

PUBLIC

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE DAIRY INDUSTRY IN TASMANIA MET AT HENTY HOUSE, LAUNCESTON ON THURSDAY 9 MARCH 2017

Ms SARAH HIRST, MANAGING DIRECTOR, TASMANIA INVEST_WAS CALLED,
MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Welcome everybody including members of the media. I particularly welcome our witness today, Sarah Hirst. We did have two witnesses. Murray Goulburn was due to talk to us today but were a late withdrawal, unfortunately. We have a written submission from them but they were unable to be here.

Sarah, you have probably had that piece of paper which tells you about parliamentary privilege so whatever you say in this committee is protected by parliamentary privilege. However what you say outside is your business essentially.

Ms HIRST - Yes.

CHAIR - Thank you for providing your submission to us. At that time you did have it marked confidential but perhaps you will tell us about where things have moved to. In the case that you need to talk to us about anything confidentially, you can ask for part thereof to be taken in camera. The committee can then decide whether that is appropriate. I will say that anything that is taken in camera, we cannot report upon. The more that you can tell us, the better.

Thank you very much and you have the terms of reference with regard to this particular inquiry. I invite you to speak to your submission and also take into account the terms of reference. Then the members can ask questions afterwards.

Ms HIRST - Thank you, Greg, for the opportunity. I guess to start, as my background as the managing director of Tasmania Invest, we are a boutique buyers agency working with local, interstate and overseas investors, looking to attract much-needed dollars into Tasmania. Through the course of this work, both on a real estate transactional basis and also very much through our project consultancy doing management, business and marketing consultancy, we are getting a number of our clients coming to us with some problems about doing investment in Tasmania. One of the key ones and hence my submission, is looking at the branding, the certification and guaranteeing the place of origin of Tasmanian produce.

We have a number of different marks and logos and things that do exist in Tasmania but none of them tend to give us the weight that is required by our international clients to actually guarantee that the produce is from Tasmania. I believe there are a couple of incidences recently where it underpins the whole process on organic so there has never been such a huge demand in the international marketplace for organic produce.

What they are actually looking for when you ask them why they want organic, it tends to be that what they want is sustainable, clean and green and guaranteed certified Tasmanian produce. When we asked them: would a Tasmanian place of origin and quality assurance scheme replace the need for organic, unanimously the answer is, yes.

PUBLIC

This opens up a very big opportunity for Tasmania because obviously our organic industries are extremely small. We do not have the scale - and it is very unlikely that we will ever have the scale - to meet this market demand. For example, one of our clients is looking at a \$450 million project in Tasmania. They have put all the work into it, and it is ready to go. We are hoping to announce that in the next four to six weeks. There are some major things that they need from Tasmania to make this happen. The first one is this proposal, the quality assurance scheme. Their customers are demanding that the dairy products be organic. They have gone back to them, as have we, to say, 'Okay, if it is guaranteed Tasmanian - and behind that is a list of all these reasons, we are GMO-free, we have sustainable animal husbandry, we tick all the relevant boxes - will this suffice?', and they have said, 'Yes'.

It is not only in dairy. They are also looking at other investments in Tasmania on premium products because they have the distribution networks in place. We have four or five different heads of agreements in place to purchase businesses in Tasmania on behalf of this client and every single one of these products is looking to have this Tasmanian brand stamped on the front of it. It seems to be across the board that a very good way for us to be able to provide our Tasmanian products around the world is to be able to get away from this focus on organic and certify it Tasmanian.

The proposal I put together is very much focused on the development of this whole scheme and very much also in guaranteeing that it will be self-funding after year one. It is really the dollars we are requesting from the state Government on behalf of our clients to develop the scheme, develop the logo, develop the brand, to make sure it is industry-backed, to make sure that it is State Government supported. Then we have something as a state we can all stand up and be proud of and say that we are 100 per cent Tasmanian.

Recent examples where the only thing for a company of being in Tasmania is your office, is not going to do much for the credibility of Brand Tasmania. It is essential that we protect and look after the beautiful brand that we have and what it represents.

That is certainly the first stage. In terms of what else our clients have come to us and asked for from the State Government or from Tasmania in general, freight across Bass Strait is a really big issue. Our client, at the moment, is looking to get five tanker loads of milk across to Victoria for processing from Tasmania. They cannot get space on any boat to get it across. Despite working on this for six months, they have come to us yesterday and said, 'We cannot get the product out of Tasmania'. The situation this week, as has been told to us, there has been up to 15 trailer loads of product left on the wharf, up to 15 per day, that cannot go across on the TT-Line because they are over allocated. SeaRoad only has one boat -

CHAIR - That is currently? That is happening at the moment?

Ms HIRST - My understanding is that has happened this week.

CHAIR - Okay, we are talking about fruit and all that sort of stuff. Perishables.

Ms HIRST - My client straight away said, 'Well if I have tanker loads of milk sitting on the dock and it is my tankers that are left there with fresh milk, obviously we will have a massive loss'.

PUBLIC

SeaRoad has one boat, I understand, that is crossing. There is one that is in dry dock in Sydney at the moment. This is purely a capacity issue, it is not a pricing issue. My clients have worked off the basis of \$3500 per container which is where TT-Line is roughly sitting. SeaRoad is about \$2200 to \$2500 per container. They are not worried about the price. They will pay it, but there is just no space to get their products out of Tasmania at the moment.

They are looking at a couple of different options. Potentially there may be an option for a soft loan from the State Government to provide to any operator to get another boat in service as quickly as possible, whether this is through TT-Line or another operator or a private operator, just to allow this to go through. This client and this investment will be looking at a very big increase on that. They will fill half a boat within two to three years of their product to go out by themselves and that is just the dairy side of it. As of last night, they said, 'Well, we cannot do this in Tasmania unless the shipping issue is fixed'. That is a really big issue on the freight for them.

The quality assurance and place of origin I have mentioned. The other one is roads. Their business model is based on 52 tonne A-double tankers. There has been a very good upgrade process in place with the State Government for roads and bridges. Unfortunately that has not rolled out probably to the extent that is required to be bringing those tankers in through our regional network. Again, as a solution to that, I would request potentially that the State Government would be able to meet with my client in the very near future, prioritise some of the roads from the target dairy farms where these trucks will need to roll out, and then perhaps look at a prioritising on some of those roads and bridges.

The other option they are looking at is running tankers at two-thirds of capacity, which is not economical, just to be able to meet the weight restrictions, or otherwise running twice as many trucks on the roads, which is not their preference either. So the third point for them is roading.

The other point that I would like to make is something that has come to our attention, not only in the dairy sector but across the board, is opening up channels for investment into Tasmania.

Since we started our business 12 months ago, and certainly others that are in the private sector working in this space, have found that any option to open up all the enquiries that are coming into Tasmania from around the world on people who want to invest are currently funnelled into the Coordinator-General's office or into AusTrade. As a result of that, some of the requirements are that anything up to \$5 million does not seem to be a priority for these offices. Much of it is with state-owned enterprises out of China and the bigger investments of \$300 million plus. I was at an Australia-China business forum in agribusiness investment in Melbourne last week and certainly the representatives from other states were saying, government tends to work very closely with private enterprise and they work hand-in-hand to ensure that all of these investment enquiries are realised.

I said that unfortunately the model in Tasmania does not seem to be open to that at the moment. That is something that we would really like to see, that there is a closer link with private business and investment and with the State Government.

I have a paper here that I will leave with you as well, that is further on these four points. Our recommendation on that one is potentially that we are looking at outsourcing the functions of investment in the Coordinator-General's office to the private sector.

Mrs HISCUTT - You have made representations, have you?

PUBLIC

Ms HIRST - We have had some meetings with the coordinator agencies -

Mrs HISCUTT - You sound like you are ready to burst with your ideas. I am wondering how far down the track you have gone with your deliberations with the Government?

Ms HIRST - In terms of all of these factors?

Mrs HISCUTT - Yes. If this is all.

Ms HIRST - In terms of the freight, this is something that we have been focused on but we have not brought that to the Government's attention but there has been a great deal of work that has already been done. My understanding is TT-Line has been looking at a freight-only ship as well. There has been a lot of discussion about it and from other operators that are similarly frustrated with trying to get freight out of the state.

Mrs HISCUTT - Have you spoken to the Minister for Infrastructure with regard to the roads?

Ms HIRST - Not yet, no I haven't.

CHAIR - How are you going, Sarah? Have you covered what you wanted?

Ms HIRST - Yes.

CHAIR - Okay, we will ask some questions. Thank you for that. It was interesting. Rapid fire, but we got it. We have talked quite a bit about the organic stuff through the evidence that we have had. It verifies what you say. We do not have the scale of organic. We might only have one organic dairy in the whole state at this time. The cost of conversion and all those issues that go on, to get any scale is very difficult.

Instead of going down the organic trail, you're talking about let's go down the clean green and sustainable way. We have heard from other evidence that we are already a lot of the way there. If you supply fruit, for example, you have to have a QA system in fruit to Woolworths, Coles and all those sorts of people. A lot of those QA systems are in place. Are you talking about a separate QA scheme over the top of a lot of that?

Ms HIRST - What we do not want to do is replicate what is already in place. There are some very good quality assurance systems in existence. We might say as part of this that there is a general heading of 'what it means to be Tasmanian' and that is selling our brand story. So that is GMO-free, cleanest air in the world, some of the cleanest water in the world, but within industry specifics, we do not want to replicate what has been done.

It may be that through this process we identify that the RSPCA tick is the most appropriate QA system for animal husbandry. As a result, a condition of using this naturally Tasmanian brand would be that your animal husbandry operations are certified and ticked by the RSPCA.

Similarly, in the wine industry, they would have to go through the wine industry quality assurance scheme, same with tourism. There are a lot of these industry-specific QA programs in

PUBLIC

place. It would be a matter of proving that they already adhere to those and then that being accepted by this accreditation.

CHAIR - I understand the concept. The point I was going to make there, being 'devil's advocate' a bit, is that over-regulation drives people mad. More red tape. I know what it was like when we were in the fruit industry, all doing our QA stuff. The audits and everything else became onerous and they became very expensive as well.

Ms HIRST - Absolutely.

CHAIR - I put it to you that you have to be a little bit careful as to how much pressure you put on producers across all commodities, and dairy included. If you supply Lion, if you supply Fonterra or whatever, you already have to have quite a few QA systems in place.

Ms HIRST - The last thing you want to do is put more regulation onto the producers. If they are already adhering to a quality assurance scheme that is recognised under this umbrella, then absolutely we tick that off. To give it credibility, we have to be very careful that we represent Brand Tasmania in its truest form, that we are not going to say, if you have got a quality assurance system in place, then you are automatically ticked. That QA system has to be approved under this to ensure that we give the weight and the importance.

Mrs HISCUTT - Do you mean audited when you say approved, or just your group saying it is okay?

Ms HIRST - The majority of industries would already have an audited system in place. I am not saying that we need to go and do another full audit of every operation. If that is already being audited, for example, on their animal husbandry, then that is not something we need to come in and replicate.

I think that Brand Tasmania will stand for a certain number of criteria but the QA systems that are in place have to be verified that yes, that would be standing up to the level to be ticked off.

CHAIR - Who do you see overseeing that particular matter?

Ms HIRST - There have been quite a few models around and a lot of it has been put back to state government to do this. Our proposal is for it to be industry-led and also Tasmania Invest would take a leading role in that on a compliance basis and on an on-going basis.

We would imagine it being self-funding. If, for example, a winery wanted to put a 'Naturally Tasmanian' stamp on their label, they may have to say, right, I have the quality assurance tick from tourism accreditation, then they do meet all the other criteria such as clean and green, that it is naturally Tasmanian anyway. Then each year Tasmania Invest, or whoever this is out-sourced to, would monitor that.

CHAIR - We already have Brand Tasmania in place. What are your views there? We have had some pretty mixed views, I have to say, on whether Brand Tasmania has been successful or not.

PUBLIC

Ms HIRST - From my perspective, there is nothing more important than getting this right. That having something we can proudly stand up and put on our produce to say 'we are Tasmanian', there is nothing more important. If I was running that organisation, this would have been my number one priority, quite some time ago. Saying that, it has not happened, and there are some logos around that people can use but they do not have the weight behind it. To give Tasmania and our produce credibility, it has to be one particular stamp logo that represents all of Tasmania.

CHAIR - It crosses all produce, everything that is backed by a QA system?

Ms HIRST - Absolutely. This is where New Zealand does it so beautifully. You do not get a better logo or brand than 100 per cent pure New Zealand.

CHAIR - Yes, everybody knows that and they recognise that, don't they? They understand that. With Brand Tasmania at the moment, do they provide some stickers, or whatever? It is a bit confusing.

Ms HIRST - There is a wavy green logo that has been used. If you look at Ashgrove Cheese, they have gone out and developed their own, so they have a Proudly Tasmanian stamp that they put on themselves. Some of the other bigger producers are already doing it but there is just not one cohesive Tasmanian-wide industry government accepted and backed brand.

CHAIR - The other question with branding, which has come through in our hearings, is we have to be very careful in that if it is branded in this manner, then the origin of the food has to be from Tasmania and the processing has to be done here as well. Otherwise you can do enormous damage. There have been some issues in the last few months.

Ms HIRST - There is a lot of research and work to be done as part of this. One of the examples, we can say, is that it has to be 100 per cent produce from Tasmania. One of the people I have been doing research with said to me, 'I do a value-added option and the only thing that is not 100 per cent Tasmanian in that package, is the salt and pepper I use to season that meal'. They said, if I had to use Tasmanian salt and pepper my price would go up to here. It is probably 0.04 per cent of what it is that packet, is not Tasmanian.

As part of this research and part of our discussions with industry, is 100 per cent where we need to be? Is it 98 per cent? In the wine industry, to say you are Tasmanian it has to be 85 per cent and the bottle has to be grapes from Tasmania and 15 per cent can be added to it, and the same with a varietal. You can call it Merlot but at least 85 per cent of the grapes inside that bottle have to be Merlot.

These are the sorts of discussions we need to have. For example, until they can build a \$110 million processing factory in Tasmania, my client would be looking at doing some processing in Victoria, hence wanting to take the tankers across Bass Strait. From their perspective, they want to brand it and get it out straightaway, that it is 100 per cent Tasmanian. Until they get the processing facility here, even though it will be 100 per cent Tasmanian milk, does that meet the criteria? That is the industry research that has to be pulled together very quickly so we get this 100 per cent supported.

Mr FARRELL - That was one question I wanted to ask, Sarah. With exporting the milk, why wouldn't your client look at processing it here? But you have answered that one.

PUBLIC

You have also stated that there are already people that come to you who have an awareness of the value of the Tasmanian product. Where do you think we are falling down with opportunities to really push that home? That has come to us through several different people, that there is an awareness there. I am not sure how the awareness got there in the first place, but people are aware. Why do you think we have not grabbed hold of that and milked it?

Ms HIRST - I think that it is seen as being too hard to invest in Tasmania. Part of why we started the structure and what we have done, is that a traditional real estate agent will walk away at settlement, the deal is done and that is it. If you are sitting in China and you have brought a dairy here, who is going to milk the cows? Who is going to ensure that you are adhering to local, state and federal regulations and compliance? Who is going to run it, staff it and brand it, and get it onto a boat safely so it can be exported? There has not been that on-ground management to offer to our investors, to take their investment forward. That has been a really big deterrent.

As I mentioned before, a lot of the investment enquiries that are coming into Tasmania are not going anywhere. Whether they are not receiving a response, or whether they come out here and once it gets to the transactional level, then obviously government has to step back. So, a government representative cannot say to a buyer, 'Oh, you want to buy a dairy farm. Okay, now let me take you across the road to my neighbour'. There is a conflict of interest for a government representative or employee to be operating in that transactional part.

That is where we find it frustrating: that private operators cannot be brought in at that transactional level to then make it happen, manage that investment and grow it from that point on.

The Chinese investors, the Singaporean ones that we have had come to Tasmania - and they are absolutely in love with the place - some of them just want to park money. Others want a real return on investment and others want to put equity into existing businesses. That is a really big part of it. We have so many innovative and fabulous small businesses, but they do not have the cash flow to take their business to the next level.

Opening our state up and saying we are open for opportunity, we are open for investment is probably the first step. We have got to such an amazing stage and there are so many opportunities but unless we harness this and bring it in to help us grow, it is going to be very hard to take the state forward.

Mr FARRELL - Taking that one step further, at the moment with the way government currently operates with the Coordinator-General, you are saying that there is a link missing there, with private sector to private sector, that you would help facilitate?

Ms HIRST - We have had a number of meetings with the Coordinator-General's office and they have said: 'We have to step away when it gets to the transactional point.' That is a major problem. If these guys are here to invest in Tasmania and no-one is holding their hand once they are ready to spend their dollars, we are missing out on all those big opportunities.

Ms RATTRAY - Following on with regard to the shipping, Sarah. My understanding is there has been an announcement recently that Bell Bay will be operational again. I am interested whether you have heard anything in that domain around opportunities for shipping from Bell Bay to the mainland?

PUBLIC

Ms HIRST - It is the ships that are the actual problems. I believe there is capacity to come in and dock and actually load but it is the actual ships that are in operation. As I said, TT-Line – 15 trailers are being left on the dock that have not been taken across. There are other situations with SeaRoad with their new boat that is in the dry dock until the end of March in Sydney, so that is not operational. Toll is at full capacity. Whether it is another operator or it is an opportunity for one of the existing operators to have another boat, sounds like the demand is very much there to fill it or drive it forward.

From our perspective with our guy, he does not want a lot of trucks on the road. So to get the bigger trucks, if it is going to be, his turnaround time is really important. So 10 to 12 hours through TT-Line is ideal for fresh milk to get it over to Victoria. If that pushes out to 18 to 20 hours, then he has to run twice as many tankers on the road because he is not getting a morning and an evening shipping opportunity. TT-Line, he said, is \$3500 a container. 'I would pay that, even at \$1000 more a container, because of the timing'. So it is all about capacity and timing, as opposed to cost.

Ms RATTRAY - That is interesting because, having a ship out of Bell Bay or a service out of Bell Bay would work with the B-Double route. I recently went on the B-Double route and when we left the Frankford Highway and went inland, I was absolutely astounded that that was the B-Double route. I said, 'Where are we going, we are going bush?'. There are some issues around our designated B-Double route to get from the north-east, in this case, to Devonport.

Ms HIRST - That is something we would really like to pursue because of the site for our client for their industrial land. We have a Heads of Agreement in place for that land to build this factory. That is a \$110 million project as part of the \$450 million. Part of that, when they came to us to identify this land, was gas, water, everything in place, but very much road access. We took into account the Frankford Road and the siting of this proposed factory, but certainly if we have to move the product on roads through to the north-west coast, again -

Ms RATTRAY - That is something that I have committed to myself to follow-up once we get back into Parliament. It is unsatisfactory, in my view, that we are forcing people onto that B-Double route. It is not appropriate.

Back to the quality assurance scheme, and thank you very much for your very extensive submission. On page 11, for the project costing, can we talk about figures in this open forum? That had better be the first question.

Ms HIRST - I am happy to.

Ms RATTRAY - Thank you. The total cost of the project is estimated at about \$310 000 plus GST. You then suggested a three-stage process. For around \$100 000, you are saying that your organisation could put the first steps in place for a quality assurance scheme/place of origin and get the nuts and bolts, if you like, around that. So that anyone who had a Tasmanian product could put it into the market, also remembering that there will be some sort of percentage as you talked about, with the wine industry, where 85 per cent of a product meets Tasmanian Brand?

Is it the wine model that this is really bouncing off, given your history in the industry?

Ms HIRST - There are a lot of different models and depending which industry we talk to, they all have different requirements. Certainly, some people have said, absolutely it has to be 100

PUBLIC

per cent Tasmanian produce or grown, and it has to be 100 per cent manufactured in this state. Others are more of the view that it needs to be 95 per cent from Tasmania and there may be a leniency on where it is manufactured.

They are all the things that we need to do as part of this to get it right. I do not want to say that I have all the answers because we want to make sure that we are representing the views of industry, of the farmers, of the people on the ground, but also the customers. They have to have confidence in this stamp and what it means for Tasmania, all of that work.

So the project we put on here, in terms of the full funding, is to do the whole project. It was just a stepped payment because we are going to bring in other consultants and people to assist us with this, to get it right. We have spoken to lawyers who will be drafting the legal terms. If I wanted to put the stamp on my wine bottle, I would need to enter into a legal contract to be able to use this and know exactly how I can use this logo: the colours, the specifications and make sure that I meet all the criteria. There would be that legal contract.

There is also the design work. We have talked to a local design house about coming up with what is going to be this brand. How is it going to be represented and is it looking like a cow brand or a cattle brand that you actually stamp on to the front, whether it is meat, or honey or whatever that product is?

The overall project is to do all of that - all the consultation, both with industry and with government and other people that have a view, develop terms of reference for how the quality assurance would work and also the place of origin, and then get this legal side, the design side, everything done.

That is for the development of it. Certainly there would be some extra costs on trademarks and registrations and that side of it as well. Brand Tasmania, we have been discussing it with them. They have got a very good handle on what is required from that actual registration perspective as well. This proposal is purely on the development and, hopefully, getting to this point where we have a logo and brand that all of Tasmania can be very proud of.

Ms RATTRAY - Similar to the Australian-made kangaroo? That sort of initiative, is that what we are looking at?

Ms HIRST - Absolutely. That had a lot of credibility in the international marketplace. If you saw that kangaroo, green and gold, you knew that was a guaranteed Australian-made product. That is definitely what we are lacking in Tasmania.

Ms RATTRAY - We are aware that Brand Tasmania has had some funding issues recently. It had its funding pulled back in some respects. It would appear that it has not been able to operate at its optimum, might be a fair assessment of that. Putting this model into what we already have in place, would that work? Or do you think it needs to be completely aside from the Brand Tasmania operation? I am interested in your thoughts there.

Ms HIRST - We have had discussions with Brand Tasmania and certainly have been receiving some of their emails over time, talking about this concept. Potentially, some of the models that have been put forward to address this have been looking at costing millions of dollars, taking years to develop. We want to simplify that. We do not need to replicate what has already

PUBLIC

been done. We need to harness the good work that has been done and put this umbrella framework in place that is industry-accepted.

We do not want to spend millions of dollars. We do not recommend to the State Government that is where the dollars need to go. If there were any extra dollars I would be saying, well let's develop it and then let's advertise it. Let's put this brand out to as many people as we can around the world and use our AusTrade offices and really push Brand Tasmania. I would rather see money spent in promoting it, if there was additional money.

From my perspective, it is a big exercise, but it is achievable. We believe we can do it in six months so it is ready to go and these projects - we do not want to lose this \$800 million that we know just in two projects. This is conditional on them both happening. That is only two examples. We have got plenty of other clients. I know other people in this area who are working with others that know this has to happen.

Going back to the point on organic. Looking at it from a production level, from a farmer's perspective, and I know that the recent dairy issues that have been here, that everybody within that company would have loved to have sourced organic milk from Tasmania. The reality is they cannot.

From a farmer's perspective, if they have to give up production for three years to certify themselves as organic. They do not have the cash flow to do that. There have been politicians that have stood up at different times and have said, we would back that and we would fund the loss of production to get them to organic. We are probably never going to still have that scale.

We started looking into it for another dairy project in the north-east of the state and they were definite that it has to be organic. When we started looking at it, one of the biggest problems was hospitals. If you have a sick cow, you cannot take that to a traditional vet, they cannot be treated with traditional medicines so you have to develop an organic farm.

With the cost and all of that involved, it does not matter how much work and how many different models we look at, I do not believe that Tasmania is ever going to get to the scale on organic to meet the demand to satisfy these sort of projects.

Ms RATTRAY - Thank you Sarah.

Mrs HISCUTT - What you have just said in answer to Tania's questions was a lot of the things that I was going to ask also. I am working with other industries that are pretty well saying the same thing. To sum up, I assume you are saying that an industry would develop its own industry standards, which would then go into quality assurance, which then would be ticked off by an auditor, which would then qualify them to do this branding that you are talking about.

What plans do you have? You are talking Tasmania-wide. You mention that Ashgrove have their own branding, and we have seen other companies come through here - little companies - with their own branding. How are you going to include or convince all of them to throw away something that is recognised already and take this up? Do you see that happening?

Ms HIRST - Absolutely. We have spoken to some of the bigger companies already and I know one has already engaged a Sydney consultant to develop their own -

PUBLIC

Mrs HISCUTT - You wouldn't tell us that company? You would be a bit careful, you might not want to?

Ms HIRST - No, it was confidential conversation that I had with them at this point, but they would be very much be part of the development of this and be happy to put their name behind it as well. They were looking to spend their own money, as an individual company, with an interstate firm to develop, basically, this.

Mrs HISCUTT - I had imagined that is the way it would work.

Ms HIRST - Yes.

Mrs HISCUTT - I cannot see how you can expect a government to spend millions and millions of dollars to set it up.

Ms HIRST - Our focus would be to get as many people behind this and as many producers, certainly the bigger ones. I have not had that discussion directly with Ashgrove at this point to say: Would you take that logo off your products and put ours on? I would be hoping that they will say, absolutely, this is all about certifying Tasmania, we would be right behind it.

I have not had that conversation with them at this point. Certainly some of the other bigger players that I have discussed it with, they are like, absolutely. This is what we need. It gives us more credence and it certifies and underpins Brand Tasmania. We have a fabulous brand story but we are missing that link to get it out to the international marketplace.

CHAIR - Another question with regard to our milk. About 80 per cent of it goes into that commodity market, as you know, through Fonterra and Murray Goulburn. It is branded generically with the whole mix of stuff which is produced. Victoria still produces 68 per cent of the nation's milk.

Do you think those companies might somehow, on their dry milk powder bags, be able to differentiate. Would you see that being a possibility? Commercially, would they want to do it?

Ms HIRST - Absolutely. The big client we are working with, when we had our first discussion and I said, you have got to have Brand Tasmania, this is all about Tasmania and this will help you attract a premium. He said, 'No, Sarah, you are missing the point. This is not just about attracting a premium, this is about underpinning base demand. If I say it is Tasmanian and I can prove it is Tasmanian, my base demand suddenly skyrockets and then I am also going to attract a premium so that is naturally going to follow'. The clients we are working with are 100 per cent committed to branding everything that they are planning to do in the dairy industry 'Tasmanian'. It is a very big part of their business case.

CHAIR - Have you spoken to any of those bigger players at all, those existing larger players, as to whether they might consider that?

Ms HIRST - Not directly, no.

Ms RATTRAY - You will be flat out to get Murray Goulburn. We cannot catch them.

PUBLIC

CHAIR - No. We have quite a big written submission there. Fonterra did indicate that they would consider that.

Ms RATTRAY - They did. They did not dismiss it, so we were very encouraged by their evidence.

Ms HIRST - In the next four to six weeks, I will be able to say a lot more about that and some of the plans that will be part of bigger investment projects. Certainly, every discussion is about Brand Tasmania.

CHAIR - Getting back to that fresh milk. We talked about the capacity problems that we have at the moment. That was just for going into the Victorian market? That was not to be moved overseas? You have Moon Lake flying their commodity. That is what they intend to do. Are you talking about fresh milk? That was done some years ago, by TQM. They did some of that into Melbourne for a while.

Ms HIRST - I have to be careful what I say because I am under a non-disclosure agreement with my client on a lot of detail. I can say it is an interim option for them to process Tasmanian milk interstate until they can get their own facility constructed here. Their focus is to build the market because they know it is there. They have got the clients, they have got the orders but they want product now. For them to meet those market obligations, the only option they can see at the moment is to be tankering milk out of the state and processing it in Victoria. Once that starts and the demand starts to increase, then it is obviously a lot easier to attract more investment and fund the bigger scale that they want to do to meet this in Tasmania, and process here.

CHAIR - The other matter is truth in branding or veracity in branding. Sometimes you pick up a packet or a box or whatever and it has all sorts of different bits of information on it. Trying to control that and keep that simple.

If I can give an example. I was in Melbourne a couple of weeks ago and I was at one of my daughter's places and she has a little baby. She had a little packet of dried apple and on the front it had 'organic' and underneath it, it had 'Tasmanian'. When you turned the packet over, it said on the back, 'processed in Australia from totally imported fruit'. This is apple we are talking about. That sort of stuff becomes tricky.

Ms HIRST - It does and it is again bringing back to why we need this. Increasingly, less-than scrupulous people are going: 'How can I attract a premium for my product and how can I find a market for it? Oh, I will call it Tasmanian'. Is anyone out there saying, you cannot call it Tasmanian because you are actually not growing it here and you are not manufacturing it here, and it does not meet our criteria. It is very hard for us to go to them at the moment and say, 'you can't put Tasmania on your label' because we don't have anything behind us to say that.

Ms RATTRAY - Can't the ACCC take that up?

CHAIR - I am not sure. I have found out this particular fruit came from Turkey; it is sourced out of Turkey.

Ms RATTRAY - What sort of penalties do you imagine having for something that you catch out within your system?

PUBLIC

Ms HIRST - There has to be a system in place, and again this all needs to be developed as part of this development project. To say, well if you do not have a licence agreement in place to use Tasmania on your label, if you are using our logo incorrectly or you do not meet all the criteria, then what happens as a result of that? That has to be developed and there has to be a penalty for that. That is something we need to work on with Brand Tasmania and the State Government.

Mrs HISCUTT - You need legislation. Is that what you are saying? How could you impose a penalty without there being a law to say so?

Ms HIRST - We have to explore all of those options to make sure we get that right. Again, it gives it credibility.

Mr FARRELL - At the moment it seems like there is no one policing it. Like your apples.

Ms HIRST - You can go to a market in Sydney and there are Tasmanian Bobby Bears filled with Tasmanian Lavender, supposedly, promoting themselves as Tasmanian and we know they are not. It is so important. New Zealand has such a good grasp of guaranteeing their provenance and they have done it so well. We are behind the eight ball, but we can catch up. We are a small state.

CHAIR - You are really looking at the model, the pure Tasmanian? So you think that we could transfer that New Zealand model to Tasmania?

Ms HIRST - Absolutely. Make it our own.

CHAIR - They don't have to worry about states over there because they have only got one federal government.

Ms HIRST - We have so much to learn from the New Zealand model. I was over there in July and having a look at how they use this and how they brand it. It has gone from just being a tourism accreditation stamp to right across all industries. It is on their produce, it is on their milk and it is so exciting how they have all embraced it.

CHAIR - It is very powerful.

Ms HIRST - Marketing analysts from around the world have said they have achieved in 3.5 years what other countries took 10 years to achieve, purely based on the power of the brand. We have got one chance to get it right. We don't want to be New Zealand. We have our own special story and we have got to make sure we have a very clear point of difference to what New Zealand has done.

CHAIR - We do, because we compete with New Zealand in many similar products. We have to have a point of difference, totally.

Mr FARRELL - Sarah, you have been to New Zealand. What model do they use? Is it a private sector driven model, like you are proposing, or is it an interface with government? How do they do it, because it does work?

PUBLIC

Ms HIRST - It does work. Initially it came from the Tourism Industry Association, so it was tourism driven. It was developed through there. They had no idea of how successful this was going to be. Looking for a brand, introduced it to tourism and then suddenly, they realise what a widespread application it had. The rest of the framework has fallen in by default after the launch. We want to do a lot more study on that model and how it is run now. It is still industry-led.

Ms RATTRAY - It is pretty exciting.

CHAIR - Is there anything you would like to sum up with Sarah?

Ms HIRST - That is exactly the word we have been using. The more we talk to people and the more support we get for this proposal, it is exciting. There is such a need. People realise we want to protect Tasmania and we are all in love with what we can produce here. I guess now for me, sitting on the other side and seeing the level of investment and interest in Tasmania, we need to harness it, bring these dollars in to help develop the state further.

It has to be sustainable development. We are not about selling farms off to the rest of the world. It is about bringing dollars in to help us grow Tasmania and grow our industries. A lot of what we lack in Tasmania is that marketing channel. Sitting at this forum last weekend, there was a Singaporean guy who wants to spend \$30 million in Tasmania. That is a big challenge for us because we do not have a lot of \$30 million projects that we can just hand over. It is through aggregations and working with people on the ground and getting our community relations right and explaining to them you cannot just come in.

Moon Lake is a great example. They are spending money in the community, they are sponsoring arts. I was talking to the mayor the other day about all of this and he said, 'Nobody in my corner of the world asks me how do you feel about foreign investment? Everybody has embraced it'. If I go to Launceston or Hobart, that is when people start asking me, how do you feel about foreign investment in your area? The locals are right behind it and they are very excited. They are all employed, they are using the local expertise. They are still buying all their supplies and equipment through local businesses and they are talking about creating hundreds more jobs and putting more dollars into that area.

That is what we want to see. These sort of projects given every opportunity to move ahead, working together. Private, public, making it happen for Tasmania.

Ms RATTRAY - Clovelly is a prime example of overseas investment, but the locals see it as a local business. They do not see it as overseas investment. It employs and it contributes to the community.

Ms HIRST - Exactly. Unfortunately our farmers and a lot of businesses here do not have the equity to make that expansion and take it to the next level.

Ms RATTRAY - Or have the next generation that want to commit in that way. You have to commit at a high level now. Milking 500 cows, morning and night, is not an easy job. It is hard work.

CHAIR - Thank you, Sarah. We all appreciate you coming in and no doubt it gives you an opportunity to speak to any media that are here.

PUBLIC

Ms HIRST - Thank you.

THE WITNESS WITHDREW.