

**To: GROWING TASMANIA'S ECONOMY**

**From: MICHAEL RODNEY TURNER** International Director 03 May 2015  
Poly Marketing Pty Ltd T/as ENVORINEX™  
114 Victoria Street, George Town, Tasmania, 7253

I support this Inquiry into the challenges surrounding the growth of business enterprises within Tasmania with particular reference to identifying opportunities to implement changes which will ultimately deliver a long term internationally competitive framework, which will grow Tasmania's performance in the tourism, retail services and agriculture sectors of the State's economy.

### **Challenges Summary**

- Identify the international best practice benchmarks (IBP) for each nominated industry sector and initiate an enterprise international competitive upskilling program;
- Survey and rate those enterprises within each sector that apply to join the international competitive upskilling program;
- Use the comparative IBP survey results as a basis for calculating projected State costs to assist –
  - (a) The growth of those enterprises achieving or exceeding IBP;
  - (b) Those enterprises near meeting IBP, to achieve IBP and grow;
  - (c) Those enterprises below IBP to achieve IBP; as an initial step towards enabling their international competitiveness growth;
- Include the Tasmanian manufacturing industry sector in this enquiry as it offers expeditious, high new wealth and sustainable employment generation rates at a lower assistive cost and an earlier stage than the other nominated sectors;
- The Tasmanian tourism sector continually relies on Government fiscally supported marketing / infrastructure assistance;
- The Tasmanian agriculture sector is in the process of embracing and obtaining international accreditation which is a recognised competitiveness and growth requisite for exports.

I am prepared to talk to this submission at a Select Committee Meeting.

## The Challenges

**Challenge 1. Identifying opportunities to implement changes which will ultimately deliver a long term internationally competitive framework which will grow Tasmania's performance:**

**Observations** - Over 42 years of Tasmanian, national and international business I have observed the primary Tasmanian business growth challenge to be that (i) the majority of Tasmanian enterprises are in the very small category compared to the mainland, where the majority are arguably in the small to medium size arenas.

Obviously, one reason for this is that our Tasmanian non-major city population is of a lower comparative size and thereby offers lower demand volumes which our very small enterprises adequately meet.

(ii) There is a marked disparity of income between Tasmanian city and regional residents (although this has been somewhat alleviated by the number of Tasmanians employed in 'fly-in, fly-out' mining and service industries) with this income disparity generally providing a lower return on a non-major city business investment.

As the cost of Tasmanian real estate (to purchase or rent) is traditionally lower than the mainland, there is a lower capital investment requirement to establish a business in Tasmania.

(iii) There are many businesses that are Tasmania centric having neither the desire nor ability to grow.

(iv) There are many Tasmanian businesses that are internationally competitive, exporting products or services and consistently developing innovative products to add to their competitive base.

**Because** I do not see that we have the luxury of time to '*ultimately deliver a long term internationally competitive framework*' I counsel that we urgently need to act by expeditiously dividing the challenges to growing our economy into two avenues –

**First**, to 'kick-start economic growth' we need to identify Tasmanian enterprises already using IBP, currently exporting or being ready to export and provide real marketing assistance to those enterprises so as to achieve early goals for them and Tasmania.

**Second**, we need to develop a strategy to deliver the long term international competitive framework for those enterprises willing to be involved.

**Considerations** – In order to provide an ‘internationally competitive Tasmanian business growth framework’ we need to –

- (i) Ascertain the international best practice (IBP) benchmarks applicable to the Inquiry targeted business sectors;
- (ii) Survey businesses within the Inquiry targeted sectors to identify those with the abilities to (a) grow that business and attain IBP certification; (b) those with a commitment to so grow and (c) those with a sustainable fiscal capability to grow;
- (iii) Because these businesses will in the main be of the very small status, consideration will need to be given as to how they (and their product/s) can be assistively marketed either on an individual basis (*i.e. the current Department of State Growth ‘New Market expansion Program’*) or under a collective arrangement (*as currently provided by Tourism Tasmania*).
- (iv) The inference from this Inquiry title “GROWING TASMANIA’S ECONOMY” is primarily the sustainable generation of new Tasmanian wealth and from which, an enhanced economic ripple effect will obtain.

From experience I underline that the attainment of real, new (to the State) wealth generation will be by growing the export of Tasmanian owned enterprise produced products. Whereas with products produced and exported by shareholder (mainly domiciled outside Tasmania) owned companies they nominally only contribute wages and taxes into our economy not wealth.

- (v) Further to the above (iv) consideration, I put to you that the Tasmanian **manufacturing sector** ought to have been included in this Inquiry as it –
  - (a) Consistently provides over 10% of the gross state product;
  - (b) Offers the provision of consistently sustainable employment growth and
  - (c) Offers the ability to accelerate Tasmanian economic growth with minimum Tasmanian Government assistance and generate high rates of economic and employment growth in the short term.

**1) Identifying opportunities to implement changes which will grow Tasmania’s performance in the **tourism sector** of the State’s economy:**

**Observations** – The Tasmanian tourism sector is of a seasonal employment nature which underlines the casual employee demand.

The majority of industry investment is in the very small to small enterprise realm and such businesses necessarily rely on State provided and promoted tourist attraction assets and infrastructure.

Once a tourism enterprise is established there is limited demand for employee growth other than over peak periods, so these casual 'service' employees are also susceptible to force majeure and inclement weather 'events'.

As the Tasmanian tourism industry is a strategic State growth pillar the questions arise as to –

- (i) Whether the sector actually has the ability to (a) sustainably generate real new wealth and (b) become self sustainable?
- (ii) Whether the sector may be reasonably compared with the issues surrounding the mainland FIFO mining centres where only a small proportion of PAYE incomes are expended locally?
- (iii) Whether the sector enterprises ought to be 'grouped' into –
  - (a) 'internationally competitive',
  - (b) potentially 'internationally competitive' or
  - (c) non-internationally competitive..... so as to indicatively ascertain what assistance (with cost projections) would be required for the sector to meet IBP prescriptions?
- (iv) How many of the sector enterprises would on achieving IBP certification, then be internationally competitive?

**Considerations** - With the Tourism sector our primary challenge is in that the industry, while fractured by enterprise size, is made up of two distinct yet conjunctive, phases.

To maintain the impetus of international tourist demand both phases are primarily reliant on the ongoing, internationally competitive promotion of Tasmanian offered unique experiences coupled with the welcoming warmth of our Tasmanian friendliness.

I have previously lectured to and liaised with international students studying here (high school, AMC and UniTas) all of whom expressed a desire to tour prior to completing their studies. There may be value in offering international students say cost reduced inducements to visit State attractions and thereby be able to talk and recommend visiting to family and friends on return home.

To gain international competitiveness our tourism venues and accommodation facilities must attain IBP (I understand the majority of tourists hire a vehicle and as our vehicle hire companies all portray IBP there is no need for assisting their corporate promotions).

In respect to the issue of casual employment rates of pay the avenue of contractor employment (whereby the casual employee contracts to a nominated job description as would a tradesman) could perhaps overcome the imposed current casual rate restraints subject of course to the IR (Commonwealth Powers) Act 2009 which may require State / Federal negotiations.

From my observations I project that the Tasman Tourism industry is unable to solely provide adequate promotional funding and therefore will continue to annually rely on a growing Tasmanian Government fiscal input and ongoing tourist attracting infrastructure.

**Challenge 2. Identifying opportunities to implement changes which will grow Tasmania's performance in the **hospitality sector** of the State's economy:**

**Observation** – My knowledge of the Tasmanian hospitality sector is insufficient to offer a submission on this matter.

**Challenge 3. Identifying opportunities to implement changes which will grow Tasmania's performance in the **retail services sector** of the State's economy:**

**Observation** - My knowledge of the Tasmanian retail services sector is insufficient to offer a submission on this matter.

**Challenge 4. Identifying opportunities to implement changes which will grow Tasmania's performance in the **agriculture sector** of the State's economy:**

The Tasmanian Agricultural Producers website states – *“Tasmania has some of the world's most productive soils and the people who work in the agriculture sector take pride in using cutting-edge technology in their production methods, packaging and marketing”.*

The agriculture sector may be divided into each of the major commodity areas: meat, wool, dairy, vegetables and other agriculture. This submission includes my observed challenges in the meat, dairy, fruit and vegetables arenas.

**The Meat Sector Challenges -**

**The Top 10 Contributors to the Tasmanian Economy website** states *“Beef and, to a lesser extent, lamb exports bring in around one hundred and twenty million Australian dollars into the Tasmanian economy every year. Tasmania is the only state in Australia that has a legislated prohibition on the use of hormone growth promotants and that gives exporters an edge in certain markets. The meat industry in Tasmania also generates income through sales of pork and poultry, albeit at levels much lower than red meat exports”*.

I have observed that the Tasmanian meat export sector participants are already operating at IBP and therefore **the primary challenge is to increase the export marketing impetus**.

### **The Dairy Sector Challenges –**

The Top 10 Contributors to the Tasmanian Economy website states *“Approximately 460 dairy farms in Tasmania produce nearly seven hundred million litres of milk a year. Dairy exports, lead by cheese and cream products, contribute over one hundred million Australian dollars a year to the Tasmanian economy”*.

On the 29<sup>th</sup> November 2013 the Australian dairy industry became the first national industry to obtain sustainability accreditation from Unilever (<http://www.unilever.com.au/media-centre/news/Sustainable dairysourcing.aspx>

Ian Halliday, Managing Director of Dairy Australia said: “We are absolutely delighted that ours is the first dairy industry in the world to be recognised as meeting Unilever’s sustainability standards. We intend to show continuous improvement towards improving sustainable dairy farming by a sector wide project to focus on soil use, biodiversity and **waste management**”.

**The one area where the whole industry was rated the ‘lowest’, was in the handling of waste, particularly silage wrap.**

In recognising this as a major IBP impediment Envorinex™ has researched and spoken with businesses in New Zealand, Europe and the United Kingdom in relation as to how their programs are implemented, processed and the recycle end uses.

### **How other countries handle this waste issue –**

**In New Zealand** there is currently only one option for recycling the wrap through Plasback. Plasback recycle the wrap and make the recycle into other plastic products.

The farmer must purchase a bag or a bin and store the wrap until the bin or bag is full for collection. This is expensive for the farmer with the bag costing \$15 plus another \$40 for the collection or \$530 for the collection of a large bin.

Agrecovery was another company offering a similar service, they were shipping the wrapping overseas to be recycled before bringing it back to New Zealand for use as road markers. Earlier this year they ceased the wrap recycling stating "Agrecovery regrets we are no longer offering a silage wrap recycling program effective 1/7/14 due to rising transport costs, ongoing contamination issues and a lack of local recycling solutions has meant the program is no longer viable".

In New Zealand it is illegal to burn waste film with a \$300 penalty for first offences and up to \$1050 for repeat offences with persistent offenders being prosecuted.

**In Europe** waste silage wrap is recycled back into pellets and then re-manufactured back into silage wrap. Envorinex™ have discussed this option with Tapex but as they are importing their product from China they were not interested in pursuing this option while Integrated Packaging (Australia's largest manufacturer of silage and pallet/shrink wrap) have indicated that they are unwilling to trial this method of closed loop production.

In Europe it is illegal to bury or burn silage wrap on farms and it is a requirement that farmers must first try to find a recycler and if this is not possible the current landfill levy and taxes that apply are:-

Netherlands	\$115 Euro (\$168 AUD)/tonne tax + \$15 Euro (\$22 AUD)/tonne levy
Germany	\$140 Euro (\$205 AUD)/tonne levy
Sweden	\$45 Euro (\$66 AUD)/tonne tax + \$100 Euro (\$146 AUD)/tonne levy

**In the United Kingdom** the recycled waste film is processed into pellets and used in composite blends to make 'timber' products and street furniture. Currently within Australia there are four manufacturers of wood composite products made with competing formulated blends of recycled PE films but none in Tasmania.

In the UK their laws are the same as Europe and their current landfill tax is \$160 AUD/tonne plus \$164 AUD/tonne for their climate change levy.

**In Ireland,** the Waste Management (Farm Plastics) Regulations 2001 are intended to greatly increase the recycling of farm plastics, thereby reducing rural litter and undesirable waste management practices such as open burning. The first provisions on this matter came into operation in August 1997, with these regulations being replaced in July 2001.

The regulations apply to silage bags, silage sheeting and bale stretch wrap. Over 55,000 tonnes of waste silage sheeting and bale wrap plastic has been collected since the start of the Waste Farm Plastics Collection Scheme in 1997. This important Scheme, which protects their environment, is paid for by Irish farmers through a small additional charge included in the price of silage sheeting and bale wrap plastic.

The Scheme is now being administered by the Irish Farm Films Producers Group Ltd (IFFPG Ltd), which represents the farm plastics industry and farmers, through the Irish Farmers Association (IFA).

The IFFPG is made up of manufacturers and importers of farm plastics.

The scheme provides a free plastic collection service to farmers. Manufacturers or importers are required by the Regulations to join the IFFPG scheme or to set up their own plastic take-back scheme.

However, as with the Waste Management (Packaging) Regulations, the requirements for the self-compliance option are much more onerous. For example, such bodies must establish a national deposit/refund scheme for farm plastics, with the deposit being set at €254 (\$372 AUD) per tonne of plastic supplied.

Purchasers of plastic from non-IFFPG members will need to pay this deposit, which is returned when the plastic becomes waste and passes back for re-processing.

The result is that in Ireland there is a very strong incentive to join the IFFPG.

Unfortunately nothing like this exists in Tasmania which is why ENVORINEX™ have initiated a state wide program and have not been able to obtain any State Government assistance or interest in this critical IBP issue.

For farmers not to be able to attain international environmental farm waste management accreditation will be a major growth impediment.

### **The Fruit and vegetable Sector Challenges –**

**On 01 October 2014 the Mercury reported – “SPUDS, nuts and stone fruit are among the export growth items earmarked for Tasmania.**

*Fruit and vegetables from the Apple Isle will flood the Asian market as part of a plan to double the state’s \$349 million output within six years, according to a taskforce report released yesterday.*

*The federal Coalition made an election promise to investigate how Tasmania could boost its role as a supplier of fruit and vegetables and yesterday released plans to achieve annual sales of \$750 million by 2020.*

*Demand was growing in export markets such as Hong Kong, Malaysia, Singapore and Vietnam, which wanted premium, safe food, but a strategic, long-term approach was required, taskforce chairman Michele Allan said.*

*“The taskforce recommendations will change horticulture in Tasmania,” she said.*

*The report said a market growth project must be established and a skilled market growth facilitator appointed to exploit opportunities.*

*Taskforce member Lucy Gregg, of Reid Fruits, said a market growth facilitator would help to convert potential exports into actual sales.*

*“With the recent decline of the Australian dollar the opportunities for export are the best for many years,” she said. “Potentially the biggest barrier is the cultural and mental barrier to commit to export. We need to empower growers to embrace export opportunities.”*

*In 2012-13, Tasmania produced more than \$349 million worth of fruits, nuts and vegetables, with potatoes, onions, carrots, cherries, apples and berries the main crops.*

*See the report at <http://www.daff.gov.au/agriculture-food/hort-policy/tas-fruit-veg-industry-taskforce>.*

*Fruit and vegetables from the apple isle will flood the Asian market as part of a plan to double the value of the state’s produce sector over the next six years.*

*A report by the Tasmanian Fruit and Vegetable Industry Taskforce, commissioned by the federal government, said the sector must adopt a sales-driven plan, identifying domestic and overseas markets to be targeted by marketing strategies.*

*“Tasmanian growers and suppliers, to compete with international suppliers, will need to exploit particular niches where they have a unique comparative advantage,” the report said.*

*It listed Hong Kong, Malaysia, Singapore and Vietnam as examples of markets that are free from quarantine barriers and open to Australian imports.*

*“The taskforce finds that a targeted, collaborative focus on these markets is required, which may be country or even retail chain*

*specific.” Among a raft of recommendations the report urges the appointment of a facilitator to help identify and exploit new and expanding markets.*

*In 2012/13 Tasmania produced more than \$349 million worth of fruits, nuts and vegetables, with potatoes, onions, carrots, cherries, apples and berries the main crops.*

*The state grew 86 per cent of all onions exported by Australia in the same year and was responsible for 52 per cent of the nation’s cherry exports.*

*Agriculture Minister Barnaby Joyce said the Tasmanian fruit and vegetable industry employs some 2500 people and can grow bigger. “The future success of the industry is firmly in the hands of industry,” he said.*

I apologise for the quoted volume above but it does clearly indicate that the fruit and vegetable sectors are already IBP orientated, but they, like the dairy and beef farmers, all have farm waste issues with horticultural and ground cover films which unless attended to will negate full IBP compliance accreditation.

## **Agriculture Challenges –**

### **Meat Sector**

1. The primary challenge is to increase the export marketing impetus.
2. Initiate a program to enable compliance with international farm waste accreditation demands.

### **Dairy Sector**

1. Assist the projects as nominated by Dairy Tasmania.
2. Initiate a program to enable compliance with international farm waste accreditation demands.

### **Fruit and Vegetable Sector**

1. Appoint a market growth facilitator would help to convert potential - exports into actual sales which will probably require funding to cover the cost of such a facilitator, staff and intra-state travel;
2. The need to empower growers to embrace export opportunities will require those growers to become export ready – this can obtain through the currently available ‘Export Ready Programs.
3. Initiate a program to enable compliance with international farm waste accreditation demands.

**General Comment - ENVORINEX™** is a George Town based plastics injection moulding and profile extrusion company with some 90% of manufactured products leaving Tasmania and of that some 40% exported.

Up until the global financial crisis ENVORINEX™ primarily worked with only virgin raw materials due to all products being required to meet end use specification demands.

With the GFC and escalating AUD ENVORINEX™ researched Australia for plastic waste recycling opportunities and identified the rigid uPVC profile off-cuts from PVC window fabricators as a prime product potential. On further investigation it was shown that collection of waste material from only Victoria and Tasmania would be viable due to transport distances and cost.

Today ENVORINEX™ has developed new products using 100% of the recycled window profiles with one product being exported to Vietnam.

With the success of that program ENVORINEX™ was approached by the Baxter Health Care Group to evaluate recycling of clean Tasmanian hospital flexible PVC waste IV bags, face masks and oxygen tubes. This has resulted in ENVORINEX™ developing a process to use this waste in the manufacture of matting wefts for the ENVORINEX™ matting range of products which are sold throughout Australia and exported.

From these two projects ENVORINEX™ is now (May 2015) implementing a series of waste LLDPE, LDPE and HDPE recycling programs for –

Tasmanian Beef and Dairy farmers – silage wrap, pit covers and possibly drums

Tasmanian Fruit and Vegetable farmers – tunnel and ground cover films

Tasmanian Aquaculture – HDPE pipes, pen stanchions and netting

Tasmanian Mines – HDPE pipes

Tasmanian plastic fabrication and welding companies – post manufacturing HDPE

Through these projects ENVORINEX™ will enable –

- (i) Tasmanian enterprises to meet international waste management compliance accreditation;
- (ii) The sustainable employment of (a) additional Tamar Valley employees, (b) contracting carrier personnel and (c) service industry employees;
- (iii) The development of innovative products for Tasmanian enterprises without the Bass Strait freight cost;
- (iv) The development of additional products for sale outside Tasmania.

**END of Submission**