesting stuff come through - we were in Launceston for a day and a half and a full day here yesterday. We have not received a written submission from you, which is fine - quite a few people came in without a written submission - but if you would like to speak about where you see where we are at with our terms of reference then we can ask you some questions.

Mr MARTIN - Thanks, Chair. First I should apologise; I generally try to be organised for these sorts of committees and provide a written submission. It is a six-week period we are having like no other at the moment around the Tourism 21 process we are going through. We also have our tourism conference in a couple of weeks in Launceston so it's just a demand-generating pressure time at the moment and I apologise for that.

I thought I would give a bit of an overview of where we are at as an industry and a quick overview of some of the facts behind why there is so much of a buzz about the industry. The work we are doing with Tourism 21 plays into this issue about some of the transitions we need to see around our industry and around the state as a broader economy to enable our tourism industry to continue to prosper, particularly in regional areas of the state.

The TICT is the peak industry council for the Tasmanian tourism industry. We have a very large representative structure board. We have 24 directors representing four colleges trying to cover essentially every interest of the broad tourism sector in the state. Its fundamental role is to bring a united voice around the broadness of tourism as an economic generator in the state. We have operators ranging from Qantas and the *Spirits of Tasmania* represented, through to the Federal Group, a lot of individual operators and some of the key sector associations that make up the industry such as backpackers, wine, the caravan industry and the THA. We try to bring that consensus and united voice for the industry and have done so for 25 years with a very unique model, it's fair to say.

To give you a context of where we are at at the moment, the stars are aligning for the industry to really go to another level. We have had these periods in the past as everyone knows, particularly after the *Spirits* arrived in the early part of the last decade, and we think we are at a point now where we can achieve that again. When I say go to another level, I mean to significantly grow the volume of the industry and also the economic generation of it in a sustainable way so we do not have these waves of activity depending on how good the dollar is.

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The recovery we have experienced from the impact of the GFC that all regional tourism destinations across the country experienced started in about 2013 and was largely as a result of two factors. First, there was the impact of MONA which created demand and the drive and desire to visit the state at a time when Australian domestic tourism destinations are not flavour of the month for people. Everyone was going to Fiji and Bali and suddenly we had this unique thing called MONA and nowhere else in the country could compare to us. The other thing that fuelled that demand is that we suddenly had air capacity - for basically 12 months a 20 per cent in air capacity fuelled by Jetstar predominantly. That saw the stars' alignment around the period of growth.

We have seen the dollar drop off, which is good in terms of domestic destinations. It does two things: it makes Australians a bit more price-sensitive and also improves our competitiveness. We have seen it happen almost transitionally through the 30 years of Tasmanian tourism that if the dollar starts to drop off our numbers start picking up. We also know that we have economic uncertainty nationwide and, again, Tasmania benefits from that scenario because people sitting in Melbourne and Sydney look closer to home and there is more sensitivity around how far and how long they take their breaks. We are in the sweet spot economically for the first time in probably a decade.

We are at \$1.06 million, and the most pleasing element of what has happened in the last couple of years is the recovery in the holiday market - the genuine tourists. That is a market that has been flat essentially since the global financial crisis. We have seen 16 per cent growth there and when you strip away the corporate market, the business events market and the visiting friends and relatives market, which are all important, ultimately it is that tourism holiday market that we need.

All the industry performers are really strong. The THA's occupancy stats, not just in Hobart but also in Launceston and the north-west, are at record levels. That is creating issues now around supply in the accommodation chain, particularly in Hobart. The industry sentiments or business performance survey that we undertake with all the tourism operators is at unprecedented levels on industry confidence, industry performance and for 72 per cent of the operators to say they have had a better summer this year than they did last year - and we know last summer was a record - indicates just how much of a bubble we have. In that context we are going through this process of Tourism 21, which is ultimately about how do we create a framework over the next four or five years to not lose this opportunity? We have had periods in the past where we have had these spurts of growth. They have lasted for two, three, or four years. We need to learn the lessons from that to be able to transition and secure it sustainably.

Tanya, you would know from your electorate it was pretty tough for two or three years off the back of the GFC. We need to protect and safeguard that because we know the east and west coasts of Tasmania are the most tourism dependent economies. Tourism is increasingly everything for those economies in terms of their economic base. We need to safeguard it.

The Government has set a pretty broad agenda for a 1.5 million target, which in practical terms means six per cent compounding growth a year. It's extremely ambitious, but it has every reason to be realistic with the correct framework. So the Tourism 21 process we are going through at the moment - T21 has been around for 23 years. It's unique in the

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sense that it has survived about seven tourism ministers and three changes of government. It was originally signed by the Liberal government. It became the poster child of Jim Bacon. It survived the post-Bacon period. To their credit, the new Government is taking it as well as a framework to run this industry.

Essentially T21 brings the public sector component of tourism, predominantly Tourism Tasmania, and the Government activities of tourism align it directly with the strategic direction of the industry. It seems simple but across Australia that doesn't happen on any level like it does here. The growth is volume based, not on yield, so 1.5 million is the target.

To achieve that within the terms of reference we cannot rely on tourism visitors. We need to enable the visitor economy in Tasmania to be more broadly embraced. That means we need to fuel the kind of growth in the visitor market in terms of business travellers, in terms of VFR. All those markets at the moment are not performing at the same rate as the holiday market. We need to look at how to stimulate and fire them up.

That is a transition of thinking from the industry where forever and a day the industry has been focussed on holiday-makers. Tourism Tasmania runs the market. We get attractions, we get holiday visitors, and that is our bread and butter. Everything else is a flow-on, off-shoot benefit. The challenge for us now is to transition that way of thinking to look at becoming a genuine world-class visitor destination that enables that growth in all those visitor markets.

If we achieve an extra 1.5 million visitors a year a large chunk will not be tourist visitors. We need to think beyond the purity of holidays and the like. We need to look at how we grow the business travel market, business events, conventions and conferences. We need to look at the VFR market, population growth and international education, which is why you can learn so much about the departure between tourism and the university.

We know anecdotally, from the operators and the university, that a very large chunk of the eastern market coming into Tasmania is tied to the university. If the university is going to double the number of students from international markets it is going to have a significant flow-on effect. It's a controllable, manageable market. In terms of the low-hanging fruit in international tourism, the university is a critical partner.

This transition to visitor economy ultimately comes back to the fundamentals around access to Tasmania. If we look at the history of the industry, every time there has been an injection of access capacity the industry has been stimulated and met demands. Examples are the introduction of the original Abel Tasman in 1983 - which introduced the touring market - to the catamaran for its good and its bad, the introduction of the twin ferries, and Jetstar and Qantas and the injection of capacity that happened two years ago.

The importance of access as a whole of economy, whole of Government priority for the state, has to be number 1. Three years ago, the state did not have an access strategy, an access policy or a dedicated public servant focussing on working at the airports around access. It was essentially leave it to the commercial market with the airlines and the airports. For an island it seems quite bizarre when you look at how much of our economic basis is dependent upon air access.

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We need to strip it back and look at how we can develop an attractive air market proposition to see the sort of growth we are going to need. We need to look at how do we get more freight into the bodies of the planes. The only way we are going to get international flights on a sustainable ongoing process is if we find a way to fill the bellies of the plane with freight. That requires a policy objective from government and needs a whole of economy outlook.

We also need to look at the *Spirit*. The Federal Government, to its credit, has fixed essentially, in the eyes of most people, the freight component of Bass Strait. We still keep glossing over the issue of passenger transport support, subsidisation or equalisation, whatever we call it. The opportunity for the *Spirit* now, with daytime sailings under their new business model, and activating that is the equivalent of a third ship. If they get that model right and the regularity of daytime sailings over the summer months, it is the equivalent of putting a third ship on the service. It is an enormous opportunity. Underpinning the *Spirit* service is an equalisation scheme worth \$40 million a year that has no legislative base, no framework underpinning it beyond a letter from the minister of the day as a political commitment. The challenge, the opportunity or the need for us now is to look at what is the best support mechanism for passenger transport movements on the ships into and out of the state.

The Bass Strait Passenger Equalisation Scheme has lost its relative value from when it was first established. If you applied the same formula they used in 1997, when it was established, to now it would be about \$200 cheaper to take your car on the *Spirit*. It is a significant price point to people about choosing whether they fly into Tasmania or drive. We know those who drive spend more time in regional areas. I want to see a similar process that happened with the freight equalisation component. Look at what is the best long-term model and how we secure it for 10-20 years to allow that framework, not depending on a political commitment of the Federal government of the day.

The other shift we need to look at is the role of our parks and reserves in regional tourism as 38 per cent of our visitors visit a national park. They are the lifeblood of regional economies. The east coast does not have a tourism industry without Freycinet and the Cradle Coast does not have a tourism industry without Cradle Mountain and the Nut. The west coast does not have it without the Gordon and Franklin parks. The challenge to be able to provide in an increasingly competitive international market and tourism, the infrastructure and experiences that are going to bring visitors back to Tasmania in increasing numbers and maintain our competitiveness as a destination is around how we look at our parks and reserves.

The transition, in terms of what we need to do around competitiveness, is to perceive parks not as a drain on the state with the lock-it-up mentality and not being an economic generator, but see it as a competitive advantage. The attitude of the community on government policy has been that funding for parks and wildlife has been the pimple on the backside of government resources. It is the first thing that can be cut because of everything else the government has pressure on. The reality is that we need to start looking at the investment in parks in the same way as we look at economic infrastructure. It is going to be transitional thinking over the next five to 10 years. We need to start looking at our parks as if we invest more in our reserves, if we upgrade the infrastructure on Cradle Mountain it is going to ultimately mean an extra 30 000 visitors a year. That means an extra \$20 million visitors spending in that local economy rather

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than, at the moment, government putting money into a national park rather than a hospital. We are not going to win an argument on that debate. We need to look at the economic returns similar to how we invest in roads and everything else.

That point I just made is around the sharing economy. There has been a lot of commentary in the *Mercury*. Greg Barns thoroughly enjoys making Steve Old and I look like digital philistines, protectionists who don't want to see Airbnb prosper. The reality is about half of our industry advertises on Airbnb every day. Airbnb is not the issue, the issue is around the legitimacy that it is creating for operators to enter the industry when working on a different regulatory and planning framework to established operators. This issue has gone on in Tasmania for ever and a day around the east coast and people leasing their shacks in summer. It has been a bit of a blind eye.

Ms RATTRAY - Bridport is exactly the same.

Mr MARTIN - Bridport, Coles Bay, and Airbnb has created a framework for that to become very easy and accessible and open up a new market. It is putting operators who have the right planning framework in the same market space as these other guys. The challenge is what we do about these operators who are working outside the parameters of what is an accepted framework. That has issues for existing operators around fairness but also around the standards and quality protection framework everyone has. It has also had issues for local and state government regulators around how they apply the integrity of their planning scheme. If you are an existing B&B operator at Bridport and pay commercial rates and land tax and have inspections done and have your fire framework and you know the guy down the road is competing with you outside that requirement, you wonder why. That is essentially the challenge we have at this place.

That is going become more of an issue when Uber comes into the market in a big way over the next 12 months in Tasmania. It is going to be a very easy way for someone to generate work for themselves - entrepreneurialism. How that affects the existing highly and tightly regulated taxi market in the state is going to be a real challenge for regulators. It's not going to go away. We can't ignore it but the transition we are going to have to enable is the fact that the market is responding to these technologies and we have a regulatory framework in the state that doesn't apply to it. They are the key points.

The other key points include sharing a culture of service. If the industry grows to 1.5 million visitors we're talking about an extra 8 000 people working in tourism and hospitality within five years. That's the raw number and a very good number. It shows the potential of the industry to create employment, but the question is where are those people going to come from? The cultural attitude around tourism as an industry that happens particularly in regional parts of Tasmania is that it is a soft industry. It is making tea and coffee and servicing people in a cafe. That is a culture change we need to encourage. We need to go into schools, particularly in regional parts of the state, and not teach them how to make a coffee or fold a hospital crease in beds, but confidence, presentation, customer services skills and show them the full option of activities you can do in tourism. If you enjoy fishing, for example, you can get a job as a marine tour operator and work on Rob Pennicott's boats, or take guided tours through national parks if you enjoy being in the outdoors. That's what we want to encourage, rather than the perception, increasingly still in Tasmania, that tourism is about working in hotels and

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coffee shops. We need to work on that transition and the only way we're going to do that is to start at the entry level in some of these regional parts.

That goes to the other part of the terms of reference around workplace relations. The TICT is not a registered employer organisation like the THA. We very much have an 'all care no responsibility' perspective on this issue. We are not engaged in any of the workplace agreements and are not a party to any of the awards or agreements in place in the industry. As an industry, the perspective we take is around the impact on the destination and there is no doubt the current workplace relations framework in Tasmania is affecting or undermining, in many ways, the capacity for the industry to present its best destination product in the regions. We all know the anecdotal examples we see, such as Hobart deserted on a Sunday afternoon when a cruise ship is in and visitors walking around an empty city. There are many examples in regional communities on public holidays where two or three of the restaurants are closed.

I don't believe there has been any proper work done on the actual economic impact to the state of the situation but certainly anecdotally the feedback is very much that there is a contrast in perspectives business operators are having about how they manage this issue. There is the perspective that, 'The costs are absorbed into my business, I am here for the good of the industry and accept it as a cost of doing business', from a significant group of industry and it is not an issue. Then there is the view that, in practical terms, they cannot justify opening their business. We hear this story many times. There is a well-known restaurant in a very tourism-friendly destination in Hobart who literally cannot turn over his tables enough to justify opening on a public holiday. He just cannot generate enough income. This perspective that in a highly seasonal, fluctuating industry in terms of visitation and cash flow, you just absorb it into your costs like every other part of the sector, I don't think is a valid argument for these guys. Ultimately there is a disincentive for them to operate that cannot be enhanced.

The challenge for us is coming up with a response that does not undermine making this industry look like a desirable place to work. The problem with the debate, particularly in Tasmania, is that it is very much entrenched around employers wanting to cut people's wages and salaries and do the employees out of the market. The unions have this view that is rigid and not prepared to change. Ultimately we are going to have to come up with a policy solution in the middle that has a practical outcome that doesn't reduce the take-home pay of employees, addresses the casualisation in the industry and provides capacity for employers to be more flexible in their workplace relations without undermining what employees need to take home.

The South Australian model has been looked at. From our perspective it has been encouraged in Tasmania around some regional parts of the state. There are good sides and elements but that negotiation component seems to be a practical short-term solution until there is a government policy solution around potentially re-establishing a state award or indeed a proactive facilitation of enterprise bargaining agreements with groups of operators.

CHAIR - Thanks for that. Obviously that conversation will have to keep going and I think when we send our stuff through the Productivity Commission will talk about that. It is real and is right throughout Australia, but particularly, as you say, in regional areas. Visitors from interstate and overseas were quite disappointed that a lot of places weren't

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open at times through that period and they couldn't understand why. That was a negative experience for them so that is something we have to correct. You talk about some economic analysis being done on the effects of that. I don't know quite who would do that. Who would you see to engage to do that? There is a cost factor to it if you get KPMG, for example, to do that.

Mr MARTIN - If industry does it the outcome will be skewed, so ultimately I think there is a role for government to do this. I think in terms of doing the review, look at the impact in a practical way but also at the full range of options to start addressing it. I think that is critical. It is all right to identify anecdotally, but it is important to provide some data around what the costs are, what the impacts are on the visitor experience and how much lost productivity is in some of these economies. We all know it.

CHAIR - It might be an observation because this committee is not going to make firm recommendations, but we are going to provide all the stuff to the Productivity Commission. It might be a firm observation we make that the Government or somebody ought to do this that clarifies this whole position. Is what you are saying?

Mr MARTIN - Yes, absolutely. I think it is ultimately a role for government and an independent body.

Ms RATTRAY - Either way, if one side potentially does it then it is going to look like it is their figures and their view and not an independent one.

CHAIR - That might be something we can take on board. I missed the Greg Barns comment in yesterday's paper.

Mr MARTIN - There is a commentary playing out through the *Mercury* around Airbnb and the Australian economy that we're protectionists. That is a myth. I reckon about 40 per cent of our operators who are accredited members do the right thing, are licensed and actively engaged in Airbnb and Greg wrote in his column that we're protectionists.

CHAIR - I don't often read him.

Mr MARTIN - The issue is deeper. It is not about Airbnb. It is a fundamental fact that the market is moving beyond what our regulatory planning system enables, and you can never try to wind it back but I think history shows that when this happens you have to respond to the market and not the other way around. That is going to be the challenge for Tassie over the next five to 10 years. I think the next wave will be people renting out their homes as restaurants.

CHAIR - I totally support your comments regarding the opening up of national parks. I have travelled in a lot of them. Virtually every other country in the world - and I've walked in most continents - have those private-public partnerships where they establish huts at specific spots within their national parks. They make use of their wilderness sensibly, which is the way it works, and that is something we haven't been good at here.

Mr MARTIN - There are many examples where we don't look beyond our own benchmark. South Africa is a fantastic example over the last 20 years where they have very sustainably encouraged, almost commercialised, their parks to the point where it is now

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essentially a private-sector-funded conservation program. I don't know if we will ever get to that point but the challenge for Parks is immense, with \$55 million-\$60 million to maintain 40 per cent of the state, with the added additions of crown land and the old Forestry lands. If we were to achieve the \$1.5 million target and the current market share of people who visit a national park is to continue, which we want to see happen because that means more of that share of visitors are going to the east coast and Cradle Mountain and various other places, that means an extra 120 000-130 000 people going to Freycinet National Park a year. If you go up there in the middle of January now you see the impact that has not just on visitors but also the infrastructure and the locals. We have to very carefully manage that demand without undermining what we have that is special. The risk also is that Tasmanians start to backlash against their parks being swamped by tourists and becoming theme parks. It is going to be a real challenge and the only way you can do it is to generate the capital through getting more commercial operators in, either putting money in or generating revenue through their licence fees and getting the people through the parks.

CHAIR - There's still a bit of an elephant in the room, and that is the winter period when the numbers drop off. There have been initiatives such as Dark MOFO which have been helpful but I suppose it is a cyclical thing. I notice in my home town of Deloraine suddenly the street has tourists walking up and down it and from now on it stops. The local establishments are saying how the occupancy rate has dropped right off now. You may like to comment on that as to what we could do? It particularly affects regional areas where they have a long period of low occupancy and for their capacity on a commercial basis to upgrade their facilities it has a flow-on effect.

Mr MARTIN - And carry staff. Ultimately, the outcome of seasonality is casualisation of the workforce. If we are going to get more salaried and full-time employed staff in the industry, we are going to have to address the seasonality issue. I don't think seasonality is an excuse for Hobart anymore. We are always going to have some fluctuation but the winter numbers in Hobart City are as strong as the shoulders used to be two or three years ago. It shows what has worked in Hobart. We keep talking about Dark MOFO but you only need three or four of those events in Hobart or Launceston to stimulate the activity throughout those winter months that enables the businesses to know they're going to have those peak periods. The regions are a lot more challenging. Ultimately the view from the industry will need to be - and this is around the 1.5 million target - that the number of mum and dad operators who need a break, they need that two or three months to get away and we are always going to have a degree of seasonality. The challenge and the opportunity isn't so much to just keeping pumping in the summer; it is those shoulders for the regions. The challenge for the industry is going to be, if we are to get 1.5 million visitors, not simply to continue to pump volume into summer and not address the seasonality issue. It is going to be trying to go after those shoulder seasons - October, November, December, April, May and into June. If we can try to grow those markets and accept there will always be a dip-off over those winter months, in the regional areas particularly, it is the nature of the industry. Seasonality is always going to be a part of it, but the worse thing we can see happen is if we continue to drive visitation into the peak summer months and not address those seasonal times. There are things we can do to do that and events are critical.

When you look at our events calendar and the overlap of the summer period and the end of the year it is all around those peak periods. It has got us to a point where we are now

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and that is great, but certainly events need to be identified in regional areas particularly or events that have a flow-on effect to regional areas. The Festival of Voices is a classic example. They will have a shoulder schedule up the east coast again this year. The Huon Valley embraces the Dark MOFO approach. So if we can find another couple of examples like that for the north and particularly the north-west, where we can start to create two or three opportunities over those depth-of-winter months and shoulders where they know they can focus on that area. Events are probably the most logical sustainable option we can do to really stimulate it.

The other thing is the *Spirit* and the daytime sailings. If we can get a few daytime sailings into the shoulders for \$49 and you can be over and back to Tasmania, and bring your own car. If you go in summer you are going to pay a premium. If you go in the shoulder months you are going to get a very cheap low cost fare. That is their business model now, which is all about growing numbers, as opposed to the past where it has been about commercial model of service. A mandate from government has been very much now about volume.

CHAIR - I am pleased you raise the issue of service quality and the attitudinal matter, particularly in regional areas. I think that has always been the bane. You might get perhaps pretty good service quality around the Salamanca precinct or somewhere here, but when you move out it is not necessarily so. There is such a blindingly obvious differentiation when you go to inner Melbourne or somewhere like that and how good and really professional the young people are in the way they deal with people. You mentioned it was attitudinal thing, and I agree with you, that needs to be sorted perhaps in the secondary school system?

Mr MARTIN - I think the direct hospitality tourism crowd get it. You are in the game and you know how important that is and for most business operators if they are going to stay in business they are going to have strategies in place. The challenge for us as a state is probably twofold. It is the periphery sectors of the economy. It is the service station at Bicheno who does not realise 50 to 60 per cent of his market is tourists. When they come by and they ask for directions, to get a smile on his face they are the guys we need to get. Newsagents and retail stores need to have a friendly customer service orientated approach that is about recognising there is a visitor-based economy. We always cite South Island New Zealand, where they have the culture which is 20 or 30 years ahead of where we are. That culture change needs to happen through the schools.

We should be doing a lot more as an industry. There is a suggestion around an advertising campaign leading up to summer reaffirming the importance of the fact that over summer we get a lot of people, a lot of the Asian visitors. You probably have to be a bit patient about the way they drive, which is a major issue that is coming through, and accept the fact that there is going to be a lot of visitation to those regional economies and it is a good thing for the state. Then also working with kids in regional areas to say that if you want to stay in your community then do not look at tourism as a negative thing that you fall into after you have tried a few other things, but actually see it as a pathway industry. A lot of that falls back on us as an industry in that it does not happen in terms of how we employ these people and what we expose them to.

It is a culture thing. Fifteen years ago the state had 500 000 visitors a year and tourism was still perceived essentially as a cottage industry. It was there but not quite the driver.

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I think we have reached a point now where all Tasmanians see it is important and the value of it. I think that transition has happened. The next transition is to recognise what is my role in tourism, how do I play a part? The best anecdote I have heard about in the industry in the last 12 months is Derby hasn't sold a house for three years or four years. They established the mountain biking and the houses are selling and property valuations are going up.

Ms RATTRAY - There has been a \$1.7 million turnover in houses in the last six months in Derby.

Mr MARTIN - I think that is fantastic.

Mrs ARMITAGE - You have mentioned activities or functions and events in the north and south during the winter period. I know that a lot of the AFL games are on a Sunday. I hear from a lot of the operators, particularly in the north, that games on a Saturday are much better for the economy than games on a Sunday. Do you think that we should be approaching the AFL to try and get more Saturday games? Do you think it makes a difference?

Mr MARTIN - Yes, and I think Saturday afternoon games that are the real sweet spot. The twilight games because you get the flow on effect that night for dinner. The strategy around the AFL is going to have to be carefully examined over the next two years when we sign the next agreement. Our view is that the state needs to be firmer around its expectations for the investment we make, whether that is with the Hawks or the AFL directly. A more flexible rostering of visiting teams will help. Something we have not, particularly in Launceston, capitalised on enough is the visiting team supporters.

We have done a remarkable job with the Hawk supporters but there is a critical mass of Hawthorn members who are going to come to watch Hawthorn versus Fremantle every second year in Launceston. When you look at some of the other economies that have games there is an opportunity with the visiting team. Western Bulldogs is not a great example, but getting clubs like the Geelongs or the Saints or the North Melbournes of the world and hitting their members to come down is a springboard for visitation. That is a real opportunity, particularly to grow the numbers at the Hawks games, and the rostering is a second element. Sunday afternoon games is seen as the least desirable because people cannot justify the late night for kids getting back to the north-west coast or Hobart or wherever they are flying in from.

We do need to have a firmer hand in the negotiations. It is going to be a critical issue for the state in the next couple of years because we invested a lot of money. There is a lot built into the AFL programs in both the south and the north. The last thing we want to do is see content reduced. It is going to be getting that model right that allows them to get to the next level.

Mrs ARMITAGE - What do you think about Bellerive? Not being at all parochial here, just being realistic. The problems they have had of late with transport and I know they are looking to address it with ferries. In essence, Bellerive was always for television wasn't it? It was built for TV coverage as opposed to people getting there and getting back. Do you see that as being detrimental to football in the state in the long term? Do you think that might be a bit of a negative for AFL in Tasmania?

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Mr MARTIN - No. I think the trade off is it is a spectacular looking venue on TV if you are sitting in Melbourne or Sydney.

Mrs ARMITAGE - It has always been there for TV as opposed to patrons at the ground.

Mr MARTIN - It is going to be a challenge for them. The reality is it is now a 20 000 seat stadium built into a very suburban area. When the decision was made to develop it we have to accept that was going to have a flow on effect. There is also a cultural thing with Tasmanians needing to accept that you cannot park outside the front of the ground when there is 20 000 people trying to get into it.

Mrs ARMITAGE - When you have got three hours trying to get home and you can't get home and the bus gets stuck at the Domain because the gates were locked.

Mr MARTIN - Exactly. Hopefully, we will see a much better attitude. That was the first time we have had a full house. Anyone who went last year and saw what it was like for 12 000 would know that they were going to have problems. Ultimately they are going to have to get it right. A different culture is going to develop around AFL in the south than what it is in the north. The north it is that experience because of the location of the venue, the proximity to the city, that football is in town, put the party on because the game is on. Some of the things the Hawks have done this year particularly and David Cox is the new Operations Manager who has come out of tourism. He has that marketing brand awareness. Launceston can really capitalise on that. Hobart is going to almost take care of itself around the AFL. There is enough southern Tasmanian population base to keep those games ticking over. If we get fly in tourism visitation then that is going to be an added bonus. I sense in terms of tourism the Launceston games are the critical ones.

Mrs ARMITAGE - By trying to divide and have games in the south and in the north that it is going to be detrimental to the whole state and we will lose the lot? Bearing in mind that the south have many other events. It has cruise ships. There is a lot more going on in the south. In the north the only thing we really have in winter is the AFL and perhaps the Junction Arts.

Mr MARTIN - For the state to go forward the ultimate goal is securing regular AFL football means that we need to activate both ends of the state. The decision about having Launceston versus Hobart is a battle that has been had. We now have a great outcome with seven games across both ends of the state.

Mrs ARMITAGE - We really need more games, probably five in the north.

Mr MARTIN - Yes, that is right.

Mrs ARMITAGE - If we only have seven, and the south take four and we get three, then we have ultimately lost.

Mr MARTIN - That is right. When the negotiations happen again it has to be based on a no-worse-off principle, particularly for the north. The last thing anyone would want is to see games taken away from the north and put into Hobart, a three-four split.

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Mrs ARMITAGE - There are those who would like that, Luke.

Mr MARTIN - Certainly not from our perspective, with 60 per cent of my members based north of Oatlands. To go back to the policy perspective here, the games are different. It is great for Hobart to have AFL games. Hobartians are embracing the Kangaroos, which is good. I don't know whether they have a long term proposition but Hawthorn are the games that are so critically important for the north. When the negotiations happen, getting that model right with the rostering and teams that are playing, the option of a flow-on two games at both ends of the state, should be looked at. Trying to sell that as a package and having a game with the Hawks in the north for one week and a week later having a rostered game in the south and trying to encourage that travel. They are the things we need to get right for the next negotiation.

Mrs ARMITAGE - Realistically I doubt we will get two teams in the future. It is hard to imagine the AFL allowing two teams to continue in Tasmania. It is more likely that we will have one and my worry is that they will be divided between the north and the south and there might only be five games in total. Let us hope we can do better in negotiations.

CHAIR - It might be an argument for another day.

Mr MARTIN - We think the sponsorship needs to be looked at, heavily. It is an extraordinarily unique model for the Hawks around the money. It is more than we spend on the spring campaign to market our state. It doesn't mean we reduce the investment in AFL, but how you invest it. Do you put that money into marketing each game? Then the question is would the Hawks re-sign under that?

Ms RATTRAY - You talked about patience, particularly on the road, for our visitors. I have been trying to get the government of the day to recognise that we need overtaking lanes, or lay-bys, from Launceston right down the east coast. We don't have one until we get to the Hobart side of Orford. Is that something that your members have ever talked about? People get frustrated because we have slow-moving vehicles with no ability to overtake safely.

Mr MARTIN - It is essentially from once you get past the winding bit into Orford, then beyond Orford right up to Swansea. We are going to have a challenge. We saw it over summer. Letters to the editor with people saying they had near misses with the extra tourist traffic on the road. We are going to have to start looking at those broader issues and beyond. It is great to funnel those tourists in, but there is an impact on the back end. The other consideration is a lot of pressure in local areas around investment in ex-forestry roads that are tourist roads now. Wielangta is a classic. There is potentially \$12-13 million to upgrade Wielangta for tourism purposes with a prioritisation argument that is going to have to go into that, compared to upgrading some of the other areas that we know tourists are -

Ms RATTRAY - It is never going to have a massive upgrade, but overtaking lanes or lay-bys - designated overtaking areas - would make a big difference. I travel that road so much and people get out of the road to let me go past.

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CHAIR - They have a lot in Queensland, don't they? They're called 'slow-vehicle turnout bays'. So you haven't got the great capex of putting in passing lanes, but you have a bay every few kilometres so the Winnebagos and other slow vehicles can pull over and let everybody go.

Mr MARTIN - I am just trying to think where they are commonly - the road into South Arm has several.

Ms RATTRAY - Port Arthur.

Mr MARTIN - Port Arthur, yes.

Ms RATTRAY - There needs to be a sign saying they are coming up in two kilometres - just like they have for overtaking lanes. In two kilometres there is a lay-by area. So you know you only have to follow a slow vehicle for another two kilometres and then you can safely overtake. It is not rocket science. I don't seem to be able to generate very much support for it and I don't know why. I'm asking if your industry would be willing to start making some noises again before next summer?

Mr MARTIN - Yes, certainly. We have a structural shift happening in the industry with the role of regional tourism bodies, particularly in areas like the east coast, to try to get a bit of a strategic tourism outlook. It's essentially trying to balance the fact we have 29 councils and 29 priorities. One of the outcomes of that is we are going to put together a wish list - a prioritisation list of parks, et cetera. In terms of industry response, the most constructive way is to get the RTOs, and certainly the east coast stuff, happening with both tourism and road safety. Our side doesn't see any resistance from that ministry at all.

Ms RATTRAY - That will do me, because we have had some really good information, Mr Chair.

CHAIR - Thank you. On behalf of the members, thank you very much. Thank you for coming along. It has been -

Mr MARTIN - Thank you for the opportunity.

CHAIR - We will be sending all our stuff through to the Productivity Commission. We will certainly be making some comments. Thank you so much.

Ms RATTRAY - Good information on the parks.

THE WITNESS WITHDREW.

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Mr RAY LEONARD, AUSTRALIAN COMPUTER SOCIETY, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you very much, Ray. Just to advise you, any evidence you give here is covered by parliamentary privilege. However, anything you may say outside may not be covered. The other matter is that we are being transcribed by *Hansard*, so it's on the public record. We have your submission, which is submission number 12. I would invite you to make some comments on that, Ray, and we will ask members if they have any questions.

Mr LEONARD - Thanks, Mr Chairman and committee members. Before I comment on the Australian Computer Society - or the ACS as we call it - submission, I want to give you an idea of why I'm here and who we are. Most of you might need a bit more information as to why we thought it was important for us to be a part of this inquiry. The ACS is the recognised professional association for those working in information and communication technology. Let us shorten it to ICT.

The ACS is recognised by government as the independent professional association for ICT in Australia. The ACS provides the same legislative recognition for ICT professionals afforded to professionals such as accountants, lawyers, engineers and the medical profession. An ICT professional is recognised by government as being an ACS Certified Professional (CP). This is the ICT professional benchmark.

The ACS exists to advance professional excellence in ICT. Over 22 000 members work in academia, research and development, business, government and the community. The ACS is passionate about the ICT profession being recognised as a driver of productivity and innovation, able to deliver tangible outcomes.

A member of the Australian Council of Professionals, the ACS is the guardian of professional ethics and standards in the ICT sector, and is committed to ensuring the beneficial use of ICT for all Australians. It provides both members and non-members with opportunities for professional education, networking and certification as well as enabling them to contribute to the development of their profession.

That is basically what the ACS is. I will just add that we are a national organisation. As I said, over 22 000 members now, I believe. In Tasmania our representation is a local board that reports back to a management committee elected by the members. The local board is a very strong board. We have representation from industry, the ICT industry, academia, research and development and other areas where ICT is active.

In my role as state manager, I represent the members in Tasmania, but I also represent the ACS on several different committees nationally. We tend to be acting behind the scenes to a certain extent. You will notice we are not in the media too often, but we do a lot of work behind the scenes to encourage the use and uptake of digital technology, or technology in general. We also have very strong links to the sciences - research and development with the University of Tasmania, the CSIRO, and other research organisations such as IMAS and the Antarctic Division. We are also involved in the Creative Economies program and I will talk a little bit about that later. Across the board the ACS is very active in Tasmania and nationally.

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We also have very strong representation in Canberra to different select committees of the Senate and the House.

I will give a brief overview of the submission we put forward, and I would like to focus on three core issues we believe are very, very important for Tasmania in the future.

The first issue is capability and education. What skills are required for a digital world? The second is the traditional industries. How can we grow these, utilising disruptive technologies? Then new digital economic models. How do we identify opportunities in those areas?

Now, more than ever, Tasmania needs to focus on the importance of ICT to our economy and how it will affect us in ways we may not yet even comprehend. The ACS believes that now is the time for both the Government and the Tasmanian people to take the opportunity to look closely at the state's current ICT policies. The ACS recognises that much has been achieved over the last few years with regard to ICT and the economy, but we believe that some fundamental changes need to be made in strategic thinking as a matter of urgency.

It is imperative that the Government, and industries, recognise that ICT is not an isolated entity, but instead is embedded across all facets of the economy and the community as a whole. Improving digital literacy across the entire community, from school aged children through to adulthood, will see a rise in the success of our community, industries and government. Indeed, digital literacy is foundational for a dynamic and confident economy. Further, to build upon the digital literacy of our state, the Government needs a plan for developing talent through government supported programs. Any such plan needs to be developed in accordance with a single unified ICT strategy for Tasmania.

To that end, the ACS believes that the Government needs to foster stronger links between ICT and traditional industries, such as agriculture, aquaculture, tourism and, need I say it, forestry and mining. This can be achieved through strategic policy making to target some of Tasmania's greatest resources - our industry, research and development, academia and propensity for good market commercialisation. We need to target and capitalise on specific opportunities and the competitive advantage our geographic location and lifestyle factors afford us. Government and industry need to support and attract pilot programs in the e-health area and in the new science of data analytics. Further, we need to capitalise on the strong numbers of international students studying in the areas of ICT in the University of Tasmania and to a certain degree at TasTAFE and to attract, more importantly, domestic students to these programs. It is very well documented that the shortfall of ICT graduates in Australia is in tens of thousands.

The ACS feels strongly that there needs to be a greater focus placed on the use of the international standards for governance and skills mapping based on international standard ISO 38500, which is the standard international for ICT, and certainly in the area of SFIA, which is the skills framework for the information age, and for the Government to commit to ensuring all its senior ICT staff across all agencies are professionally certified. Such a program would strongly help prevent disasters such as - and many of you would be aware of this - the Queensland Health payroll project which took \$2.4 billion to fix, and would demonstrate the Government's commitment to securing Tasmania's ICT future.

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In order to achieve these goals, Tasmania needs a greater vision, a holistic strategy developed with advice from experts and founded on empirical evidence and data. By focusing on digital literacy, understanding the digital world and the links between ICT, government, research and development, community, academia and industries, as well as the advantages that Tasmania's attributes in energy generation, education, governance, stability along with the Tasmanian lifestyle we all enjoy, we can develop the necessary strategies for driving the Tasmanian economy into the future.

That is a prepared written statement. From that you understand the ACS's interest is across all facets of the economy. We have conducted several studies over the years and are looking to conduct another over the next 12 months into capacity within the workforce for Tasmania.

I reiterate that we are here because we believe ICT is so important that we think it is very wise for the Government to have this holistic strategy across all sectors of the economy. There is a feeling within not only the state but federally that the innovation and ICT sectors have been not forgotten but the priorities are not there that we believe should be. If you read publications and media releases from the ACS and other engineering areas which are very closely linked to us in the ICT sector, you will know there is a problem with representation in government with this area. I am not saying it is crucial at this time but we need to step up and one of the reasons I decided to come along was to put forward more ideas.

We have strong links with the present Government here and with previous governments as we do in Canberra, but to have a different perspective coming from the Legislative Council in Tasmania would have a great amount of weight. Hence my presence here and the board's permission to come here. I can stratify that out into some other areas but would be more interested to hear from you at this stage with any questions or comments.

Ms RATTRAY - You talked about the Tasmanian Government needing to develop data storage capability and analytical strategy. I know there is a line item in the Budget every year, because it gets allocated to somebody through our Estimates process, which is specifically for analytical services to support the Tasmanian Government. Can you tell me why you think this needs a high focus than what we already have? I have to admit that I am not an IT buff.

Mr LEONARD - That is fine. I tend to try to talk without the acronyms and the rest of it and all the jargon as well, so you're on solid ground with me with that one.

There is probably a section within the Budget that would talk about data storage. Obviously the state Government has a huge amount of information and needs to store it somewhere, so that line item in the Budget, which I am not particularly familiar with, would be for the equivalent of the data storage capacity in Tasmania for storing government data. That would be a budgeted item. The issue around data centres I think is at the core of this. You are talking about what government needs to have to store the data securely so it can be accessed and is safe, that type of thing. There are several different data centres within Tasmania and the Government operates one, Aurora operates quite a large one, and there are one or two private ones.

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Ms RATTRAY - What about the Education department?

Mr LEONARD - The Education department have one as well.

Ms RATTRAY - The Health department would have one.

Mr LEONARD - Most of the agencies have their own data set-up. I don't want to go into the areas of what I call 'agency land' but -

Ms RATTRAY - No, I'm just wanting to understand what you believe the Government is lacking in that data storage area that we do not already have, because we have Estimates coming up and to have a high level of understanding of what we are already spending that very precious dollar on in the Budget to what we need to be spending on is really important.

Mr LEONARD - I think we are confusing something to a certain extent. There are two issues here. One is the actual physical storage of data. When people talk about the 'cloud' it is not actually in the cloud, it is in data centres. That is where the data is.

Ms RATTRAY - So there's no such thing as iCloud?

Mr LEONARD - There is, and I have an account. One of the funniest things I've heard about that is that 40 per cent of people in the US think that if it rains their data get disturbed. That is just an anecdote for you.

There are the two different areas. One is the actual data storage and the other is getting the best out of the data, the data analytics of it. How do you use the data to improve your systems? We are talking about open data. The data storage issue is important and we need to fund it and look at whether Tasmania is capable of being a world-class data storage centre. As I said, there are some private data centres starting up. I know a couple out at the Technopark that are doing a very good trade and are top of the range, they do a very good job, but the government storage of data is separate to how you use that data.

We have a policy of open data where we get people to look at the government data and redesign a service that the Government offers. Take the example of a program called GovHack. This is a program that is run every year for young people. The 'hack' word is a little disturbing for some, but they are given data blocks from, say, Metro Tasmania, on how many people catch a bus here, how many people go there, travel times, the cost of the transport and all that sort of thing. They are given that data and they design a better timetable or a better use of the vehicles, or how to get people to get on the buses and use the service. That is what we call open data. You give it to people with the expertise -

Ms RATTRAY - To drill down into it.

Mr LEONARD - Exactly. That is called data mining - on-the-surface type of data analytics, the science of data.

Just commenting on the issue of agencies and how they use their data, if there was more sharing across government agencies, and I know for a fact that they are moving to have a

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single data-type centre where they can draw out from different agencies with security measures and privacy in mind all the time, they can provide better services.

Ms RATTRAY - The Education department is doing that because we passed a piece of legislation a couple of weeks ago that would facilitate exactly that.

Mr LEONARD - Yes, the Education and Health departments. It is being driven out of a committee that is set up through DPAC. There are some great moves going on so there are two separate issues.

Ms RATTRAY - We're not exactly behind the eight ball?

Mr LEONARD - No, but there still needs to be a greater emphasis on strategies for the future. We are sort of in catch up, we are not leading. We need to perhaps look at how other governments are handling their data and what they are doing with it. If you look at the other states Victoria has moved far quicker into this area of open data and share data to get better services from government. If you go to the departments in some of the areas federally they are looking to improve their systems.

One of the things that came out the other week was the amount of cost to fix the Federal government's social security system. We are looking towards \$5 billion worth of ICT. It costs \$3 million to change a letterhead within the Department of Social Security because it is a legacy system from the eighties. It has just been add on, add on, add on. We have some of those legacy systems that need to be updated. There is some great work going on within DPAC and other agencies towards that end.

CHAIR - The Government is one part of the facet of the whole economy, so what interaction do you have with larger business and the business sector full stop?

Mr LEONARD - The ACS plays an important role in this. We bring a lot of different organisations, different stakeholders across industry and government and in the areas of academia and across the community as well. If you are talking about the ICT industry in isolation it has some excellent areas that they work in. I will put into that some of the areas of gaming and app design. I'm not talking about just phone apps, I am talking about applications, the actual software. There is some very good work being done in that space.

Over the years there has been quite a bit of investment on that. What return on that investment through the acquittals is something that needs to be looked at for future investment from the Government directly into that area. I don't envisage that happening in the same way that perhaps Intelligent Island moneys were put forward. I don't think we will see that again unless CSIRO can come up with another wireless-type thing that they can help us with. Or we can have a senator that wants to sell another government organisation, such as Telstra.

There is no doubt that the potential of the ICT industry working closer with other industries such as tourism and some of the three or four big areas is an option for Tasmania. There needs to be a closer link between them. How that comes about? One way is through the ACS. We bring these people together through our representation, through the larger organisations, our links between academia, the university, CSIRO and

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industry into just general industry. We have forums and those types of things two or three times a year. We have ministerial debates that we run, so we are quite active in that space but there needs to be a stronger link or a stronger strategy and policy from Government to do that.

There has been and you will see over the last 18 months or so. The previous government was operating in this space as well. We proposed some time ago that there should be a much stronger link between research and development at the university and CSIRO. The Government certainly acted on that through the previous department and now they're doing it through State Growth. There needs to be a higher level of strategic planning in that space. The links need to be stronger.

We are very pleased with the announcement today with forestry, that link between forestry and IT and innovation. We know forestry is an issue at the moment but I have always advocated a smart industry is a good industry. That is what I see happening in some of these areas.

The traditional industries will always be the backbone of this state: agriculture, aquaculture, forestry, mining and tourism. They will remain the backbone of this state, but we need to make them smarter and niche them in the value-add chain. Some of that is happening in the areas of the dairy space with the sensing technologies that are coming on board. You would be aware of Sense-T and what is being done. There are two streams to that. There is the stream of Sensing Tasmania, which is run by Sense-Co, and there is also a stream that is coming out of CSIRO that is run by Professor Paulo de Souza with the bees and how they are putting sensors on the bees to detect pollutants in the atmosphere and why they are not pollinating. We are exporting that technology to Brazil, the United States and Europe. It is not something people are aware of. We will be manufacturing those chips within Australia.

Getting back to the area of those traditional industries, working smarter with IT is the only way forward. We need to get very strong links, like what has happened with the timber industry, between tourism and ICT. Agriculture has such a huge future in this state with the irrigation that is coming on board. The potential for us to value-add in that through technology is huge, but it is the supply chain that also is excellent. Add the sensing technology in the supply chain, put a sensor on a lorry going up the road from south onto the boat, how much fuel do they need, what's on the lorry - everything would be in the chips - on the truck, off to the market in Asia, fresh produce. This is how you do this. This is what we should be looking at. I read an article the other week that one of the large companies is looking to ship fresh milk to Asia. The science is there now and that is a fantastic opportunity for Tasmania. It is done through innovation, science and IT. That gives you an example of how we can leverage off this space we sit in.

I want to touch on capacity in education. We all know there are issues in Tasmania with literacy, certainly in areas such as the north-east and the north-west. Probably 50 per cent of people have trouble at different levels. One of the things we need to do through education is to improve that. A huge amount of work is being done by the Education department but utilising information technology, IT, we can improve that. They have some fantastic e-programs available but that needs to be perhaps looked at again because that is the backbone of the future of the state. We need to have a highly educated work force so education is number one. The capability of the work force to change from a

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manufacturing-type area - we are losing our manufacturing capacity in this country and the north-west obviously, which has been in the news recently. If we can encourage, through IT, those very high level skills these people have, to transfer them across using information technology - and there are ways that we can do this - we need to put something in place. It is fine to say let's give X amount of dollars to industry to look at re-employing these people, but how are they are going to be re-employed and what is the long term strategy, not just throw money at it. That is not going to help it. It is very important that we look at the future, not just the short five years or even the political cycle, it needs to be looked further.

That capacity is very important. Our role in ACS is to ensure that ICT systems in the state are run at a very high level with professional people and that comes back to a couple of areas. When you put a new IT system in it needs to work and be designed properly.

Ms RATTRAY - We have seen some poor examples.

Mr LEONARD - We have seen some poor examples - I didn't mention Tasmanian ones, I thought I would mention the Queensland one.

Ms RATTRAY - We have had some bad ones here, TasWater systems for instance.

Mr LEONARD - There were reasons for that. One is what you have just said, that there are issues when you put projects in and they fail because people don't quite understand certain systems. The other is security and privacy. It is very important that people are secure in their own mind that their data is protected. To have anyone who doesn't understand the ethics and the issues around data should not be near it.

We would be very keen to see the Government move towards, at senior level, a certification process for their ICT workers. I am operating on two levels here. I am operating at this legislative level through my parliamentary representation, which I do to the minister and also oppositions. We have a very strong relationship with the department, with the agencies, about this issue. We are speaking with them on this. I think to bring it up here is important. People need to be secure in their own mind. Everything is in the cloud. Data is there. We need to be able to protect it and we need people who have the skills to know what they are doing with it and people feel secure with it.

Mrs ARMITAGE - Most of it has been covered. Between the submission and the questions that have been answered, it has all been covered very well, thank you.

CHAIR - I think you have certainly added a new dimension, Ray, to some of the things we have been speaking about. It has been very good. You have been obviously very passionate about it, so it has been very helpful. We intend to make observations on all the things we have done, then we are going to forward it. What you have said today will be forwarded to the Productivity Commission. They are doing a whole investigation into all these matters and they will report to the Federal Government.

Mr LEONARD - I have the utmost respect for the Productivity Commission because we get a lot of our information from them. We have come full circle.

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CHAIR - Anything you would like to summarise.

Mr LEONARD - The ACS's interest is very much for the interest of its members and the community as a whole. We are an organisation that is financed in house. We have an arrangement with the Federal Government to do assessments for migration, which is an income for the ACS. We have also been here for 50 years next year. You will see us out and about in the media perhaps, celebrating that, in conjunction with our science background.

From our perspective we are here because we do believe in the economy of Tasmania and the people who live in it. We are here to ensure that they have a future and that we are here to help it and make it happen.

CHAIR - Thank you very much on behalf of the committee. We do appreciate your time and the preparation you put into the submission.

Mr LEONARD - Thanks, Mr Chairman. As I said, it has been an opportunity for us. We look forward to cooperating in the future.

CHAIR - We are really appreciate, thank you very much. All the best.

THE WITNESS WITHDREW.

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Mr ANTHONY HOUSTON, CHAIRMAN, HOUSTON FARMS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - We appreciate you coming along, Anthony, and welcome to this hearing. In fact you are last cab off the rank. We are on day four now so you are at the end of the food chain, so as to speak.

The evidence you give here is protected by parliamentary privilege, however what you may say outside may not be. Also you are being record by *Hansard* and you are on the public record.

Mr HOUSTON - It is a first for me.

CHAIR - We do not have a written submission from you, so I invite you to address our terms of reference and tell us what you do, the way you see the future and what any impediments might be.

Mr HOUSTON - Thanks, Greg. Very quickly, you may or may not know who I am.

CHAIR - It is important to put it on the record because this will be forwarded to the Productivity Commission. It is important they know where you sit in the whole scheme of things.

Mr HOUSTON - I am the chair of Houstons Farm, which is a vertically integrated agriculture business producing salads for Australians. We are now probably the number one, or nearly the number one, salad producer to Woolworths in the nation. It is a family business, half owned by the family and half owned by Tasmanian shareholders - so it is a wholly Tasmanian business. We have approximately 300 people working for us between here and Queensland. The majority of the business is in Tasmania. That is the base, but we have a processing facility in Queensland that looks after the northern market.

I was the chief executive officer until three years ago, when I retired from that role. We have a new chief executive officer, and I have recently been appointed chair after being a director for three years, so I am learning the ropes. I very much enjoy the business, it is still very much a family business. I will probably be there until I am dead but I also enjoy watching the younger people come through and take it over. I will be chair for probably three to five years and then I will no doubt hand that role on to someone else.

That is really, in a nutshell, what our business is. People say it is a very successful, very innovative business and I say there was a lot of luck involved in that - we were in the right place at the right time. There has also been a lot of heartache, like any business, with the ups and downs, but it has been successful.

Since leaving the role of CEO, I have had a bit more time to think about Tasmania as a whole. I have always been interested in what makes a business really tick and fly along and innovate while others just stagnate, when the people running the businesses are the same sort of people. There is no difference between me and someone in another business.

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I have always been interested in that. I remember Jonathan West tried to do a study on innovation and what made companies like us turn around, like Huon Agriculture. There are quite a few around. Why are all the others stagnating? Being the CEO and running the business I never had time to really think about it. Now I'm the chair, I get invited to a lot of industry functions, which I'm very interested in, whether it be dairy, fish, or whatever.

That is where my interest lies now - obviously the success of our business, but also the success of Tasmania. I look at where we have been - and this is a personal view, it is not the view of Houstons Farm - in the last 25 years and where we are going in the next 25 years. My kids have had a big influence on the way I think about this. I have listened to a lot of young people. They said to me about a year ago, 'Dad, you're stuck in the industrial revolution'. It took me a little while to work this out, but if you look at where we have been in the last 25 years of success - we have been in business a lot longer than that, but the real success of the business has been in the last 25 years - it is really just fine tuning what we have been doing for the last 100 years.

We have tractors. We have trucks. We have marketing people. We have just gradually built the business up, from the iceberg lettuces that have been around for years and years. All we did was change - or the market changed it for us - from an iceberg to a bit of frilly lettuce. It has been a constant change for the last 100 years. We just tacked on the last 25 years.

If you look at where the world is going now with climate change - I only heard about carbon around 10 years ago, for the first time in my life. I had never heard about carbon dioxide. Now I am a believer in climate change and the impact it is going to have on the world. I am not one to hide my head in the sand, and I never have been.

If you look at our business and what I have done, I have based nearly everything on science and then maths. Anything to do with farming is science first and then maths. I look at what is happening on a global scale. You have to look at the science and you've got to look at the maths and say, 'Well, do we want to be in it or not?'. The good thing about being in farming is recognising there is a real technology shift in the world, and it's not just the odd mobile phone.

That is how I'm looking at it. The industrial revolution to climate change - to the technological age. If you look at where Tassie sits on the global stage, it is in a perfect position to take advantage of the impact - whether you call it a crisis - I would call it a crisis looming if we don't do something. But we're in a terrific position to really take advantage of that. Tassie is placed really well on an environmental and economic position because I believe the two go together. When I think of the two main drivers that have made a shift in Tasmania, because the confidence in Tasmania has really changed in the last two or three years, one is David Walsh, not because he had \$200 million to build MONA, nothing to do with the money, it is the fact that he did it against all odds. Everyone thought he was nuts but it is just left-field thinking that has actually made people in the state think differently. That is one of the big drivers. The other big driver is the water infrastructure, half a billion dollars worth of water gone in. So it is water and left-field thinking. Something has changed in Tassie and I don't know what it is, but there is a definite change and it feels more like our business than it did three or four years ago.

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What I think about the economy, the main drivers, I think, are agriculture and tourism and the environment, cultural heritage and education as well because they really all go together. By the way, the reason I didn't put in a submission is because I'm no good at writing submissions, so these are notes.

Ms RATTRAY - This is good. The verbal is good.

Mr HOUSTON - These are just notes. If we look at agriculture, because I'm more qualified in that than anything else, and see where Tassie is, if you look at the Asian market - and we have all heard of the growing middle- and upper-class market there - the Government will have put in half a billion dollars by the time they have finished and the farmers are putting in the rest. In time, the farmers will actually be putting in more like \$1 billion of infrastructure because I have just based it on our business, and grapes are the same. For anything to do with horticulture and grapes, the infrastructure is pretty much two to three times as much as it costs for the water. It will come out at about \$1.5 billion.

We have good soil, an abundance of water and a climate that will be minimally impacted by climate change. That is scientific. They are saying Tasmania will have minimal impact. Heaven forbid if there ever was, but if there was a 2, 3 or 4 degree difference in the northern hemisphere the predictions are that Tassie would have somewhere between 0.5 to 1 degree difference. Whether that is right or not I don't know, but you can only go on the science.

CHAIR - There seems to be a couple of different models around that. They are unpredictable in their predictions, if I can put it that way.

Mr HOUSTON - It is very unpredictable, but I think we can predict that Tassie will be minimally impacted. Also we are in a cool climate so if it did go up 1 or 2 degrees there is no great issue with agriculture.

The other thing in the farming game is that there is a cultural shift in confidence with farmers. Even a year ago everything on TV was about drought, flood, the wages are too high, the Government is not doing enough for us and all that sort of stuff, whereas now the industry is setting out to change that but it is actually happening anyway, so we're not actually doing a lot but it is just that change. Now when you look at the newspapers there are stories about Reid Fruits and Houstons and all these other things that are happening.

I think you have met Greg Bott and he has given you the Rabo report so I will not go over that. I will come back to vegetables, because that is more my spot, and look at processing. Only two years ago Simplot and the farmers were fighting and they hated each other. I met with Simplot the other day and they were excited, they were like a bunch of kids, because they have new technology coming in. Roger Stanley from the university has this thing they are going to hopefully put up in Scottsdale. That is a microwave technology that Simplot is taking on and CSIRO is behind that. They are really excited and are now getting growth, whereas before there was no growth. Now they are like a bunch of kids.

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Our business has probably been one of the success stories in the state but there is Harvest Moon and plenty of others around and some of the large mainland companies are moving in. There is Sumich from the Western Australia, one of the biggest carrot growers in the nation. There is Barden Produce who have come down from New South Wales and have bought shares in Premium Fresh. There is also One Harvest, which is our deadly competitor. We compete really hard with Woolworths and Coles and they are right on our doorstep. They are in the Coal River Valley, as the crow flies probably about three kilometres from our farm. That is a good thing because what it has convinced Woollies and Coles that Tasmania is a good place, because we've been trying to tell them for 25 years and they only half-believed us.

Ms RATTRAY - They are starting to get it, then?

Mr HOUSTON - Yes. Grant O'Brian is Tasmanian, born in Penguin, so he has a real affection for Tasmania anyway and he was here two or three weeks ago and opened our new Forcett property. I believe he is a person of very high integrity and even though a lot of people might not think Woolworth are, we do. He has a true belief in Tasmania and we are talking to him not just about Houston's Farm but about the prospects of Tasmania.

There is also a growing interest in investors looking for businesses in Tasmania and personally, our family is bringing money back; we bring \$1 million out of fossil fuels and gambling out of there back into Tasmania. This morning we invested into an IT company. That sort of thing is a buzz around Hobart and around the state. You probably got that idea from Greg Bott and anyone else like that. There is also real collaboration happening with all sectors of the industry, whether it be through Huon Aquaculture and aquaculture generally, vegetables, beef, the lot. I am involved in a commercial cooperative we are calling Market Tasmania Partnership and the vision is for Tasmania to be leading the world in premium sustainable agricultural produce. That is bringing all sectors of the industry together. It will be a commercial operation and anyone can join if they have the values that fit with the company, whether it be grass-fed cattle or whatever.

When we talk to producers around the state, whether it be Howard Hansen or Benders or whoever it happens to be, there is a real desire to work together as a state because we recognise is Tasmania is very small. On a global scale Australia is tiny and Tasmania is 2 per cent of Australia, so we are minute and if we want to be successful as a state in agriculture we have to work together.

I see the lack of educational and entrepreneurial skills in the state as the number one constraint. It is really almost the only one. There is also the high cost of production, people can scale up but it's not necessarily about scale, and there are high freight costs across Bass Strait, but that is also an asset in keeping us separate. People talk about investment as being a constraint but I don't see that at all. There are a lot of people out there with money and a lot of institutions in the state, on the mainland and overseas who are keen to put money into the state but they don't know where to put it or how to put it in. I don't see that as a future constraint.

Farmers have to aim for the high-value products at the top end of the market. It doesn't matter where it is, where it's Tasmania, Australia or Asia, we have to go for the top end.

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We will never compete with the other countries; it has to be in the top 1 or 2 per cent of those countries.

Biosecurity is also very important. We had a meeting with Mr Rockliff the other day and it is hot on his agenda. That protects just about every industry in the state, whether it be potatoes, honey, fruit, whatever. The main thing is for the industry to keep pressure on the Government to make sure they keep that to the forefront.

I look at tourism from agricultural perspective because I am not a tourist operator. The food, wine and wilderness are what sums Tasmania up for me in tourism and agriculture as well. It is not all about five-star hotels such as Saffire et cetera, even though that is so important. I was at Kate's Berry Farm the other day and it is very quirky but they tend to be overlooked. The Government should reduce the barriers, and local government is probably worse than anything. If someone small wants to start up it is sometimes quite hard and they don't know how to do it. The larger businesses such as us are on a roll anyway, we need very little help from government, but the little start-up ones are very important. When it comes to any tourist development, just think eco-development. Whether it be in the middle of Hobart or on the edge of a World Heritage Area, please look after those WHAs and national parks and beaches. From an agricultural viewpoint, that is what makes Tasmania different. If we go in there and do a Queensland job on our World Heritage we're stuffed.

On environmental and cultural heritage, our values and what we stand for, if you look at Tasmania there 40 per cent of the state is locked up in World Heritage and national parks, beaches all up the east and west coasts. There is a narrow fertile strip of land up through the midlands and across the top which is where all the food and wine and everything comes from. That is where the real opportunity is. We should not let old prejudices get in the way of forward thinking. I know we have a conservative government in place now but I think it is a good government. I think they are willing to think ahead and change, but I look at the issues that can damage Tasmania's image and reputation like the forestry industry. It doesn't matter what side of politics you are on. I am not into politics, I am just into thinking about the state and how we sit. We almost had that over the line but it has all fallen into a heap and we are back to fighting again. I am sure we will get that back on board.

I was lucky enough to spend half a day in the forest with the Forico general manager of forests, and what they were doing blew me out of the water. I am a conservationist but that was one of the best days I've ever had because what they're doing there is more sustainable than any farm I've ever known. They're thinking ahead. They're forgetting the politics and are just thinking ahead. I don't know much about Forico but that is the bit that I have seen of them. They have 75 000 hectares, they are a massive organisation.

When it comes to supertrawlers, forget the science. Who gains out of that? One company gains and the rest of the state loses, and they call themselves Tasmanian. If they identified themselves as from Geelong I wouldn't mind, but we just don't want that sort of stuff in the state. I'm not saying you should get rid of it or not, I'm just saying this can damage the state.

We have a moratorium on GMOs and that is great, but I think it is really important we keep that. Again it's not so much about the science, it is the reputation for the state and

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what we can do. If you look at all the industries that can benefit from this clean, green - whatever you like to call it - provenance of Tasmania, we don't want GMOs stuck in it.

Fracking is another one. What a great outcome that moratorium on fracking is. I don't think fracking will ever get up but we have to make sure it doesn't because of the damage it does.

CHAIR - We are getting into some political issues here. I suppose you make some points, Anthony, but I could argue with you about the last four. I have a diametrically opposed view, you must understand that, but you are a witness dealing with evidence.

Mr HOUSTON - Yes. I think there is a really good future in forestry, I honestly do, because I have seen evidence of it. Supertrawlers, I'm not too worried about them, but GMOs and fracking, I have to say, will damage to the state.

When government is looking at development and how to achieve their goals, I think it is important to engage with all sides of the community. A good example is Tasmanian Irrigation. They have built almost half a billion dollars' worth of irrigation infrastructure. They have put it through forests, through rivers, they have put dams up, they have done everything you could possibly think of environmentally. When I talked to them they said they had no trouble with conservationists and the Aboriginal community, and I think that is a shining light. I think we all agree that if we had more Tasmanian Irrigation enterprises in Tassie we would do really well. That is another real positive.

None of these are really negatives, they are all positives. The only one that is -

CHAIR - How are we going? We want some questions.

HOUSTON - The one thing I will chuck in is a real left field thing from a marketing group that came down from Sydney. Is there of a possibility of Tasmania being 100 per cent net renewable energy exporter? The answer was we never thought of it. We are already 90 per cent there, so how easy would it be. I am throwing it in to start that left-field thinking.

On education, in agriculture education is number one. It is the biggest issue we have in getting to that \$10 billion growth by 2050. We know we can succeed. We have been working with the university. It started off with our concern about 11 enrolments going through ag science last year. They were also talking about closing the school. We started talking to them and they very proudly told us that this year they had 32. We said, 'Thirty-two? We have a potential 1 000 commercial farms out there.' They reckoned 32 was pretty good. What was your aim for next year because we would like it to be 60, and 100 the year after? They freaked out. They said they cannot handle any more than 50. We formed a group headed by Dick Warner, called the Agricultural Education Reference Group. Dick is setting it up. We are working with the university to see what we can do about it. It concerns us that the vice-chancellor says we can make more money from overseas students than from ag students. While there is a sort of will there, we know they have no strategic plan in the agriculture division of the university. We found that out recently. They said they have to do one. We are putting pressure on them. We have talked to Mr Rockliff. He is talking to the vice-chancellor, as is Dick. We are putting pressure on the university to get that change because there has to be a

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cultural there. If there is anything Government or Council can do it would be a help, because agriculture is going to be the number one industry in the state. At the moment the university is not really interested. They seem to be tied in knots and don't know what to do.

We are in a very new, exciting age. The world is changing quickly, and Tasmania is well placed to take advantage of the opportunities for the next 25 years. We have a growing number of people who believe in Tasmania and believe we can do it.

Mr HALL - Other witnesses have talked about education. We have not have many graduates in ag science. People are saying they turn out lab rats. We need something different from that. That has been taken on board. We understand the university is now looking at doing a diploma-type course, that next step down, in agricultural management. Eighty per cent of agriculture is in the north. We are pushing for, without being parochial, UTAS in Launceston. That would help the transition from grade 10 in not having to go into a full-blown ag science course, but at least get that next step for as many as possible. You would support that?

Mr HOUSTON - Absolutely.

Mr HALL - On industrial relations, you have seen that quite a bit has come through tourism and hospitality evidence over the last few days. With regard to your operations, how do you work? Are you operating under the federal pastoral award or under horticulture awards? Do you have any issues there?

Mr HOUSTON - No. We don't talk about wage rates or anything like that. We have our own EBA. We have a great workforce. We pay them -

Mr HALL - So you can cover your seven-day-a-week operation without any impediment in that respect?

Mr HOUSTON - Yes. It is not a constraint for our business. We have to work around it and we work hard with the unions because the unions are involved in it.

Mr HALL - Do you employ many backpackers?

Mr HOUSTON - Yes.

Mr HALL - What percentage?

Mr HOUSTON - About a third. We were very concerned about *Four Corners* the other night. Keith Rice, who used to be with the TFGA industrial relations and is now in poppies, is working with the FDA and NFF to get a code of practice going because there is no code at the moment. It is hard to fix what is happening on the mainland, but easy to fix what is happening in Tasmania, because there are now a lot, a bit here and there. We want to nip it in the bud and keep Tasmania clean.

Mr HALL - You were pushing higher value; I accept that. We can never compete in other commodities, but if you look at milk powder, at Fonterra for example, in dairy, which is our biggest agricultural industry, and Murray Goulburn put in a new milk powder plant

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at Smithton, they are not necessarily Tasmanian branded, and they are selling on the commodity market. A significant amount, up to 70 per cent of our produce going out of Tasmania is not Tasmanian branded. It is still in that bulk commodity market. That is going to take some time to change. You have to recognise there is still that market out there, and a lot of our agricultural produce is still going into that market.

Mr HOUSTON - Pretty much 90 per cent of it is. Ours is.

Mr HALL - Though yours is branded Tasmanian.

Mr HOUSTON - No, we are selling under Woollies and Coles brands. The exceptions are wine and probably salmon. They can ask any price they can get at the moment, but that will come to an end soon. No, all our vegies are going out in commodity prices. We compete to the last cent with mainland producers. The one asset we have is this beautiful island with a really safe product. You could not get a better place in the world to grow, so we must promote that. When we are dealing with Woolworths, if we can get just another 1 or 2 per cent on our price. We can't say we have a Tasmanian product so we can get another 30 per cent. That won't happen, but if we can get another 1 or 2 per cent on a \$60 million business, that is a huge amount of money for us. Those commodities will be like that. As a business we are aiming for the high end. That is why we are in the bagged end. Prices have dropped right out, probably down about 30 per cent in the last three to four years. We have had to diversify and go for the top end. We are still doing the bottom end but we are also doing the bowls and the ready-to-eats and so on. Then we will go into proteins and so on. We have to keep aiming higher and higher. Simplot said the other day that they are bringing out a battered chip. They are innovating, thinking about what they can do.

CHAIR - You made a comment on the World Heritage matter, the ecotourism side of things. I have been a bushwalker for a long time and been in other countries. You made the comment that any development should be outside those national parks or World Heritage areas. I put it to you that in most other countries, particularly New Zealand, the US and the UK, they have done very sustainable development within that and that is a huge advantage. Whilst you have to look after and protect those areas, if you don't have some accessibility very few people get to see them. I see the ecotourism experience for a lot of people now is to drive into the Dove Lake car park.

Mr HOUSTON - It depends on how it is done. The way the current Government is going about it is good and I haven't heard of anything that has come up that I don't like, whether it be putting huts around the Forestiere Peninsula or the South Coast Track. If it is done the right way it is good. That is the old way of thinking, if you think of what people are going to want in the next 25 years. You do not have to put roads through the south-west, you only have to look over their fence to see it. It doesn't make any difference.

CHAIR - If you've done the South Coast Track you would realise a hut or two would be very handy.

Mr HOUSTON - Cradle Mountain is a great example.

CHAIR - If you walk through it you don't even see them.

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Mr HOUSTON - I don't have a problem with any of that.

Mrs ARMITAGE - Tasmania is providing for basically the whole of Australia for the supermarkets. I think that is wonderful. We have mentioned before about transporting out, particularly fresh goods, are there any problems?

Mr HOUSTON - Yes, I have that in my notes as one of the constraints. That is a huge cost for our business, it is a massive cost, but with the scale of our operation now and the advantage we have with the climate - we are now putting out close to 80-90 tonnes a week average of salad. We keep on growing the farms and the market is not down here, it is up north.

Mrs ARMITAGE - Are you looking to do more on the mainland or are you looking to keep what you have in Tasmania?

Mr HOUSTON - We have built a processing facility in Brisbane so we can get into Sydney and Brisbane within 24 hours. From here it takes two days to get to Sydney and three days to Brisbane, so it doesn't work with the supermarkets. For eight years we have been looking for another valley in Australia. We have gone through every single valley with the very good people working with us - to find somewhere as good as the Coal River - and we have given up. We don't even look any more. We have a couple of partners in Queensland to help us supply the winter production but that is only 15 per cent of our business and the rest of it comes out of Tasmania. We top it up in winter with Queensland production. We have a much better climate down here than Victoria, New South Wales gets worse and Queensland is a disaster so that is the good thing about Tasmania. We have lower cost of production because we get less major weather events.

Mrs ARMITAGE - Does it balance out with the cost of exporting out of Tasmania?

Mr HOUSTON - We can supply our Brisbane factory cheaper than we can get product from any where in Queensland into our Brisbane factory. At the moment pretty much 60 per cent of the product that goes into the Queensland factory is coming out of Tasmania. It is shipped up in bulk and we can get it in there cheaper than we can if we buy off other people because they run into too much trouble with climate.

Ms RATTRAY - In relation to extending the Hobart Airport to enable larger planes to take produce from Tasmania directly into the Asian markets, is that something you have had any involvement in at all?

Mr HOUSTON - No, but one thing we are looking at is the export market because 83 per cent of our business is Woolworths and that is just the way the Australian market is. We are in the best market and you cannot deal successfully with Coles, Woolworths, Aldi and Costco together. They do not want the suppliers to do it. They are picking suppliers. We are now concentrating our efforts on Woolworths, we are only 9 per cent I think in Coles - hanging in but not concerned - so where to next? There is huge growth in Woolworths so I do not know whether we can keep up with them but we have someone in the business now who we have employed to look specifically at exports. We have talked to people like Howard Hansen, Lucy Gregg and those sorts of people who

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are pushing to have a plane flying out of here once a week or whatever. That is their vision and a business like ours would fit nicely on the end of that.

Ms RATTRAY - It is something that does resonate with your company?

Mr HOUSTON - Yes. We would have to ship it to Melbourne and then fly it out. That adds cost and you pretty much lose a day shelf life. I do not know anything about the economics of it because we do not export.

Ms RATTRAY - It would need an extension to the runway first.

CHAIR - Obviously the domestic market grows but it is probably finite and if you had extra domestic competitors coming in I do not know where they would grow. As you said the Coal River Valley is best but you have somebody across the road from you now. It is the old supply and demand job. It does not matter sometimes how good the produce is the price can still be driven down. If there is a lot of supply around and Woolworths for example, or Coles, get other accredited suppliers even though you have a leading cutting edge there.

Blueberries are a prime example. They have hit their ceiling and domestic production has now outstripped the demand. Blueberries have some shelf life, which is not so bad. Raspberries and strawberries for example, I did that 25 years ago going into the States. It's tough going. I'm just interested because you may have to look at the export stuff, along with Howard who came in yesterday. The volumes wouldn't be very large but you could move into Asia and south-east Asia? Is it a bit early days yet?

Mr HOUSTON - It is very early days for us. We wouldn't have any capacity for a little while to distribute anything of any volume. When it comes to a market maturing like the blueberries - ours matured about four years ago. Salad has been a growing market for 15 years. It was growing at 80 per cent, 40 per cent, 20 per cent, 10 per cent, and it is now growing at about 10 per cent.

Once it hits 10 per cent you've got all these growers and producers that are the strong ones. The weaker ones, the ones that find it too hard, they get out. The stronger ones, and we were one of them, will poke out the top. The next minute you're firing guns at each other. In two years or 18 months we lost 23 per cent of our price through a price war. The supermarkets are blamed for that, but in the reason was because the market matured. We knew it would one day but we didn't think it would go down that fast.

We have had three very tough years. We have come out probably on top of our competitors. I don't know why, probably because we are honest in Tasmanian. We have had to get a lot of cost out of the business. That is why I stepped aside to get someone in who could get those costs down. It has now become a much stronger business. When a business rides the crest of a wave you know something is going to go wrong, whereas now we have hit the bottom. We are well on the way up again.

That is a really good feeling. I am much more confident now with the way the business has been run. The prices are still going to go down. Getting back to the Tasmanian providence Woolworths and Coles have got to have a certain percentage margin and we know what that is.

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Being Tasmanian, with better quality products, better people to deal with, better this, better that, that's how we must do it. We have to be the highest quality, not just in product but in people. If we can get an extra two or three per cent more than our competitors, that is a huge amount of money. It is three per cent profit on top of -

CHAIR - Thanks, Anthony. Any more questions from members? Thanks very much. Just to explain to you, Anthony, the transcripts and our observations will be collated and sent to the Productivity Commission. The Productivity Commission then make their recommendations to the Federal Government. We will see what happens down the track.

Mr HOUSTON - Tassie is in an amazing position globally. All it takes is belief, and people are believing. I will leave you with that as well.

CHAIR - Thank you very much. All the very best.

Mr HOUSTON - Thank you for the opportunity. It was a first for me.

THE WITNESS WITHDREW.