



Tasmanian Farmers and Graziers Association

Submission to:
Competition Policy Review

June, 2014



AGRICULTURE IN TASMANIA

The total Tasmania gross state product (GSP) was \$23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing was \$1.98 billion. This comprised:

- agriculture - \$1.150 billion;
- forestry - \$235million; and
- fishing - \$597 million.

This is before considering input supply services and value-adding. Taking into account basic multiplier factors, this means the farm-dependent economy contributes more than \$5 billion to the gross state economy - in spite of adverse pressures on the forestry industry.

Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. Average growth in the farm GVP over the recent past has been slightly slower than average, as a result of reduced export returns due to the high value of the \$A and increasing cost pressures along the value chain.

Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value. However, this was partly offset by reduced vegetables output associated with severe wet weather at harvest in the first quarter of 2011.

Some 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania.

The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by DPIPW) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at \$2.7 billion This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.

Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further \$400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.

Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP.

The vast bulk of our agricultural product is sold interstate and overseas. Farm exports in 2010/11 easily exceeded \$550 million (farm gate equivalent value) when account is taken of pharmaceutical products. The share of exports to Asian destination exceeded 50%. In addition, it is estimated that a further \$1.8 billion of raw and value-added product was shipped to the mainland.

In 2011/2012, total exports from Tasmania were valued at \$3.196 billion. Agricultural products represented some 30% of that total – approximately \$1 billion. Almost 25% of total exports (\$502 million) were destined for ASEAN countries. Agricultural products valued at approximately \$121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from \$71 million to \$96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy (\$42 million); seafood (\$32 million) and wood products (\$20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 sq km committed to agriculture.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

ABOUT THE TFGA

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the agriculture and horticulture sectors makes to the environmental, social and economic fabric of the Tasmanian community.

OVERVIEW

The TFGA believes that the demonstrated cost efficiency and productivity gains to the Australian economy following the implementation of Hilmer's National Competition Policy recommendations in 1992 and the National Reform Agenda in 2006 provide a sound basis for a reinvigorated review and further reform of the competitive environment in the Australian federation in 2014.

However, the very broad terms of reference mean that the Panel has a huge task ahead of it in giving adequate attention to many and complex issues. We are encouraged, though, by the fact that one Panel member has a high level of awareness of competition issues in the rural sector.

TFGA is a member of the National Farmers Federation (NFF), and we fully support the submission they have made with respect to this review. Our submission is focussed on the issues of particular concern to Tasmania, and is thus complementary to the more detailed national overview provided by the NFF.

A TASMANIAN PERSPECTIVE

We continue to hear and read that the prospects for agriculture are huge, with the need to feed, clothe and house a booming world population. World population growth will climb to more than nine billion by 2050, driving demand for both quality and quantity of food and fibre, as well as the availability of arable land and water. We are entering the 'Asian century' and Tasmanian farmers are well placed to capitalise on this.

With the Tasmanian mainland representing just one per cent of Australia's land mass, we have 12 per cent of the nation's fresh water. Our ratio of arable land to population is the highest in Australia, with agriculture occupying 24 per cent of the state's land mass. Being further south, we have the most usable sunshine; less than the mainland in winter, but more in the critical ripening periods of summer and autumn. And we have some of the world's most skilled farmers and researchers.

As a result, agriculture has long been the backbone of the Tasmanian economy. The sector is forecast to generate almost \$2 billion at the farm gate this year. This is approximately 10 per cent of the overall state income, and one in every three dollars of private sector income. We employ (directly and indirectly) one in every ten Tasmanians. So every Tasmanian has a stake in the future success of the agriculture sector.

Our industry has grown year on year, even during tough times like drought, which is a performance not matched by any other sector. Farming has kept not only Tasmania, but also Australia, out of recession since the global financial crisis. Agriculture has an enormous uptake of new technology, we employ thousands of people, we keep many rural communities alive, and we produce the clean, healthy, fresh food that Tasmanian families take for granted, and indeed that families across the country and world enjoy.

Professor Jonathan West has identified agriculture as one of the key opportunities for growth in the state economy. In the Innovations Strategy he prepared for the state government, he identified that our sector could generate another \$5 billion pa.

Agriculture is also one of the key targets for growth in the state's Economic Development Plan, which includes a vision for Tasmania to substantially increase its food and agriculture production and become a major supplier of the nation's premium food products.

These findings have been supported by the recently released Deloitte's report entitled *Positioning for Prosperity? Catching the next wave*, which focuses on business imperatives for a prosperous Australia. The report identified that the next set of super-growth waves we need to ride as agribusiness, gas, tourism, international education and wealth management.

Deloitte says that the first place to look for sectoral growth is in markets that can be expected to grow faster than the global economy as a whole. Their analysis shows that we have a 16.2% comparative advantage in agriculture. The Australian average is 5.2%; and the next nearest sector is mining at 13.3%.

On this basis, they have identified agriculture as Australia's 'forgotten hero' – the sector which offers the greatest potential for economic growth amongst the five top spots. Furthermore, they have singled out agriculture as Tasmania's best prospect for growth.

So it is not just farmers saying that Tasmania's economic prosperity is dependent on agriculture!

However, it is important to understand that this future is dependent on just one thing: growth. Just as crops need water to grow, the farm sector needs investment to grow.

TFGA recognises the parlous financial circumstances facing the nation at present; and we understand the efforts governments are making to address this crisis. We are under no illusion as to the magnitude of this task and we understand that it will require difficult budget decisions. We are supportive of tough measures by the Australian government to consolidate the national fiscal position, reinforce our reputation as strong and responsible economic managers and build a sustainable economic base into the future. However, cost cutting alone will not deliver the systemic change we need to move forward.

Both federal and state governments should be looking for options to grow income, as well as cut costs. Yet there's been no recognition at all of the other side of the ledger in the current debate.

Governments must actively pursue key opportunities to invest in growth sectors of the economy, sectors that already make a key contribution in setting the Tasmanian economy up for future prosperity and that can actual do more into the future, sectors such as agriculture. Now is definitely not the time for government to be cutting its investment in agriculture.

It is important, for instance, that relevant capacity within government agencies is not further eroded, as has been the case in the past. Some cuts have delivered efficiencies, and there is still room for re-ordering of departmental priorities and funding allocations. However, the agriculture industry is concerned that there is little room remaining in the system and unfortunate resourcing trade-offs are already emerging. This will be to the detriment of the industry - and the state - at a time when experts are emphasising the importance of expanding agricultural research and development activities.

There is a national debate about food and agricultural policy in Australia and policy that impacts food and fibre production. The development of the National Food Plan, the ongoing work to implement the Beale Review reforms to Australia's national biosecurity system, trade developments, the introduction of the carbon tax and moves to remove it and the carbon farming initiative, negotiations on the future of water use for agriculture, and public debate around issues such as milk pricing and coal seam gas have highlighted the need for governments to maintain a strong policy capacity and investment in areas related to agriculture. Unfortunately, current resourcing constraints limit government capacity to contribute to national debates and policy development.

Certainly, there have been some very positive developments over recent times in a policy sense and some parts of government are actively promoting the value of agriculture and the vital role farmers play in creating wealth for all Tasmanians. Yet, at the same time, other parts of government seem to be going out of their way to stifle growth and drive farmers out of business.

More and more policy decisions are putting our agriculture sector at a disadvantage with even our mainland colleagues let alone when compared to farmers in other less regulated international markets.

This is unsustainable. If agriculture in Tasmania is to continue to be one of the key - if not the key - economic drivers of the state economy and to generate more wealth and prosperity, farmers must at least be able to compete on a level playing field with other Australian producers.

Regulatory costs continue to impose significant competitive burdens on farmers with no evidence of any increased return. We are continually told that farmers must operate in a global market – and we do. That means our prices are set by factors well beyond our control; and we have limited capacity to claw back more of the retail dollar to cover increasing on-farm costs.

We all recognise that regulations are a necessary part of everyday life. However, regulations need to be practical and evidence-based. Good public policy requires ownership by those that it impacts, failure to achieve that goal results in poor policy outcomes. There seems to be a mindset within some parts of government that they must set the highest regulatory standards anywhere in the world regardless of the science and the impact on farm businesses. It is not clear if this bizarre disjunct is deliberate or inadvertent.

What is clear is that, unless we get a more sensible approach to regulation of the agriculture sector, then many of our farms will be driven out of the industry.

Clearly, given the right operating environment, agriculture is a major part of the solution to financial woes at both state and national levels. However, this can only happen if governments understand the impacts their decisions have on farm businesses and ensure that regulations are not burdensome. If governments continues down the current track of unjustified over-regulation, then farmers simply can't continue to absorb the costs that result and remain competitive.

And that will put paid to our capacity to drive much needed growth for all Tasmanians.

COMMENTS ON THE TERMS OF REFERENCE

1. Competition Priorities

Over the past 20 years, there has been substantial deregulation within the agricultural industry of a myriad of state and federal marketing boards in virtually all commodity sectors ranging from milk to grains. For the structures that remain, there is much increased commercial and levy payer accountability.

Nevertheless, the TFGA believes that this Review is extremely timely, in that the major issue raised in sector submissions to the recent Competitiveness White Paper is the adverse impact of farm costs on sector competitiveness.

An extended cyclically higher Australian dollar has masked the terms of trade benefits to the economy as a whole; farm adjustment has been accelerated; there has been broad closure of value-adding agribusinesses; and job losses have resulted in community dislocation.

This has mostly occurred in regional Australia, where allied service business and multipliers may be lost permanently. Often this is because skills and value-adding capability are not sufficient to attract investment in new areas.

The key inputs to agriculture costs include energy, water, compliance and transport/telecommunications. These factors are largely governed by the competitiveness of both land and sea freight; road, rail and ports infrastructure; telecommunications service delivery; and the level of regulatory compliance duplication at various levels of government.

The complexity of regulatory regimes is increased by the fact that implementation of national policy reforms varies widely among Australian states.

As a small island state, Tasmania faces a unique set of issues to be addressed to enhance competition in infrastructure and service delivery. Tasmania has a static population of around 500,000; an unemployment rate currently some 2% above the Australian average; and relatively high government ownership of services and infrastructure (ports, road and rail) in which low scale duplication is also apparent.

As well, there are 29 local government councils servicing this population. In comparison, the state of Victoria has a population exceeds of more than five million people covered by ten local government areas. Interestingly, there were 29 councils in Victoria when the Kennett government forced amalgamations 15 years ago. More than a million people live in Brisbane City Council area. This over-servicing brings enormous costs – both directly, in supporting council overheads; but also indirectly in divergent and often confusing regulations.

The competitiveness of current infrastructure and its operating cost defines the attractiveness of various new investment options. This places the state at significant disadvantage, and there are key obstacles to creating a more competitive environment and subsequent new investment.

This could potentially include the resumption of foreign shipping flags to Tasmania, one of the major competitive disadvantages for all trade in the state.

2. Regulatory Impediments to Competition

Freight

As noted above, one of the key regulatory impediments in Tasmania is the lack of competition and demarcations surrounding coastal shipping. This includes an inappropriate link to the Fair Work Act as outlined in both TFGA and NFF submissions to the recent inquiry into a review of coastal shipping regulations. These onerous regulations result in the 420 km distance across Bass Strait being the most expensive sea transport route in the world. This adds hugely - and unavoidably - to the cost of freight for food, production inputs and other value-adding services.

Movement of freight and people to and from Tasmania is also captive to mainland state port charges, as there are minimal regulatory constraints on charges. While coastal shipping is the subject of a separate inquiry, the TFGA hopes the Review Panel will note the importance of reform of coastal shipping as a key competitiveness issue for Tasmania.

The high level of government ownership of port, rail, road and ferry infrastructure is considered a further impediment to competition. This also causes service duplication on some parallel road and rail routes.

Environmental regulations

The burden of environmental regulatory expectation falls more heavily on farmers in Tasmania than mainland farmers – and has a significant impact on competitiveness.

Much of this regulatory burden results from state government decisions, and is thus outside the scope of the Review. From a Commonwealth perspective, the Environment Protection and Biodiversity Conservation Act (EPBC) is the dominant legislative instrument used to regulate environmental matters.

In our view, there are a number of significant failings with this legislation.

The current process of listing matters of significance allows the regulatory reach of this legislation to continue to grow with little likelihood of there being any reductions without a major overhaul of the Act. Listings of significant matters need to be contemporary and relevant, failure to do so exacerbates a culture of distrust and noncompliance.

There is an implicit assumption in the EPBC that threatened species and/or ecological communities can and should be protected, no matter the cost or the consequences. Recent scientific debate suggests that this assumption requires much more rigorous testing; and it is important to recognise that such aspirations are not always desirable or attainable.

As a community, we need to reassess our ability to protect and nurture all threatened and endangered species. In doing so, it will be important to prioritise those that have a very real likelihood of success and accept that some will not survive. Humans will continue to undertake activities that have adverse environmental impacts - and of course they should seek to avoid and mitigate these wherever possible.

However, pragmatically, it is also important to accept that some level of residual adverse environmental impact is unavoidable and a part and parcel of our existence as a species. These adverse impacts cannot realistically be compensated for in any meaningful way; and listings need to be reviewed regularly to ensure that they bear up under contemporary scrutiny and community expectations.

The TFGA is aware that there have been cases of agriculture developments not requiring environmental approvals at a state level and proponents proceeding on that basis only to find that, notwithstanding the state exemption, the EPBC Act requires them to have an environmental approval. This would suggest that currently there is a significant disconnect between state and federal environmental objectives which is further compounded by a lack of information and education.

It is difficult enough to navigate through the multiple levels of environmental regulation in Tasmania. However, this is further compounded by the lack of synchronisation between different jurisdictional areas. The proposed one-stop-shop concept for environmental approvals will only be successful if it takes into account all levels of regulatory imposts and seeks to ensure that the environmental objectives are coordinated and that steps are taken to ensure perverse outcomes are mitigated.

Further regulatory imposts that make agriculture in Tasmania less competitive than the sector in other states arise from the situation regarding the forestry industry in Tasmania. Specifically, the ban on further land conversion which resulted from the federal Regional Forests Agreement and comes into effect from January 2015 will pose significant costs to farmers. This ban effectively prevents them from expanding their farming operations, in an environment where scale and diversification are key drivers of viability.

Clearly, with more than half the state now in environmental and other reserve land categories, the imperatives behind this decision have changed significantly since the mid-1990s.

Such imposts are unacceptable interferences with basic property rights. If there is a genuine need for further contributions from the farming sector to environmental wellbeing, then there needs to be recognition that costs need to be shared equitably across all members of the community.

Government as land owner

Following the recent Tasmanian Forests Agreement process, over 52% of the Tasmania is now in public ownership under various forms of title arrangement. This makes the Tasmanian state government the largest land owner in the state.

Private landholders have the right to expect that they will not be adversely affected (financially or in any other way) by circumstances created on neighbouring properties, especially when their neighbour is a government agency. Unfortunately, the state government has not demonstrated basic good neighbour behaviour.

The Tasmanian farming community is constantly concerned about the effect that impacts spreading from public land have on the environmental, productive and safety significance of private land. The boundary fence doesn't stop the spread of fire, flood, wildlife or weeds. However, responsible management on both sides of the fence will assist to control spread of these risks from public onto private land.

TFGA believes that the state government should immediately commit to the development of a good neighbour charter between private and public landowners.

This should include a commitment to meet half the cost of materials to replace or repair fencing or other assets on private land where these are destroyed or damaged by bushfires, floods or other activities that originate from roadside verges, national parks, state parks and forests or other state-owned landholdings. It should also be required to control weeds, pest animals and other encroachments on neighbouring lands.

Other issues

Although not identified in the Review agenda, the TFGA believes that a thorough 'root and branch' review of competition policy should cover institutional labour market constraints on employment and productivity.

For example, workplace penalties (shift allowances and weekend loadings) that are effectively over award payments should be seen as part of standard workplace pay and conditions in a modern award. It is probable that such loadings lead to more rapid capital substitution for labour or - worse still for a region in which production value-adding takes place - the relocation of industry offshore to countries where no such award penalties exist such as in NZ.

Penalty rates and normal hours of work impact at every step along the agriculture supply chain – farm gate to consumer.

In today's workplace, casual and part time work - which may include weekends (as just another day in the week) have in many instances replaced the traditional Monday to Friday week. Accordingly, penalties that reduce operational flexibility and add to industry cost are likely to be reducing output per unit of labour input.

Constraints on labour market competitiveness must therefore be given consideration in this Review.

3&4 Government Provided Goods and Services; and Competitive Neutrality including other Sectors

As identified above, government ownership dominates the provision of road, rail and ferry services to Tasmania.

What is not clear is whether these services are crowding out private enterprise.

Only by freeing up the competitive environment especially in the area of coastal shipping is it possible to find out accurately. By taking such action, it would be anticipated that international shipping lines would have greater incentive to freight product from international destinations direct (to and from Tasmania). This ceased on a timely basis in 2011.

It is anticipated that a change in the competitive landscape may also encourage a review of existing freight and passenger technology – possibly leading to investment in more specific, faster, short haul sea transport – that is a feature of other countries – although generally with significantly larger populations.

A key issue for consideration is whether the lack of scale in Tasmania logistics is such as to limit potential gains from a more openly competitive infrastructure and service delivery environment. Recent studies into Tasmania's freight logistics are not at all clear in this regard.

5. Competition Law

The TFGA believes an important area for Panel Review is 'Competitiveness Legislation'. This issue is specifically addressed in the NFF submission, and is supported by detailed analysis of the current legislation by Minter Ellison. This analysis points to the failure of ACCC legislation to adequately address such issues as 'unconscionable conduct' and 'misuse of market power' which have long been of concern to the agriculture supply chain, especially small farmers, in contracting with supermarket wholesalers and retailers.

As producers of perishable products, farmers are price takers, and so begin negotiating from a weak position in any value chain. TFGA believes that ACCC powers should reflect this imbalance in applying remedies where competitive strength is misused.

It is noted in the draft Terms of Reference that the Review would consider extending the unfair contract provisions, which currently apply to consumers, to small business – pending the impact on overall regulation.

Codes of conduct have sought to deal with these concerns although many would say - with limited success. The UK Supermarket Code supported by tougher action akin to consumer remedies where breaches occur – would seem an area for review and support by the Panel.

While the TFGA is supportive of a more competitive environment and the removal of constraints overall, there are areas within the sector that periodically come under attack – and are considered ripe for reform.

One such area of particular importance to Tasmania relates to the inferred lack of science in relation to opposition to the import of some fruits and vegetables from countries that have known costly pests and diseases. Tasmania has a high level of disease freedom and it is TFGA's view that the case for food imports from such diseased countries has never been adequately justified under 'minimum risk' science. As such, maintenance of Australia's science-based quarantine system is vitally important. The TFGA believes that the case for regional differences within that system is also important for our competitive positioning.

6. Administration of Competition Policy

The foregoing discussion points to considerable potential to reform the competitive landscape. However, the TFGA believes the Review Panel should reflect on a broader responsibility to educate and explain to the general public how competing in a globalised environment (supported by increasingly clever communication technology) is forcing the competition reform process. It should also explain to the public how the resource allocation flow-ons (good and bad) may affect them. Otherwise, change that can benefit the public and consumers in the long run may be resisted.

The implications of current review timing also need to be explained – relative to the (less open) competitive environment that prevailed in 1992. More than twenty years on, there are now fewer microeconomic reforms to be made; and many of these require revisiting of exemptions. These are mostly outside of agriculture; but impact on supply chain efficiency on which the sector depends.

A further related issue is that the TOR refer to new competition arrangements that enable the sale of publicly owned infrastructure such as the proposed sale of the electricity poles and wires network to the private sector in NSW.

While such an approach may be fiscally responsible and make way for overdue government investment, electricity prices continue to increase ahead of inflation – even with the oversight of the Australian Energy Regulator - and probable regional employment loss could be expected following any such sale.

It little wonder then that consumers question competitive benefits and loss of public control (over prices) that would follow unless addressed via regulation. Such government policy needs to be explained in more detail to the public or it runs the risk of logjams in achieving a more competitive landscape as well as stall high priority government investment.

ANTI-COMPETITIVE IMPACTS OF EXCESSIVE REGULATION

The Tasmanian Farmers and Graziers Association acknowledges that regulation sets a minimum level of performance that is required to meet community standards and expectations. However, it is critically important that regulation is appropriately targeted and clearly communicated; that stakeholders are educated; and that any restrictions are minimised to ensure that our competitiveness is not limited and we avoid perverse outcomes.

Often, it is the cumulative impact of regulation that more generally concerns the industry. It is only when we have the accumulated burden of federal, state, local government and regional council associations that we begin to understand that with four or more layers of competing and often contradictory regulation it becomes near impossible to find an economical way through. When coupled with seemingly minor regulatory imposts, the competitive burden can become overwhelming. This malaise of regulation often leads to developments not proceeding on the basis that it is all too hard.

The Tasmanian government's report 'Measuring Red Tape' released in January 2013 reported some extremely disturbing figures for the agriculture sector in Tasmania. The gross value of production for agriculture, fishing and forestry in Tasmania is \$1.982 billion, of which the agriculture sector accounts for \$1.150 billion. The cost of regulation for these three sectors of the industry is \$321.4 million per annum. That figure is overwhelming as a standalone figure, but it represents 16.2 percent of the value of production in Tasmania.

So where agriculture, fisheries and forestry account for ten percent of Tasmania's Gross State Product, the three sectors carry more than twenty five percent of the total regulatory compliance cost in Tasmania. These figures are more than likely to be on the conservative side, and the real impost will be potentially significantly greater.

Notwithstanding that fact, the reality is that as a sector agriculture carries a far greater regulatory cost burden than any other industry within the Tasmanian economy, a situation that is no longer sustainable.

TFGA believes that governments at all levels should be seeking to reduce and eliminate excessive regulation and hence reduce compliance cost burdens on small businesses such as farmers.

There is a clear understanding in industry of the negative impacts of excessive regulation and the duplication and perverse outcomes that result. Governments need to commit to a systematic review of all regulation with a view to identifying and subsequently removing all regulation that is duplicated and or fails the 'common sense' approach.

Regulations that by their nature either produce perverse outcomes or have a greater propensity to produce such results need to be repealed or significantly modified.

In particular, there is a clear need for better education and a corresponding realignment between the federal and state governments regarding their environmental objectives. There is no co-ordination of expectations between levels of government; nor is there any recognition of cumulative impact.

Each government regulatory instrument considers only the provisions of its specific wording; and does not look at whether there are possible synergies between different agencies, or even different levels of governments.

All expectations incorporated in regulation or legislation carry costs. In the case of environmental regulations, including offsets, those costs are born by landholders (often farmers) with no capacity for recoupment.

This is simply untenable.

There is ample evidence to show carrots work better than sticks. If the community wishes to protect environmental attributes, then the community must pay – and that means the government has to fund such activities.

At the very least, such an approach recognises basic principles of equity, and spreads the cost burden in accordance with the ‘user pays’ principles that governments are all too quick to adopt when they wish to cost-shift.

If the community has the information necessary to assess real performance and measurable outcomes, there may be greater understanding that any expectation of continued landholder acquiescence in footing the bill for such activities is not only unrealistic, it is also delivering perverse outcomes.

In any case, if the community has to consider each investment in the light of opportunity cost, it is likely most will value more basic social services (such as health and education) more highly.

CONCLUSION

Tasmania has a climatically attractive environment for food, fibre and pharmaceutical products – and given current climate change predictions, this climatic advantage will only improve. The mining sector’s contribution to the state economy – currently close to 50% of export income – is expected to ease in coming years and it is anticipated much of that gap will be filled by expanding agriculture and aquaculture production.

The combined effect of the benefits to the Tasmania economy through agriculture, aquaculture, tourism, and industry value adding - including reduced reliance on welfare payments - is estimated to be not less than \$1.0 billion/year or a 3-5% increase in state GDP compared to the current growth rate of close to zero (December 2012 National Account data).

It is vital that the Australian government takes urgent steps to support Tasmania’s efforts to build a strong and robust economy.



The primary contact for this submission is Jan Davis, Chief Executive Officer of Tasmanian Farmers and Graziers Association.

Name of Organisation	Tasmanian Farmers and Graziers Association
Address	PO Box 193 (Cnr Cimitiere & Charles Streets) Launceston TAS 7250
Telephone Number	(03) 6332 1800
E-mail address	submissions@tfga.com.au
Website	www.tfga.com.au