Australian Government

Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO REGULATION OF AUSTRALIAN AGRICULTURE

MR P LINDWALL, Presiding Commissioner
MR K BAXTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

AT HOTEL GRAND CHANCELLOR, HOBART
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MR LINDWALL: Good morning, welcome to the public hearings for the Productivity Commission Inquiry into the regulation of agriculture. My name is Paul Lindwall, I'm the presiding Commissioner on this inquiry and my fellow Commissioner is Ken Baxter. The Inquiry started with a reference from the Australian government late last year and covers the regulations that have made a material impact on the competitiveness and productivity of Australian agriculture and has examined regulations at all levels of government.

We released an issues paper in December last year and have talked to a range of organisations and individuals with an interest in the issues. We released a draft report on 21 July and have received over a hundred submissions and more than 1,000 personal responses and views since the release of the issues paper. We are grateful to all of the organisations and individuals who have taken the time to meet with us, prepare submissions and appear at these hearing.

The purpose of these hearings is to provide an opportunity for interested parties to provide comments and feedback on the draft report. Today's the eighth and last hearing for the inquiry. Formal submissions to the draft report are invited, preferably in the next two weeks. We will then be working towards completing a final report to be provided to the Australian government on 15 November. Participants and those who have registered their interest in this inquiry will automatically be advised of the final report's release by government, which may be up to 25 parliamentary sitting days after completion.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of the day's proceedings I will provide an opportunity for anyone who wishes to do so to make a brief presentation. Participants are not required to take an oath but are required, under the Productivity Commission Act, to be truthful in their remarks. They are welcome to comment on issues raised in other submissions. The transcript will be made available to participants on our website following the hearings. Submissions are also on our website. For any media representatives attending today some general rules apply. Please see one of our staff for a handout which explains the rules.

To comply with the requirements of the Commonwealth Occupational Health and Safety legislation you are advised that in the unlikely event of an emergency, requiring the evacuation of this building, you should follow the exit signs to the nearest stairwell, lifts are not to be used. Please follow the instructions of the floor wards at all times. If you

believe you'll be unable to walk down the stairs it is important that you advise the wardens who will make alternative arrangements for you.

Participants are invited to make some opening remarks that are no more than 5 minutes. Keeping the opening remarks brief will allow us the opportunity to discuss matters in greater detail.

MR THOMPSON: Thanks for the opportunity to address you today. Macquarie Franklin is a (indistinct) company, employs about 20 people working predominantly in agriculture. Works basically in Tasmania and throughout Australia, South Africa, Vanuatu and a few other smaller (indistinct) around the world.

Our areas of specialty are agricultural business management, water, in all aspects in regard to agriculture and waste water reuse with regards to agriculture, product production processes, so loss of production, and environmental management. So it's sort of an integrated package arrangement for agriculture.

From the perspective of being here, I think probably my comments would be from a regulatory perspective. It almost needs to be separated between state, federal and local, but I think probably if we look at the last 10 years of the state governments I think they actually recognise that agriculture, in particular, is one of the key, if not the key, part player in the future of development in Tasmania.

If you look at a lot of the tourism, a lot of the other aspects, they're coming out of food tourism, we're coming out of all agricultural aspects, so I believe there's been a strong play by the Tasmanian government to manage regulation. I think a lot of the regulatory issues that we face are driven by federal regulations and things like EPBC Act, the (indistinct) and associated things that come and then effect the process of state governments acting.

But probably the key point I'd like to make is that the bit that I see is the collision between risk management requirements for agriculture and their ability to manage the risks at a massive level, but the risk aversion of everyone they deal with. I think sometimes regulation is - what's perceived as regulation actually may be risk management by the boards, by the people that are actually enforcing regulation but also even within the corporate sector, like the banks, et cetera. It's one of the - I can't emphasise it too strongly that that issue of that collision of the risk is one of the biggest problems we've seen in that process.

MR LINDWALL: Chris, could I just interrupt, is it a collision between states and the Commonwealth or is it a collision also with focus on some of the big financial institutions, and I'm not just picking on them, but they're the obvious ones, or the big trading companies, the people like the McDonald's and others, who buy a lot of these products, is it almost a triangle of collision where you've got attempts by Tasmania to exploit it's, to use the phrase, clean and green reputation, it's got the Commonwealth trying to impose consistent regulations, particularly over the EBPC and others, and yet you've got a number of the big processing companies, like, you know, Murray Goulburn - well, that's not a good example these days - but certainly Murray Goulburn, Simplot's, McDonald's and so on, how is that interface between the three groups managed?

MR THOMPSON: Yes, look, that's exactly what it is. I would argue that the corporate interface is often more problematic than the regulatory interface and because of the layers that occur within those institutions and how that's then manifested, at the face, with the agriculture community it varies so much so predictability for what's going to occur is very hard for agriculture. But I think the risk aversion that we've seen, especially probably post GFC, the risk aversion we see in corporate institutions and how they approach farmers, because they essentially see farmers and people like Tasmania as high risk areas.

We've experienced, in the past, where we've had a comment made to us, as a company, from our bank, and we're a very strong financial business, that we don't lend to Tasmania. That was a common phrase, it was three years ago. It's an interesting scenario, it's very much, and I apologise for being vague, I'm not a hundred per cent sure here, but it's certainly an issue that needs understanding for how that can be improved, repaired.

MR LINDWALL: So do you think that companies are more swayed by minority deals than governments even, because the boards are more concerned about a risk of bad publicity or something like that?

MR THOMPSON: Absolutely, yes. So what could be a position that a company has today might vary in six months (indistinct) so agriculture has to predict, probably more than anyone, because their markets are so driven, in general. Because, at the end of the day we're a very small producer of generally high quality products, but you can't get away from the fact that 75 per cent, plus or minus, of our business is commodity based, because of commodities in beef, it's commodities in dairy, it's commodities in fish. Notwithstanding we're at the higher end of the commodity chain, but it is commodity based.

MR LINDWALL: Is it sufficient if it is at the high end of the chain it's capable of distinguishing it from the commodities?

MR THOMPSON: I think that in the last five years we've seen it in beef, in particular, in the salmon industry, certainly in the viticulture industry and certainly in stone fruit, particularly cherries, we've seen a separation and we're starting to see, I hate to use that word "niche", but we're starting to see a bit of niche positioning. If we look through our client base we're staring to see more success in those areas and definitely more significant pricing, price benefits to those providers. But it's not uniform and we've seen that in the dairy industry. But certainly beef, you could argue with the beef things, the whole southern Australian beef sector, has been strong in recent times. But the Tasmanian process, through the, you know, Cape Grims and people like that, they've done very successful jobs in differentiating themselves in the marketplace.

MR LINDWALL: Well, of course, you and I are old enough to remember the days when (indistinct) used to go around burning his dairy factories or cheese processing factories down and then get the federal government to provide aid to rebuild them and he launched a new product on the basis of a distinction from the commodity based trade.

That aside, it was put to me by one of the senior TFGA members that basically there's no scientific credibility to the GMO stuff, in terms of it's harmful or whatever. His own words were, "That's a pile of crap." But he said, "The important thing is that people in some of our important markets believe it and therefore while as a farmer," he said, "I'd happily grow GMO crops," but he said, you know, "If we market it as non-GMO we're actually unable to distinguish that in some of our key markets." Is that a segment of the market, particularly to Europe, and (indistinct) is likely to grow, or is it a mistaken belief?

MR THOMPSON: Well, It's an interesting one and we, as a company, wrote a report to the government on that. Our economists - it's an interesting one, if I - my personal opinion as a member of the Institute of Engineers, and a member of the Institute of Ag Science, I struggled to find any reason, rational reason, in looking at plant breeding and all those processes why GMO is generally an issue.

However, I think Tasmania, because of its perceived - well, it's an island, but because of its perceived ability to partition itself, because of the nature of the products it grows and small quantities of the products it grows, at this point in time it does seem to be a position that the ability to sell as non-GMO - and I asked this question three days ago of a key

viticulturist on the east coast, and said, "Do you" - and that viticulturist is a large-scale farm as well, so growing crops and a number of other things. I said, "What's your position?" And he said, "Well, I think it's rubbish, but I need it. I need the position, because my client base is saying, 'Are you GMO free?'" They are asking that question.

MR BAXTER: Well, can I then move - on the same line of questioning, can I move sort of back from that, does that mean that similar principles apply for the way you manage water and that you manage crop rotations and transport?

MR THOMPSON: Look, I think, from Tasmania's perspective, there is no doubt, at the moment, that we have - there's a perception that we're different, it's probably a pretty good argument as well, but there's certainly a perception that we're different. There's a perception that we're isolated from a number of things, and I think rightfully so, we're pretty good land managers, in general. I think that there's definitely a benefit to maintain that position at this point in time. Now, I have severe doubts that in 20 years time that will still be the case, I think food security will overcome some of these things.

But at the moment there is a definite marketing position and certainly a good feeling amongst the agricultural producers that they have an ability to be different, to be special and to potentially gain markets. But the whole process of how we do those things, I mean even the business of should we be marketing ourselves as renewable energy specialists? We produce our agriculture produce from renewable energy. I think those sort of things are serious opportunities for us. I suppose it's (indistinct)

MR LINDWALL: I mean, there's the issue of companies exploiting the market, obviously, for non GM and all the other reasons, but if the science on something is clear, should a government pander to that, just for marketing reasons?

MR THOMPSON: In general, I would say no. My position in Tasmania is that I think because we're so small, at the end of the day we're 450-500,000 people, we're a large modern council, I think that we have the ability to be a meat marketing principal, in a different value arrangement. So I think at this point in time I think the government's probably got to adopt a precautionary principle from the point of view there is a perceived market benefit at this point in time. My (indistinct) would be it's something that should be reviewed, you know, certainly on a five-yearly basis.

MR BAXTER: I come at it from a slightly different tack. The government, in pursuing the course it has done, does it have sufficient economic data and commercial market data to satisfy its policy making bureaucrats and the population at large, that the claim that it is clean and green does deliver a premium?

MR THOMPSON: I don't know whether I can answer that. My view would be I doubt it. I doubt that there's an ability to because it's almost measuring perceptions. It's not a simple thing to monitor and the trouble is that the only real way to find out is to stop doing it and then you can't go back. So that's probably where I am. Certainly talking to people in recent times in regards to marketing in Tasmania, because I'm part of the group that's trying to look at marketing in Tasmania by agriculture, the general view amongst that group is that the non-GMO clean and green is worth every cent, but they are people all with vested interests.

The engineer and scientist in me says I'm struggling with this but these are people I respect as people who really know and they represent amongst them probably 50 per cent of Tasmania's agricultural output, so they've got very strong views. It's making a change, even simple things like some of the stuff that Ruralco are doing and Roberts are doing with wool internationally. They're definitely getting positions off the fact that we're clean and green and non-GMO just because they're in that European market which has those views.

MR LINDWALL: But markets can be fickle so you'd want to be flexible and change.

MR THOMPSON: Absolutely, and look - and there is no doubt - I mean I'm one of those typical late 50s, early 60s type 2 diabetics, for the record, so I mean if they start producing supportive to help my health and wellbeing, I'll be looking for it. I think that's why it just can't be a lockout. It's got to be considered on a regular basis and I suspect five years is probably the time.

MR LINDWALL: Should GMO be regulated on the product rather than the process?

MR THOMPSON: Well, that's the classic discussion and especially whether it's food based or non-food based. I mean things like the poppy industry here, for its future I've got no doubt it needs that access. Some of the manufacturing basis that goes with the food production we'll need to consider into the future because without doubt there will be stepped changes, stepped changes in how we produce food. So we can't just be rigid.

MR LINDWALL: Earlier you mentioned, Chris, the precautionary principle. Now that has different meanings to different people. What do you mean by it and what are the implications of it.

MR THOMPSON: Yes, I suppose I agree totally, it's probably not a good statement to make actually. Where I'm looking at is basically at this point in time I think we have a good thing, so we have to be cautious about moving away from it. It's one of those things where by default we effectively have ended up in this position and I think before we take that step of moving away from it, we need to exhaust all the views. Notwithstanding that I think that 95 per cent of the views out there are incorrect and founded on poor information. Getting to this age, I've learnt to actually back my gut feeling and my gut feeling is that right at this point in time it's not a bad thing.

MR LINDWALL: I mean the poppy industry went through a fairly traumatic introduction into Tasmania initially, what happened? How did that evolve to get itself to a status where it is verified by people like GlaxoSmithKline and others, as a credible alkaloids producer.

MR THOMPSON: It even actually predates me slightly that process. My previous boss, Buzz Greene would be a great person to talk to about that. It was certainly a long process to get through the trialling arrangements and to get through the regulatory processes and certainly the logistics. The isolation process of Tasmania was the winner. The ability to sell the fact that it was isolated, so therefore movement in and out of the state by illegal use or whatever was much easier to manage. Certainly if you reflect on it, it's a bit similar to what we're talking about now. The fact that we're isolated and an island gave the ability to actually move forward with that arrangement, not assuming the fact that poppies are grown all over the world. There's a perception there. We still are a major player but certainly France, Spain, Portugal, UK are all growing poppies now so we don't have the advantages we used to have.

MR LINDWALL: I heard that Victoria might be entering that market.

MR THOMPSON: The Tasmanian companies are well regarded. I think that Tasmania's climate and its water availability are ideal for growing poppies. I think that the process elsewhere in Australia would be very slow.

MR LINDWALL: When you spoke about the precautionary principle, some people would say you take no risk but I don't think there is such a thing as a no-risk option.

MR THOMPSON: No, there's definitely significant risk in any of those things. It's agriculture. I mean the biggest risk agriculture always faces is climate. You can be ready to dig a million dollars' worth of potatoes in a week's time and they're not there after a flood so it's the risk of that is what you have there.

MR LINDWALL: In terms of investment, and we spoke about this earlier, you were saying that some of the banks were saying Tasmania is not a good lending proposition or something like that. What about equity where companies, say foreign companies, have a controlling position in Tasmania, do they have a different calculus there and they might be more reasonably attuned to sending capital to Tasmania?

MR THOMPSON: There is no doubt and I can relate a conversation I had with a seriously big equity group out of the UK about four to five years ago when we were doing some work for them, some due diligence work on Tasmanian property, and I sat in for my own learnings. It was a business analysis and I was keen to understand a bit about it. I asked the question, "Why are you here?" They just said at the time I think it was about dairy because it was milk powder, whey protein concentrate, long-time storage and they said, "Well if you're going to dairy, you're going to build in two places, Tasmania or New Zealand". That was a real eye opener for me and they were talking to 300 people.

There's still a lot of interest from external investors in Tasmania. The hardest thing for Tasmania is to actually put packages together, because the average farm size in Tasmania for dairy is probably a $3 million plus or minus investment. So to get an investment that makes it worthwhile for an investment associated group to actually purchase, you're probably starting at 30, otherwise the fees for the people that drive it aren't enough. So the hardest thing in Tasmania is to roll up the packages to make it worthwhile for investment. That's probably your biggest impediment. Interestingly, that process takes time. So to then be in a position where perhaps those investors may not be able to invest because of the new FIRB rules, that's I'd say probably starting to impact a bit, where people will start to go, "I've got to do all this work. Am I going to be successful in putting them together?"

MR LINDWALL: They'll just consider other options.

MR THOMPSON: Yes, and certainly there's no doubt there's been people who have gone to New Zealand because it's simpler to go there.

MR BAXTER: Mind you, there's also been New Zealanders who have come to Tasmania for the same reason.

MR THOMPSON: That's the interesting thing is what we have seen is we've seen a foreigner go to New Zealander and a New Zealander may come to Tasmania. New Zealanders have sold up in New Zealand and come to Tasmania and brought properties here.

MR BAXTER: Can I just follow on that, I actually know one of the New Zealand farmers who in fact bought property not far out from Bernie and I asked him why he did it and it was in fact an explanation that was given to us when we were in New Zealand recently, he said I don't see the troubles with nitrogen and with flows into rivers that we've got in New Zealand and it was certainly raised with us as a significant problem in mainly the North Island and the Canterbury Plains of New Zealand.

What happens if the pressure is put on the Tasmanian dairy industry to lift its production and its quality and its diversity of products? What happens to the rivers and the water supplies? I mean one of the great things New Zealand has had is I think a far more regular and consistent supply of water, but implications with run offs, whereas here, I mean you've only got to look at the recent drought when Cradle Lake was down to 7 per cent or something. What's the water implications for that expansion and how does government handle its regulations?

MR LINDWALL: Including for aquaculture such as salmon farming?

MR THOMPSON: Yes, good question. The whole dairy industry nitrogen thing is certainly there and the industry, I'll give it its credit, the industry for a dairy trade, et cetera, is working very hard to train their farmers on those issues. They have programs based around some of the New Zealand programs, "Fert$mart" is one of them, where they train farmers in nutrient management. People like ourselves are running courses in pasture utilisation to maximise the amount of production through the beast of minimising how nutrient is going into rivers.

One of the saviours we have is that outside the circular here, our areas are far more diverse, whereas New Zealand when you look at Ashburton and Canterbury Plains, all of those areas where you've got three grained soils, you've got immediate transfer to the aquifers. In Tasmania in most of the areas we've got a combination of the three-grained root soils in the north-west coast, but the predominance of those are in vegetable production and rotation cropping where they do go back to lower production arrangements. We still have in a lot of those areas quite a lot of native forest abatements. In the other areas where we've got the duplex

soil types where we've got shallow-type soils, fairly permeable clays, the movement rises on that interface and it's harder for it to travel, which means you've probably got a bit more time to react to fix. But it is something that the industry is well aware of and it does need to address. I think the intensity in Tasmania and the water is the driver, because whilst we're a State that has a firm set of Australia's run off, at the end of the day it is in areas that mean that there's a limitation to how much development can occur. I think that's the saving grace. The problems in New Zealand is the rivers were very big through very productive areas, which means you get significantly intense development, whereas for us it's much more patchwork. So we have an ability to maintain it but it's something that we need to be extremely aware of.

MR BAXTER: Where does then the interface with forestry and agriculture sit in its regulation in the State?

MR THOMPSON: Yes, look it's a really interesting one. At this point in time I know that forestry is far more regulated that agriculture. As anyone who is in the work that I have done in the last 10 years, I've been involved in a lot of large-scale dam construction and things like that, involved in forest practices, plans, involved in management of serene keeping forestry areas. The Forest Practices Code is very significant. It's a very heavily regulated industry now. You can argue that 25 years ago it wasn't. A lot of Tasmania farming now, properties are semi-involved in forestry activities anyway so they have to mix (indistinct).

MR LINDWALL: So I think earlier, Chris, you mentioned that the EPBC Act is more onerous for farmers here in Tasmania that many of the state regulatory issues, is that right?

MR THOMPSON: Yes.

MR LINDWALL: And what are the key parts that are - - -

MR THOMPSON: The realities are that - look, I mean, in general, I am a supporter of the EPBC but being a prescriptive Act, you know, the penalties are quite significant for people that transgress and the issues are that it is very encompassing and it does mean that state regulators have to be mindful of the EPBC in everything they work in. It tends to draw a lot of state regs into it in the way it acts. So it's one of those things where, I think to be frank, for the first 10 years of the operation, the difference between then and now is simply ignorance. People didn't know that it was there and didn't know what it meant.

Once they actually have an issue to deal with and it might be - the classic is a dam construction, someone who would go through a process of building a dam on their property. They will no doubt strike issues with the EPBC in regard to the flora and fauna, heritage issues or whatever. They then become extremely aware and then that then does potentially affect how they think about everything else they do. It's not a substantive fact that they need to do that.

MR LINDWALL: Would that mean that the person who may not be in fact affected by EPBC is actually acting in a way as if they might be because they are becoming risk averse because of the penalties being so high?

MR THOMPSON: The interesting one with this is where there's a corporate entity involved in the agricultural operation, that is definitely the case because the corporate entities are far more understanding of compliance, fiduciary issues and therefore EPBC is sitting there in big lights and you will see that in - as we go more and more into structured farming in Tasmania, I think - I don't think we'll ever go away from what I call family farming is the major farming but I think those family farms are much more corporate entities now. They are much more cognisant of those issues.

MR BAXTER: Can I just come back? Is the EPBC Act going to be administered by the state or is it going to be administered by officials of the commonwealth resident in the state?

MR THOMPSON: No, it's effectively - I used to be quite an expert on the EPBC but I've drifted a bit now. At the end of the day, the way the EPBC Act works, I mean it's a Commonwealth Act administered by the Commonwealth but it draws - a lot of things like the Threatened Species Act in Tasmania are brought into play by reference to the EPBC.

So state bureaucrats have to act with regards to ensuring that their regulations are compliant with the EPBC. That's my understanding. So you can't have a state flora and fauna regulatory framework that's not compliant with the EPBC. So in my mind, whether the bureaucrats agree with that or not, in my mind the EPBC frames what happens at the state level.

MR LINDWALL: Do you have any more, Ken?

MR BAXTER: No.

MR LINDWALL: The final question from me, Chris, is about coastal shipping. Previously someone told me that it's more expensive to send produce via a ship to Melbourne than it is to send it from Melbourne to Shanghai. Are you aware of that?

MR THOMPSON: Well, unless something's changed in recent times. I mean I can remember say 15 years ago it cost - I was involved in a company at that time - we could bring a container of fertiliser from Germany to Tasmania for $2,200 and it was $2,400 from Melbourne. Yes, it's still very much the case. It's an extremely expensive piece of water and it's one of the impediments to all the commodity-based processes. Obviously some of the high value stuff gets flown, but still a lot of the salad vegetables and stuff come down by ferry. Most of them use the ferry system but it's very expensive.

MR BAXTER: Back to water again, my understanding is that about 10, 12 years ago, the actual management of water was left in the hands of local councils. Is my memory correct or not?

MR THOMPSON: The Water Act has been replaced since 1957 and then it was reissued in 1999.

MR BAXTER: We'll leave aside the hydro stuff, but who's managed the water for farms and dams and farm pumping and all the rest of it? Who actually controls that?

MR THOMPSON: It's been part of the Department of Primary Industries. It was originally with the Rivers and Water Supply Commission. I do have to say I was the regulator at one point in there. The Rivers and Water Supply Commission management, until it was absorbed into the Department of Primary Industries.

MR BAXTER: When was that, Chris?

MR THOMPSON: They have only just taken it over now as the regulator. I think they do a pretty good job under difficult circumstances. The biggest issue now in Tasmania is with the advent of Tasmanian irrigation water, high purity water, 95 per cent reliability against the water that sits in rivers, nominal metered**,** which is somewhere between 50 and 80 per cent but it's your risk you're taking, and the marrying with the values and the marrying with the regulation and there's both types of water in the same rivers, red and blue water.

Yes, there's some exciting periods over the next 10 years to get the best out of that but I think they're doing - I hate giving the government a

tick but I'd give them a tick for doing a pretty good job. It's extremely different to mainland Australia. It's very important that we understand that. Most of the basins aren't interconnected. Trading arrangements are very different. Almost no groundwater movement between basins. Very unique completely different micro-climates within two or three kilometres; yes, a very unique system.

MR LINDWALL: Is there any water trading goes on?

MR THOMPSON: Yes. Trading occurs within the irrigation schemes through processes that Tasmania had actually put in place and there is informal trading on the rivers themselves between farmers where you have water licences.

MR LINDWALL: I think we should - - -

MR BAXTER: Yes.

MR LINDWALL: Any final points, Chris, before we finish?

MR THOMPSON: No, I think that's it.

MR LINDWALL: Thank you very much for coming today.

MR THOMPSON: No problem.

MR LINDWALL: I'd like to welcome Dr Dan Norton AO.

DR NORTON: Yes, my name's Dan Norton and I have had a range of roles. My role currently in Tasmania is mostly in the electricity sector, but I thought it would be useful just to come and have a chat with you because I have some views in different areas and I have had extensive experience in some relevant areas, particularly in the port area, so perhaps a couple of comments in relation to transport.

Tasmania obviously is an island state and therefore transport poses additional challenges. There aren't too many options for hauling long distance so things have got to go by road or by ship, et cetera, but high value produce which is air freight. Historically we've had problems I suppose with competition in relation to providing shipping services. The history across Bass Strait has tended to be premium based because the operators being going for a little while but they're going to go out of business. The major operators have changed ownership over time as well.

I think one point I do want to make is around coastal shipping. There's no doubt that the actions and the capabilities of this national shipping for some coastal services is detrimental to a competitive environment in Tasmania. I think that's been well analysed. It's political obviously around jobs for Australian seafarers but the ultimate cost, if you like, of providing that assistance to jobs for Australian seafarers has been providing exports out of Tasmania to some extent in ports, but mostly exports. That's a challenge that's waxed and waned. It looked as though there may be an opportunity to open up the cabotage arrangements to some extent but that failed in parliament in the Senate. Ultimately it's got to happen but it's an example of the key program to protection.

The ports themselves are reasonable efficient. We amalgamated the ports a decade ago and there have been various reviews that we've undertaken with the Tasmanian Ports Corporation which I am no longer chairman of. I retired in December. You could argue that some rationalisation of ports might theoretically make some sense but in practical reality, there are legacy assets there. There are good reasons for all existing ports to exist. What's happened over time is the speciality of those ports has changed but the notion of having a greenfield port in the north of the state is just pie in the sky because the costs would never justify it.

Robust transport. Roads have improved. Country roads are not so good and as Infrastructure Australia of which I am a board member as identified in the Australian Infrastructure Plan and the national audit, the issue of maintaining roads at a local government level does pose challenges and that ties into the other contentious but I think ultimately very important initiative about road user pricing, yet road user pricing does provide a mechanism to start to generate and hypothecate revenue back to local roads in particular.

MR BAXTER: Can I just ask a question on that? Does the national have any vehicle-regulated operator in Tasmania?

DR NORTON: Yes.

MR BAXTER: Tasmania's a signatory to the agreement?

DR NORTON: Yes.

MR BAXTER: Any views about the efficacy of NHVR?

DR NORTON: I'd rather not comment on that because I'm a consultant and I do work for an organisation, Transport Certification Australia,

which is the entity that provides telematics support facilities. I'm currently doing some work for them which is feeding into the NHVR, so I think it would be inappropriate for me to make any specific comment about the NHVR. I would say, however, that I think there are a number of important initiatives in the area of heavy vehicle transport, which from a public policy perspective have had and will continue to have some challenges because of different political views about the impact. But certainly I would say, as a board member of Infrastructure Australia, that the obvious place to start with road use of charges is heavy vehicles. The telematics capability is there. Most of the vehicles have that telematics capability and it would be, I think, a much more equitable way of dealing with road use of pricing, but that's work in progress as you well know.

MR BAXTER: That was what we proposed in our infrastructure report.

DR NORTON: Of course, yes. You've proposed it. IA have supported that and continued to promulgate that view. We are very keen to see somebody, whether it's you or us or somebody else, do some more work investigating the implementation of road use of pricing, initially concentrated in heavy vehicles.

MR BAXTER: It has been put to us by a number of the mainland people talking to us that with the closure, particularly with a number of the smaller uneconomic grain lines in Queensland and New South Wales in particular, that heavy road transport is the only option to get into main terminal.

DR NORTON: Yes.

MR BAXTER: It's then been put, two issues: one is the telematics one, of being able to track the vehicles, the second one is the funding flowback to local councils who have got responsibility for a lot of these roads. I think it's in the public domain, but the Department of Infrastructure and Regional Affairs has indicated that they're seriously looking at a means of introducing road charging or road pricing for these heavy vehicles.

DR NORTON: I did work with Transport Certification Australia for well over a decade and they run an intelligent access program. The introduction of high mass limit vehicles was facilitated by the provision of telematic capability to monitor that the vehicles were on compliant roads, that had a slow rollout. In New South Wales it was quite interesting because the New South Wales government finally agreed to it, especially when they realised that while their engineers were arguing that there are certain bridges that they didn't wish to have increased heavy vehicle traffic over, you could identify the routes that were "safe" so to speak and

issue licenses to use those routes and then have a compliance monitoring arrangement through vehicle telematics.

One of the problems with the high mass limit rollout was the last mile issue. There was a classic, I remember interviewing a truck operator who was transporting from Moree to Melbourne or vice-versa and there was about one kilometre at the end that he couldn't get his vehicle on because local government wouldn't allow it. I think there are examples where local government have started to take a more sensible attitude and use telematics themselves, but there also needs to be some supplementation, in some cases, to ensure that the roads that they're in charge of can be opened to high productivity vehicles.

MR BAXTER: Is that an issue in Tasmania?

DR NORTON: No, not really so much of an issue, it's more of an issue in the mainland.

MR LINDWALL: Did you have anything more you wanted to add? Sorry, we interrupted?

DR NORTON: No, not on transport.

MR LINDWALL: What type of price differential is there for coastal shipping from Tasmania because of cabotage restrictions do you think? If you were to estimate a liberalisation of those restrictions, what type of fall in price might you expect?

DR NORTON: Look, I really wouldn't want to give you an estimate on the floor, but it is quite significant. There are a number of international vessels that call in Tasmania, bringing products in, that go empty, and if they were able to do a call in to Brisbane for instance and then perhaps trans-ship that to Shanghai, it opens up additional export opportunities. So it depends largely on where the end point destination is and what the particular cargo is.

One of the things about international shipping that I've observed over many years of being involved in ports is that there are many vessels around the world that are continually being repositioned, the international shipping companies, some of them specialise in mega-ships, mega-container vessels, but they've usually got a portfolio of vessels and they can move in and out of a market very easily, they don't have significant and setup costs, they've got their own ships, cranes, all they need is a port and cargo and they can enter into an arrangement. We've

seen that in Tasmania where we've in fact got international shipping in Hobart again for the first time in probably about 12 years.

MR LINDWALL: Shipping what product, Dan, timber?

DR NORTON: Yes, exporting some timber products, basically timber products. But they would wish to develop an opportunity to export other products, paper products which is obviously in the timber area, but anything that they can economically, efficiently issue. So there is capacity for additional competition to come in if there's that issue of cabotage arrangements.

MR LINDWALL: If you were to rank the regulatory issues affecting transport in Tasmania, would cabotage on coastal shipping be number one?

DR NORTON: Yes.

MR LINDWALL: What about for high valued transport by air, are there any restrictions with the airports, say in Hobart and Launceston, that would need expansion to get a greater capacity, for example?

DR NORTON: Well, there's been the Commonwealth government have committed to extend the runway at Hobart to enable larger planes to come in and that may facilitate some additional opportunities for exporting products. I'm not an expert in that area but I don't feel that there's a major bottleneck around the port - sorry, around the airport configuration. That project is now going, so we'll see what impact it has.

MR LINDWALL: Anything more on transport, Ken?

MR BAXTER: No, not on transport.

MR LINDWALL: Well, how about we move on to some other issues, gene technology, is it something that you want to talk about?

DR NORTON: Well, just I wanted to make a point about gene technology. I think to make a general point, I think there's a real problem that we face nationally and it impacts on Tasmania as well, because people and the general public are increasingly not trusting or believing in the science. We're seeing that in Tasmania now, we're starting to see it with aquaculture, we saw it with the small pelagic fishery issue and the super-trawlers, I think we see it with gene technology, GMO availability because there's a moratorium here.

What tends to happen in a populace campaign comes along and say this is bad, and despite any scientific evidence that's the view. I don't believe that we're sensibly taking a case by case approach and accepting the Commonwealth initiated review of the risks associated with particular gene technology initiatives, and saying what's the payback and what is the risk, and if the risk is low let's do it. The attitude in Tasmania in a number of quarters is, well, we want a moratorium because we want to have the label, "No GMO in Tasmania", that that's a branding issue of some significant benefit; I'm sceptical about whether that's a real benefit. What I am concerned about is if that's impacting on the competitiveness of our agricultural industries in particular, because they are precluded from utilising safe gene technology, then we're (indistinct) them quite frankly.

There's a recent one which I'm not an expert on, but I'm aware of a recent one with potatoes. The competitors are using a particular genetic capability to prevent disease, prima facie it appears that it's not something that can cross into other species itself. So I think, generally speaking, anything that enables a more appropriate assessment of scientific evaluations to be accepted and a reduction in just knee-jerk populace in this, is to the advantage of us. It's to our detriment, especially in Tasmania with agriculture, aquaculture and forestry, anything which just rejects the science.

MR BAXTER: What's the objection, and I've seen it in the recent media reports and nowhere else, what's the objection of the aquaculture industry?

DR NORTON: It's twofold, one is that the faeces from the fish just drops down and messes up the waterways, it's partly aesthetic. There's a proposal to extend aquaculture off the Orford/Triabunna area, a lot of people go down there, (indistinct) and they don't like the idea of having aquaculture pens, fish pens out in the water that they fish in, so they're legitimate concerns. But there is an underlying view I think that it's polluting waterways and the most contentious area is Macquarie Harbour where it's alleged that there's not enough flushing of that harbour to disperse the effluent.

MR BAXTER: Is there any scientific data about that?

DR NORTON: There's a lot of data, yes, this is a regulated industry. But once again, I think the attitude is, well, we don't - it's not properly regulated, the science is flawed.

MR LINDWALL: This is the type of comment we had about the rejections through the Office of the Gene Technology Regulator and the World Health Organisation and the US Food and Drug Administration on Gene Technology. What can governments do more to help explain to the public the actual science, because I think you're right, there has been a dramatic increase in scepticism to science, whether it be in this space or in vaccinations, for example, anti-vax movement as well.

DR NORTON: Exactly, yes. I don't know what they can do except show some leadership and take it seriously, that there needs to be a sensible public education awareness campaign so that people do understand. At the end of the day, on things like public vaccination, they've just got to draw a hard line, you just can't allow unscientific nonsense to jeopardise public health.

MR BAXTER: Again I come back to the agriculture which would seem to have been a growth industry for Tasmania, a significant growth industry, in which the brand name or names which feature Tasmania quite considerably have resulted certainly - and I can speak only for the Sydney market - but have caused Tasmanian salmon to (a) displace a lot of the European salmons, and (b) to dominate the modules in which fishing-led products are sold in the supermarket. I mean I walked in to Woolworths in Neutral Bay on the weekend and there would have been three of those chair widths of Tasmanian salmon and one about that width of Danish salmon, that was it.

DR NORTON: Yes, it's been a very successful industry. There may be times when there are compliance issues, I'm not defending, I'm not here as an expert on aquaculture, what I am saying though is that I have observed in a number of industries, including aquaculture, this notion that, well, we don't like it and if the science tells us the wrong answer then we don't believe them.

MR LINDWALL: Yes. No, that's a very disturbing trend. Can you comment anything about water markets here?

DR NORTON: Yes, just a couple of points about water. There's been quite a deal of public investment, and in fact Infrastructure Australia has examined several business cases in relation to investment in irrigation schemes, there have been a number of them that have been established over the last decade or so, and I think the general view is that that is going to have a significant impact on Tasmanian agriculture in particular areas. If you drive up the Midland Highway you'll see pivot irrigators all the way along up there, areas that were sort of semi-arid, a bit of grazing, are now cropping.

There's been some State money, quite a deal of Commonwealth money, and at the end of the day there's got to be some private investment in there as well. Some of those schemes have had difficulty getting take-up by the private sector, there has been one particular investor, some people call him a speculative investor, but an investor who has seen the potential and has bought up those rights. When there's not much water around I think people believe that speculators are ripping them off, but if you don't have people in there showing a view and a belief in the investment then some of these schemes just wouldn't get up in the first place. So I think it's very important that we have an open system and that there is trading in water rights, there is however - and as has been stated by the person spoke to you before me - a lot of these catchments are very isolated and so there's not much capacity to transfer between catchments.

The other real issue, and one of the reasons why I did suggest to Ken that it would be useful for you to talk to Tas Irrigation. Tas Irrigation has been going from a building organisation building dams, they've successfully completed the projects, pretty much all of them on time and on budget as I understand, to now managing the use of the water. A lot of the water goes into rivers and it gets mixed up with non-irrigation water and there will be some significant challenges for Tas Irrigation and the regulator to deal with that, there's no doubt going to be issues where there are claims made that some of the water that is being extracted is river water, when there might be other information suggesting it's actually irrigation water, so who owns what is an issue.

But there's a great potential for the irrigation schemes to significantly improve our capacity to grow crops instead of low value, cheap grazing. The wool industry in Tasmania is a much changed industry over the decades and there's not nearly the emphasis on wool production that there used to be, and that's not likely to change. The good news then is that with the irrigated water, with irrigation and with water you can analyse that land, provided you appropriately look after the soil and you don't get salinity problems, to get much more high value use of that land.

MR LINDWALL: There's issues of urban encroachment into some of the irrigated areas?

DR NORTON: No. There are probably a couple of areas, the Coal River Valley area is probably one where you might say there's potential for urban encroachment, but by and large there hasn't been an issue.

MR LINDWALL: More of a Victorian problem by the sound of it.

DR NORTON: Yes. Not a real problem here.

MR LINDWALL: I think you mentioned something about food safety regulations?

DR NORTON: Yes, I threw that in because I read the Terms of Reference, and going back to the days when Ken and I were COAG senior officials, then and subsequently a lot of time has been spent on trying to harmonise regulation across jurisdictions. It angers me to see instances where national businesses have to deal with different safety standards or other regulatory standards as well, across jurisdictions. There have been a lot of ticks that have come out of COAG initiated reform of regulation, there have been some areas, electricity retailing is a classic, where despite an apparent agreement, we found some jurisdictions haven't entered into the spirit and joined national arrangements. Once again, it's a matter of political leadership, it's a battle that continues to need to be fought.

Unfortunately, the costs of having inconsistent standards, or having a national standard and then having states tweak them, are largely hidden but they ultimately impact right across the supply chain, from customers and also agricultural producers as well. So it's not a new problem but it's a problem of sorts.

MR BAXTER: It's a theme that's emerging in a number of the States, I mean you're not the only one to have made comments of this kind.

DR NORTON: Yes. I think it seems to be harder these days to get jurisdictions, to go through the process of analysing, identifying, negotiating and agreeing a comment and then implementing a comment so that that stands.

MR BAXTER: Yes, that's right.

DR NORTON: We've almost gone backwards to the notion that, well, we don't really want to be handing over our sovereign right to determine food quality standards to a national entity.

MR BAXTER: Even if it's sensible.

DR NORTON: Even if it's sensible. Once again, it's partly, I think, this populace driver that means politicians not go that route. I mean I could talk on electricity for hours, invariably where jurisdictions have come in and set up their own schemes they've been disasters, they have been disasters.

MR LINDWALL: Is there anything on the environmental regulation you could comment on or you'd like to?

DR NORTON: Look, I think that is an area that has improved over time, there's obviously this jurisdictional overlap between the Commonwealth and the States. I've had some limited involvement with the forestry industry of recent and I think, by and large, in the relationship between Commonwealth and state environmental regulation is not something that's a major problem from where I would see it.

MR LINDWALL: Ken, did you have anything else?

MR BAXTER: No, that's fine.

MR LINDWALL: I think we forgot to ask about your view about the Tasmanian Freight Equalisation Scheme?

DR NORTON: Well, it's very important from the Tasmanian perspective, there's no doubt that it is a mechanism that effectively reduces the cost penalty that Tasmania has as a result of being an island State, you can argue one way and the other about that, but it is I think, from a national point of view, some recognition of Tasmania's island challenges in transport in particular are important. There are a number of idiosyncrasies in the way the system works because it is not supposed to apply to products which end up being exported, you will find certainly in the agricultural industry, arguments that it should apply to that, especially if we're having to send it across a very expensive bit of water to get on to the ship in Melbourne to go to Singapore or wherever, we're being penalised by cabotage. So the pragmatics or the political trade-offs is that the TFES ought to be used to balance that.

MR LINDWALL: Does that mean that the removal of cabotage restrictions would mean that you would have no need for the Freight Equalisation Scheme?

DR NORTON: Look, I think, I mean you'd still - if there was a removal of cabotage it wouldn't remove the cost penalty that Tasmania faces. There's this National Sea Highway type argument, that if you were travelling, freighting between Brisbane and Melbourne, there's a huge Commonwealth investment in major roads along that route, there's no equivalent investment in major roads between Melbourne and northern Tasmania and this is sort of a bit of an offset for that, plus the subsidy that applies to passenger vehicles on the Spirit. It's part of that Federation that Tasmania is penalised so to speak or has additional challenges and has benefits from it.

Having said that, I think it is important that Tasmania is not in the situation where it, for instance, stands aside from a national regulatory arrangement or a national set of standards. Or, to go back to GMOs, says, "Well, we're not going to have GMOs", and if that results in a reduction of economic potential or economic activity, then turns around, through horizontal fiscal equalisation, and says, "Well, we want some compensation because we're not doing so well", "Why aren't you doing so well?", "Because, well, we're standing aside from sensible public policy and issues". You can't have it both ways.

MR LINDWALL: Good point, Dan.

MR BAXTER: No, I've got no other.

MR LINDWALL: Thank you very much then, Dan. Did you have any final points that we missed?

DR NORTON: No, I think that is fine. I mean I come here as an expert in very little, but I have some views I guess of a more general nature.

MR LINDWALL: No, we very much appreciate you coming in.

DR NORTON: I welcome the opportunity to have been able to talk to you.

MR LINDWALL: Thank you very much.

MR RICE: My name is Keith James Rice, I am the chief executive of two organisations, of Poppy Growers Tasmania Incorporated and an organisation, the TFGA Industrial Association which trades as Primary Employers Tasmania, it's a registered employer organisation under the Fair Work Act. I have been asked to appear on behalf - I'm a director of the Tasmanian Agricultural Productivity Group, and not to speak on their - but what they are going to put forward would be things that I'd be putting forward anyway, and been asked to speak on them. One of my fellow directors, Nicola Morris from Tasmanian Irrigation will be following me in some form today I think, and Nicola is also a fellow director on that particular board.

I do apologise for the lack of submission in this regard, we rely heavily on we are a member of the National Farmers' Federation, so we do rely heavily on them and have input to all the Commission's work through the National Farmers' Federation and I do have the submission and so forth here. But when I was contacted - - -

MR LINDWALL: Can I just add, I think we are pleased to get some of the reactions from the individual states because the NFF suffers the same problem as the federal government, they're trying to get an agreed position, and we're dealing with regulation in the agricultural sector, so it covers not only the Commonwealth regulations but also it covers the State regulations. In a number of these areas, particularly over employment and related matters, there are significant variations between the States. There's nothing wrong with that, because in the case of Queensland you've got a very different pastoral industry to what you've got here in Tasmania.

MR RICE: Tasmania, precisely, yes.

MR LINDWALL: So, look, there's no need for you to make any apology over that, and we're actually pleased to see you.

MR RICE: Well, thank you very much. One of the things that - I'm always interested in the Commission's work, one of the things that really interested me was regulation in the agricultural industry and particularly in my role from Poppy Growers Tasmania. I must emphasise I speak on behalf of the growers association and not on behalf of the processes, although I don't think they would have a great objection to anything that I have to say.

Really, with poppy regulations, from my point of view and from that of our organisation, when we received the invitation I was hoping that there would be new regulation in Tasmania, it's before the Tasmanian Parliament, it was meant to go there last week but it was adjourned until the 13th. But we've been consulted very generously by the Tasmanian Government and had a huge amount of input into that regulation. The poppy industry in Tasmania started in approximately 1965 from nothing and it regulates, we grow an alkaloid poppy which is narcotic raw material and Tasmania now provides half of the world's requirements for starter material for the world pharmaceutical and pain management industry, we're rather proud of that.

Over the last couple of years Victoria has commenced to grow poppies and there's been some grown in the Northern Territory, they're now looking at South Australia and New South Wales to grow some poppies, and that will be determined basically on a commercial basis, we had some issues with it going off Tasmania. But to ask a farmer, I'd imagine, about regulation is no regulation, we're happy to do it without regulation, but we live in the real world, we understand, particularly in relation to this industry, it is a narcotic raw material, in the wrong hands it

can cause enormous grief and enormous harm, so there has to be regulation around it, sensible regulation. We believe here in Tasmania that we have sensible regulation we've had it since 1965, really came into being in 1971. It was mandated - if you're taking notes, tell me to slow down.

MR BAXTER: No, only on that note.

MR RICE: Really, we were the first destination in the Southern Hemisphere to grow alkaloid material in '65, prior to that it was grown in some of the Eastern Bloc countries, Turkey and India, France and Spain. Basically, during the Second World War, the allies were enormously concerned that they may well run out of morphine. In that regard they wanted a secure destination, so they searched the world, and lack or otherwise, Tasmania has proved to be very adept at doing what we do.

But coming back to the regulation, our growers all need to be licensed, they need to go through national police checks, that's something that we support, it's mandated under the United Nations Single Convention on Narcotic Drugs 1961, there's what they call as amended by the 1972 Protocol. The Australian government, which is a signatory to that convention, has adopted the convention, as I said, is a signatory to the convention. The Tasmanian government, in consultation with all the other States and the Commonwealth back in 1965, then in 1971 formed what was known as the Poppy Advisory and Control Board in Tasmania which regulates the industry.

Now, we're just looking at some new contemporary measures going through the parliament, we use five year licenses now for established growers, so there is a raft of regulation around the industry but we accept that regulation.

MR BAXTER: Is that a separate piece of legislation for the poppy industry?

MR RICE: It's covered under the Poisons Act. That's one of the issues that have come up, that was found over the last few years with quite a massive expansion since 2000. The crop from 1965 increased from nothing to about 8000 or 9000 hectares in 1999, then 2000 onwards it went to 21,000 hectares, then it's escalated in peaks and troughs over that period of time, we got to 32,000 hectares in 2012/13, at the moment we're sitting on about 9000 hectares.

So we've had a look at all of that with the government and said we're established and it's mature, we need to look at this legislation and

streamline it, simplify it, take out unnecessary red tape. From our point of view that's happened. Instead of having a yearly license we'll now have a five year license for established growers, the national police checks have been made much easier.

So I really come to you with a good story in this one as far as regulation goes. We understand the need for regulation, it gives us an enormous amount of credibility within the UN and within those countries that buy our product, the US, western Europe and in parts of Asia, that the industry here in Tasmania in Australia, there isn't any diversion of the crop into the illicit market, and so we're very proud of that. If that takes legislation to do that, we need to do that.

Sadly, we've had - goodness me, since 1991 was when we're keeping records of this, and I didn't check this - eight - six fatalities from people allegedly tampering with the crop, going into the crop and dealing with an illicit substance. Apart from if you do that one thing is guaranteed, you'll make yourself violently ill, and sadly for some people, there's been a reaction. Now, most have a fatal reaction to it and so we're very conscious of that type of thing, of warning people on our website and those types of things.

I'm happy to answer any questions in regard to that, the poppy regulation, but we're very comfortable with what the Tasmanian government - the Federal government doesn't put any regulation on us, they regulate the process, there's three processing companies, they regulate them, but all our regulation comes from Tasmanian government.

MR LINDWALL: So the relationship between the growers and the processing companies is quite good?

MR RICE: It's excellent. Very, very good.

MR LINDWALL: Quite contrary to the sugar growers and millers?

MR RICE: Well, I'm not familiar with that so I can't comment.

MR LINDWALL: Just as well for you.

MR BAXTER: Very lucky.

MR RICE: Look, we do have a very good relationship with the three companies, we don't always agree of course, but we have contract negotiations each year and they're usually robust.

MR LINDWALL: Who are your three companies, out of interest?

MR RICE: There is a company called Tasmanian Alkaloids which was, up until July of this year, a subsidiary company of Johnson and Johnson in the US. It's now owned by a company or a group called SK Capital Partners, it's a US investment company in high-end product. Then there was the organisation that founded the poppies in Tasmania was GlaxoSmithKline, Glaxo welcomed straight Glaxo. Last year they sold off their poppy division to Sun Pharmaceutical Corporation in India, but both of the two companies have a large holdings in the United States, which is the biggest market. Then we have a small - or it started in Tasmania as a privately owned company and then it went publicly owned, a company called TPI Poppy Processing, and now that's moved from Tasmania and is based in Victoria, is where its headquarters and that are.

So they are our companies, they are the ones that we deal with, and they are regulated by the Federal government. As you said, all the companies have field offices, they go and contract with the farmer, they help the farmer with the crop and give agronomic advice with the crop. We have an oversight, we have approximately 91 per cent of growers, at the moment there's about 460 growers, we've had up to 900 growers, we've got a low area this year, world over-supply.

But quite honestly, we have what I would call a very strong relationship with the two major companies, with the smaller TPI company it hasn't been that good, we did end up in the Victorian Supreme Court with them over some defamation things last year and the year before, but never mind that, that's settled and out of the way and I think we're heading on a reasonably good trajectory at the moment.

MR LINDWALL: Could you explain, because of my sugar reference earlier, how the market works in terms of from the end product which the consumers buy of course, through to the sale of that from pharmacists?

MR RICE: It's like a triangle, at the bottom there's this huge area and we grow a poppy plant. We used to be called opium and we don't like it called opium because we don't grow opium, we now grow a far more sophisticated crop where it goes out till it's dry and then it's harvested, crushed and taken to the three companies. The companies then extract the alkaloids out of that and put it into a white powder called NRM, narcotic raw material, they then on-sell that up to an intermediary through there, someone like MacFarlan Smith in Edinburgh or other companies throughout the world, where it becomes API, active pharmaceutical ingredient, then it goes another step, up into dosage or tablet form, up into the high-end user. That's where we believe, sadly, the money is made,

then money made in that trickles down, even the companies here will tell you that, but that's really the market.

So Tasmanian Alkaloids for instance and Sun Pharma and TPI, they don't have any impact or - no, that's not the right word - they are not selling into the retail market, they are selling into a wholesale market where further processing takes place.

MR BAXTER: Keith, can you say, a poppy producer in Tasmania, who presumably signs a contract with one of these companies to supply?

MR RICE: Yes.

MR BAXTER: Can that producer, during the course of that contractual period, make a decision to change or is he bound for the full period of the contract?

MR RICE: He's bound for the full period. He does that annually, he gets a contract to grow. It seems to be rather convoluted but it isn't. What happens is the companies - the UN mandates the growing of this material for pain management and scientific purposes, they don't set quotas but they like to see within the UN, in a controlled substance, about one years' supply in the world, given that it's an agricultural crop they don't like to see - there's enough supply to meet demand but there's not an over-supply. While they don't control that they can make very strong recommendations if you're carrying too much stock, that's not been a problem for Australia because the stuff is so expensive that they can't afford to carry an inventory.

So we're looking at, in the UN, each year the Australian government will go to the UN, they would have met with the three companies, they look at what orders the three companies have for the coming 12 months, they would look at that and there would be projections forward, okay, based on these orders, this is how much we need to grow and we need to have a little bit of safety stock in case there's an issue, then that goes into the estimates for the United Nations. It's not a matter of ticking it off, it's a matter of good policy under the UN convention, that they have been able to establish, yes, the supply is in line with demand, and it ebbs and flows a little bit.

At the present time we've had some interesting seasons, but last season was a very good season, and on that basis - and we had a good season throughout the world so we have quite a lot of stock, the world is carrying about 17 months' supply at the present time. Added to that, in 2013 there was an artificial demand had been building for a number of

years within the United States in over-use of prescription drugs, there was a presidential White Paper came out in 2012/13 which said we've got to do something about this, we cannot have this artificial demand. I could take your x-ray sort of thing and get six months' supply of oxycodone or something of that nature, now it's really tightened up. Some would believe at the moment there's an under-supply, the doctors in the US are really concerned that the DEA, the Drug Enforcement Administration might knock on their door or something of that nature.

But that's what we live with and it is no different to your sugar and your wheat, and that, from our point of view, while it's controlled and we accept that, but we deal with the weather, we deal with all of those, the inter - the currency, we deal with all of those things. But normally what happens, we'd have contract negotiations in May and then all of the prices and the ancillary matters would be agreed, there's not much opportunity to disagree by the way, but the fact of the matter is that's the way it is and we know how much the companies are going to grow. Each of the companies then would, in May/June, go out and contract land, and they know who they're going to go to, the best growers and the like, the crop will go in, it's been a bit wet in Tasmania of recent times, so the crop will go in, and that's as we speak, the crop is going in.

I do need to apologise for the chairman of poppies - that's a bad blue - he was going to be here but he's desperately needing to get his poppies into the ground.

MR BAXTER: We understand that, well and truly.

MR LINDWALL: I was going to ask about each of the growers, are they then given a quota of how much to grow, is that what you're saying?

MR RICE: Area. So they will contract with a company, Sun Pharma or TA or TPI and they have a contract to grow 50 hectares, 20 hectares of a particular variety poppy, they all know that, and then a field officer then gives them prescriptions, advises them on chemicals and those types of things that they go and use for that crop. So they grow that through and water it and fungicides, herbicides and so forth, right through till mid-January, January/February are usually busy, that's when the crop comes on, then that's the cycle it goes around each year.

MR LINDWALL: But doesn't the yield from each hectare vary over time?

MR RICE: Dramatically.

MR LINDWALL: Based from this, because of water plus also other products?

MR RICE: One of the issues that we're dealing with as an organisation, in concert with the Tasmanian government and the poppy companies concerned, is the average for the world is about 12 kilograms of what they called active alkaloid per hectare. For Tasmania that's approximately - and as you realise from farming, there aren't any subsidies in Australia or anything like that for farmers, so the only way we can compete in the world is productivity, we just can't compete if we didn't have productivity - so our productivity is around 25 kilograms per hectare.

Research and development by the companies, research and development application by the farmers has been absolutely enormous, you'll hear shortly about the irrigation schemes in Tasmania and they are just absolutely superb. When I started in this business 30 years ago there would be less than 10 per cent of the crops were irrigated, they were dry land, now there'd be less than 10 per cent of the crops are dry land, they'd be all irrigated now. That's really where we are with - I just lost my train of thought there for a minute.

MR BAXTER: With the quota, with the productivity?

MR RICE: Yes. So they get a contract to grow so many hectares, each year that goes around because the companies can't project right out there at the present time. Some of them do have some forward contracts where they will guarantee whatever they will need so the grower can forward plan a little bit, but there's not a lot of leeway in there at the present time. Once you have that with the company you are then obliged, committed to grow that crop right out and that poppy company owns that crop, that poppy company will come along and organise for it to be harvested, will organise for it to be transported in a sealed bin back to the company, back to the factory, and you can choose then the next year.

We say there's, on good land on the north-west coast, probably three complete years out of poppies as far as rotation goes, down through the Midlands and some of the harder country it's probably you can get six and seven years out of poppies between your rotations. So that's where we sit with it at the moment.

MR LINDWALL: So there's no single marketer?

MR RICE: No, no.

MR LINDWALL: The industry doesn't see the benefit of such a thing?

MR RICE: No. Look, we've always accepted it's a commercial crop and the Sun Pharma has its customers, Tas Alk has its customers, TPI have their customers and they then go to contract with that, they're bound by the laws of the Commonwealth and laws of the state and the convention of the UN.

MR LINDWALL: Exactly, yes.

MR RICE: So that is a very competitive market, very competitive.

MR LINDWALL: How is it with the other states who are starting to come into the market, Victoria, New South Wales, and I think you said the Northern Territory?

MR RICE: Well, I shouldn't smile, but with a great deal of difficulty, I'd be less than honest if I said we didn't oppose that. There was a 1971 agreement between the Commonwealth and all the states, that Tasmania would be the only place to grow, that wasn't legally binding, it was a handshake amongst all the states and the Commonwealth at that time. Since that time, there was some issue about five/four years ago, Tasmania had run out of land to grow poppies and there was a large hue and a cry, we'd put a big effort into that, there'd been some dry areas and then some wet areas but we'd always delivered, the fact of the matter was we'd always maintained.

That's something that you would be interested in, is that if we get to the stage where Tasmania has run out of good land to grow poppies on its rotation, it should then go to mainland Australia, we should never, ever import poppy raw material from overseas for biosecurity reasons, but for any other reason, and we can grow it here in Australia, we should be supporting that here in Australia and we maintain that. There is an application before the Federal government at the moment to bring poppy material from Turkey, from Portugal and Hungary, we are bitterly opposed to that. Biosecurity is the first one, we've had a very strong strain of systemic mildew in 2014, it was particularly hard on some areas of the crop. So we will continue that fight.

MR LINDWALL: What about genetic?

MR RICE: I've got a thing about it. The only thing we disagree with the Tasmanian government on, and I note it within the NFF paper, is GM. We have GM poppies, they were trialled in the late-1990s to be herbicide resistant, we have some strains of poppy, what we call Red Poppy and Poppy Fire and some diseases in poppy that, if you put it on, you kill the

whole crop and so you need to get that out. We spend a lot, poppies are very expensive to grow, a minimum of about $2000 a hectare, and half of it is your crop input, then of that probably $1000, depending on just where you are and what the season is like, at least $1000 goes to fungicides and herbicides on the crop. Our view is that if we can, it's not a food crop, if we are able to bring in something to be able to treat the weeds and the bugs and slugs, and the other little bits and pieces on this crop that reduces the cropper growing, will make us far more competitive, will be good for the environment.

In that regard, so this started back when the moratoria came in in 2000/2001, we argued vehemently against that at that time. The two major companies have since - TPI wasn't about then, it only started in 2007 - but our view is and remains that we don't own the seed, the companies develop and own the seed so clearly they should be able to make a commercial decision if there's any pushback from some parts of the world, in western Europe or wherever it might be. Clearly there's no pushback in the US about GM, and particularly in this, a highly - what would you say - extracted crop, it bears no resemblance on what it was when it came out of the ground, is that if the commercial resources are there, it passes all the regulatory reviews of the OGTR that the Tasmanian moratorium is, is there a commercial benefit, whatever that - how you ever explain that, or an image, I forget the words now that the Tasmanian government used.

MR LINDWALL: Yes, "Clean and Green".

MR RICE: I hate that term, "Clean and Green", it is a dreadful term. But environmentally sustainable, if we are able to do that and it doesn't impact upon the saleability and the image of Tasmania. Now, how you ever do that I don't know. We have GM in the dairy industry and all - - -

MR LINDWALL: But essentially, what you're saying is that the non-GM crops that you're using here end up as, say oxycodone?

MR RICE: Yes.

MR LINDWALL: Then you could have a GM crop that also ends up as oxycodone, that end product is identical in every respect, is it not?

MR RICE: Precisely. Identical in every way.

MR LINDWALL: It would be nonsense to label one as GM free and the other one not GM free, surely?

MR RICE: GM and the other one not GM, precisely. From where we stand, and I've spoken to the companies about this, where they are at the moment, they are high-profile international companies that are growing this, unless - and their view has been, as we've been through various moratoria, we've been used as a blunt instrument I think to be up there pushing for this - but the fact of the matter remains, is that they are of a view now and have been for some years, that we're not going to put our head up above the parapet to go and lobby for GM.

We have extensive research and development trials now across the world that they're doing, and are very successful at them, which isn't for GM but it is advanced breeding procedures, and we're not going to do that and cop the wrath of public opinion if the government is not supporting us, if the government is prepared to support us we'll go out and spend the money. But their view is, to get something ready on a research and development and go to the OGTR while it's not fully costed, it's been my advice from the two major companies that it's going to cost them about $1 million to get the approval through the OGTR.

Something we've put to the Tasmanian government that's fallen on deaf ears is you've got the cart before the horse. We're going to go to the OGTR, then we're going to come back here and then see if it meets the Tasmanian marketing thing. Why can't we, if it needs to be there - and we argue vehemently it shouldn't be there to start with - at least let us run out a proposal, see if it gets the tick down here and then run it through the OGTR before you go into all of this effort to do that, and there's no saying that they are not - look, I am conscious of the time. So in that regard they have now withdrawn significant research funds - and I'm advised both of them - from GM material, on the basis of that they are not prepared to put all the effort and all the time and all the expense into that, they've now gone to other avenues to look at what they're doing.

MR BAXTER: Keith, by the Tasmanian government and others taking this view about GM, does it run the risk that the companies might eventually turn around and say, well, we can get it in Victoria, we can get it in New South Wales in the future, just let the Tasmanian poppy industry decline?

MR RICE: You've hit the nail on the head from where we are. That's one of the reasons, and it's never been stated publicly by the company so I can't say it is.

MR BAXTER: No, no.

MR RICE: But the underlying thing is, we're in Victoria or New South Wales or wherever, growing poppies, that's where we're going to trial our GM. Whether the future is there or not, I don't know, but my golly, that's where our productivity - we were speaking about productivity here a little while ago - that's where productivity is. Our average is about 25 kilograms per hectare, when you look at what our best growers are doing for both - all of the major companies, we haven't hit 100 kilograms yet, we've hit 94 kilograms a hectare, 90 kilograms a hectare and even 50 kilograms, that's on the north-west coast, but if you know Tasmania through the Midland country, through Woodbury, it's challenging country, good growers there are getting 50, 55 kilograms a hectare there.

So there is an enormous opportunity to increase - all about what the Commission is about - productivity in that area, but we see GM is only a tool in the toolbox. If there was something there the companies believe that they could use and manipulate within the growing of the crop, within the same species of plant, we would like them to have the opportunity to be able to do it, they've got to assess the market if there's going to be a pushback.

MR LINDWALL: Well, we probably should move on to labour market with you.

MR RICE: To the labour market.

MR LINDWALL: Yes, we're not to neglect that.

MR RICE: Now, I'll just note that when I was looking at that - and I don't want to take up too much time, but I have my Primary Employers Tasmania chairman, Glen Williams - who was previously chairman of Poppy Growers Tasmania, so has come in - is also an apology. Sadly, his daughter is in the mainland having quite a serious operation on her leg with cancer at the moment, as we speak, so he does apologise profusely and would have really liked to have been here.

Now, the one that is going to come right up, right front and centre, is backpacker tax. We are before the Deloitte inquiry next Monday here in Hobart in that regard, we were working closely with the NFF and their submission will go in this week. From our point of view, the backpacker tax, the assumptions made in it are ill conceived. What we're hearing from the new politician boys on the block that have been up there from Tasmania over the last week, is Treasury are of the view that why have this tax and we should tax these people because we don't want these backpackers coming in. We can then utilise the unemployed in Australia.

MR LINDWALL: Treasury is of that view, is it?

MR RICE: That's the view that is permeating, appears to be, not written anywhere, coming out and then we won't have to pay unemployment support. We can have them out there. The cold hard facts of the day are we can't attract out of Sydney and Melbourne or really anywhere people that will come along.

I had an irate farmer or a concerned orchardist on the phone the other day that's rather robust in his language, so I can't tell you exactly what he said. But as he explained to me, he said, "I'm not a man of variety and a man of this, Keith, but I say it as I see it". He said, "In 2014 I needed to get my crop off and I needed pickers to come and I went to Centrelink and then sent me 12 people". He said, "And I looked like having a million dollars' worth of fruit on the ground if I couldn't get this off". He said, "They sent them to me". This chap lives on the north-west coast near Devonport. "The CS sent me out 12 people. I gave them a brand new pair of steel-toe work boots, new worth clothes, shirt and that, because it was a very harsh environment working out on an orchard". He said, "They fronted and we gave them an induction for an hour. This was on the Monday or the Tuesday, whenever it was, and by the time they came back at 12 o'clock there was one left. This was far too hard. We can't do that."

He then went around the contacts and so forth in and around there and got some backpackers who were between - overseas workers I should say, who were between jobs or the jobs were slowing until the next job, so we got a week's work out of those and they got the crop off. Sadly that's an indictment as part of NFF, but from Fruit Growers Tasmania, from all of those farmers that we represent, but particularly horticulture, but it comes into vegetable processing and vegetable harvesting. It even comes into the dairy industry, particularly this time of the year when we're carving and we'll go into silage shortly when there's a high demand. No matter what you do, you honestly just can't get people to come and work for you.

MR BAXTER: We've been right around Australia virtually and we've heard exactly the same story from places like Mildura, Northern New South Wales, and the Toowoomba area of Queensland. It's been a very similar set of affairs.

MR RICE: When you look at 560 million as the estimate, what's the estimate based on because the people - some will still come. We won't say they won't all not come but the anecdotal evidence that we're receiving right at this moment is there will be a large percentage choose - there's demand in New Zealand. There's demand in Canada and other

places in the world. We still firmly believe a 19 per cent tax from day 1 on everything you earn, still makes us more competitive than New Zealand in gross take home money and in respect of Canada. You can't get it back. You pay it. From our members, they all agree they should pay some tax. They shouldn't get away with no tax loss. "Get away" is not the right word but they shouldn't be allowed to not pay any tax at all because they use the goods and services. They spend it in Australia and it will generate - on our estimation on the figures that we've got in and backpackers coming to Australia at the moment, the figure is declining by about 5 or 6 per cent a year. It's going to decline further if this comes in. That one clearly is at the top of our list.

MR LINDWALL: What percentage of the workers in the growing industry are backpackers?

MR RICE: In the fruit industry?

MR LINDWALL: Do you have seasonal workers too?

MR RICE: No, we don't have the seasonal worker program. It's just too cumbersome for us to manage and (2) the industry is not a particular employer in Tasmania. It's just not big enough for the Pacific Island seasonal workers. It just doesn't work. It costs you about $2000 to get them here which you've got to pay up front. You can get some of it back. Really we have not participated. That's more in Mildura and in those really big areas.

Probably as an example we've got one large company here, mainland company that's over here, that grows a whole range of berries up on the north coast of Tasmania and it's got a major investment up there and looking to make more investment. It employs currently 1100 people through its peak picking season in Tasmania. Now they're not really forthcoming with a lot of detail on it but I proposed to them that 50 per cent of those would be backpackers and they said, "No, you're way off the mark. It's a lot higher than that". I managed to get 75 per cent of those would be backpackers to come in to pick strawberries, raspberries, blueberries, all of those fruits that come in.

Speaking to the cherry growers, one of our two bigger cherry growers, apple growers come cherry growers, they have group certificates ranging from 600 to 800. Of those, 75 per cent of those are backpackers. Now there's a range of nationalities that come, a lot from Japan and Asia that come down. They like the girls better because they don't knock the fruit about like the boys do, to be quite honest, and particularly with cherries.

They come from all over, a lot from the UK, a lot from the US, Canada and Western Europe come into here.

Dare I say, I know there's been some bad publicity about that and we don't condone that at all and we have really been very strict as an organisation and we've had the total support of all of our members regarding practices that don't meet Australian standards and that. It's really the one company. They haven't had underpayment problems and most of it is piecework that these people work on and they've been paid.

Where we do get a problem and one came up with a big grower two years ago now, was they didn't look far enough behind and they had a contractor who was of the same nationality, was from the Philippines that were coming here, and they organised it so they paid for these people to come to Australia and they were almost entailed when they came here and they supplied that organisation. All the payments were correct but what we didn't know was what was behind it and what we've now really come down on and are looking behind, it was the exorbitant amount of money these people paid for accommodation and for the ubiquitous white van that moved them about to transport them. They ended up with no money. It was hot bedding too; the bed never got cold. So those types of things were - and we're right on top of that from our point of view.

MR LINDWALL: That's important.

MR RICE: That's not to say it doesn't happen and you've got to be right on top of it.

MR LINDWALL: Some of the labour hire companies were - - -

MR RICE: We're very fortunate here that we now know the labour and we've got a very strong group of labour hire companies, not that many but probably half a dozen. We all know them and so they are the ones that are used now in that regard.

MR BAXTER: Does Tasmania have an equivalent to some of the mainland states of a Rural Workers Accommodation Act?

MR RICE: No, we don't have.

MR BAXTER: There's no statutory requirement in relation to - - -

MR RICE: No, not like New South Wales and Queensland, no. We do have what was known as the old picker huts and those sort of things that have been renovated for these people to use. We're conscious of the fact

that we cannot get - one farmer said, "I could have had a million dollars' worth of crop on the ground if it didn't come off". I don't think many people understand the sensitivity of getting the crop off. Even something like artichokes and brassica and those types of things - what's the vegetable I want? I'll think of it as soon as I leave here, but you have two picks a day when it's in its prime, and so if you don't pick it, there's no point the next day. The same with our fruit. It isn't any point if it's the next day. It's got to be prime quality and that's why it's so important.

This brings us to the Fair Work Act and the four year review that we're having on that. I think just about universally everybody would agree, both the union movement and ourselves, that it is resource intensive and you have a Fair Work Commission, where years ago we would be appearing before - the union would serve a log of claims. Yes, it might have been a bit cumbersome. We'd bond to those claims. You'd go to an arbitration and you'd put your evidence. Now it's really the Commission that's telling you, "This is what we're going to do. These are the new provisions we're going to bring in. This is what's going to happen. Now you give us a written submission or you appear before us in this regard."

Part of where we are with the modern award objectives now that were introduced by the previous Labor Government, is having to look at unsociable hours, weekend work and overtime hours. When we look at the pastoral industry and the horticultural industry, we, for the 30 years I've been involved and well before me, some very astute people. Again, not me, but they were arguing in this regard in this space to whip the union and it was much of where we are with our awards at the present time was by agreement.

The other ones were very hard fought arbitrations, about shearing, about piecework rate in the food industry, about fruit industry, about hours of work and those types of things. Now we could lose that in one fell swoop and this is something that's developed over 100 years. The Pastoral Award is the second oldest award in Australia, 1907. From our point of view when we talk about fair work, that's not fair if you can use by a stroke of the pen and lose those types of things. Now I can't say we are going to lose them. We're spending enormous resources at the moment arguing before Fair Work Australia.

MR LINDWALL: But there's a threat.

MR RICE: There is a very strong threat that that could happen. Unfair dismissals still remain a problem. As far as we're concerned, you go to conciliation, have the conciliation conference over the telephone and no matter how good you think it is, the conciliator doesn't have any power

whatsoever and so nothing's changed. The threat is always, "Oh well, if you want to go this - you need to reach an agreement. If you don't reach an agreement where I can sign off on this, then it's going to go to the Federal Court and that will cost you a lot of money. So if you pay five or six weeks' pay now, it will go away", when you clearly know in your own mind or you feel in your own mind you've got a very, very strong argument. So you pay, your employer pays, simply to avoid the huge cost of being in court.

I've just done one. Workers' compensation clearly is a state act but one of the things that we're finding with that and we've made representations to the state government and all the bodies in this regard, and I need to put up front, we do not argue at all with a person who is genuinely hurt at work receiving the benefits that they deserve and the payments and the rehabilitation.

What we do find really frustrating is with the introduction 10 years ago now of stress claims. We've always had a problem with those unseen claims of a bad back or a shoulder or an elbow, but now we've introduced stress into it, stress related to work. When the history of the people that we're dealing with and we deal with the larger farmers that have processing facilities for vegetables and some of our people do milk, where you're in a situation it's well known there's a volatile situation at home within a relationship and then the next moment you're trying to deal with some behavioural problems or procedural problems at work and you can back it in, within a week you'll have a stress claim on workers' compensation.

You try and ask the doctor, "How is this related to work," when it was a normal function that we need to reorganise or we needed just to challenge a little bit to say we need to do this, that and something else, rather than what we know to be a very challenging set of circumstances at home. They can stay off for 12 or 18 months or longer and you can't get a resolution on it. It's enormously frustrating from our point of view.

MR BAXTER: Do you find a very wide prevalence of that in any particular situation?

MR RICE: Commissioner, no, in essence, no. We're probably dealing with about four of those ongoing matters out of - well, we have 600 members. If I was to put to you they're 3300, 3400 farms in Tasmania and the last ABS figures of 2013, 2014, there are 800 farms earning more than $350,000 a year. So we're covering nearly all of those bigger ones.

MR BAXTER: I mean the reason I ask that is it appears, certainly if you look behind the figures in the agricultural sector on the mainland, the stress issue, the way you describe it, appears to surface, especially in parts of the dairy industry, dairy and horticulture, more so than in the traditional pastoral industries, such as wool growing, beef cattle.

MR RICE: That would be a fair comment. In our pastoral areas through the sheep, cattle country, we haven't had that issue down there. We do have the issue with the Monday morning pulled a muscle in for work and that type of thing and you know they've been playing football that weekend, but that's another story.

MR LINDWALL: I know the time is limited, but are there any on work health and safety that you'd like to talk about and responsibilities?

MR RICE: I see where NFF have written in there and it was my instigation that it's there, so I've got to put my hand up in that that there is - and we find it in Tasmania, not to a large degree, but it puts the whole issue of work, health and safety - it sends it backwards when they really look for a prosecution, rather than how can we work with these and do things.

We had an instance several years ago with an auger, a grain auger, and this is just one that comes to mind is the young lady was a backpacker, as it so happened, who was there. "Whatever you do, don't put your hands down in that" and she was rather colourful too. "Well I'm not stupid. I'm not going to put my hand down in that." The employer was away for the morning and it tore the ends of those two fingers off. Even then, she still can't - it's a colourful explanation on how she got there - but she's got no idea of why she put her hand in there but what she did.

The first thing when it arrived was, "We're going to prosecute". That by itself went through the district like wildfire. Of course, they knew this person, the employer, was enormously safety conscious, perhaps to being perhaps over the top with it, some would say. So we're dealing with that and we're speaking to the government. We're speaking to WorkSafe Tasmania and those types of things but it is an issue.

Just to finish off, I noticed that you were speaking before I came in and I've got in my notes here Bass Strait's shipping cabotage and all of those sorts of things. I don't profess to be - I was some years ago heavily involved in that but I'm not now, but I bring to you an anecdote that I had. On my 40th birthday, it was the River Torrens in Devonport, it was a self-unloading grain vessel, the first one that had come into there, so this is

beaut. It can unload by itself. We don't need - if a crane comes over it sits it into a hopper, and we went into a major dispute then with - it must have been the Waterside Workers Federation at that time, because they wanted four men, one on each point upstairs, plus an overseer to look and the same down, so it was 10 men, down on the wharf, one on either leg to see it come down.

Things have improved since then dramatically but our view is there's still room for improvement. I know there are some within Tasmania that believes cabotage in Tasmania and the like should continue and Australian-manned ships. As farmers, we're not protected from the world. We're not protected from currency. We're not protected from the seasonal activities, from fluctuations in the market and those types of things. We need the most efficient, cost-effective transport system available to us and we support your previous recommendations in that regard.

MR LINDWALL: Thank you very much. Thank you.

MR RICE: I do appreciate the amount of time. I realise I had half an hour.

MR BAXTER: We appreciate it too.

MR LINDWALL: We do too, yes.

MR RICE: I'm happy once I've spoken, I haven't given you - I haven't taken a breath.

MR LINDWALL: I think there's something you can eat over here so we might just break for morning tea.

ADJOURNED **[10.50 am]**

RESUMED **[11.10 am]**

MR LINDWALL: Please introduce yourselves and give a statement as you wish.

MS O'CONNOR: Thank you. I'd like to thank the Commission for holding hearings in Hobart. My name is Cassy O'Connor. I'm the leader of the Tasmanian Greens and I'm here today to represent

Andrea Dawkins, MP, who's our member for Bass and spokesperson for primary industries and the author of our submission to the Productivity Commission. Joining me here today is our policy adviser, Thomas Whitton.

As I said, thank you to the Commission for holding its hearings in Hobart. We're very concerned about the draft Productivity Commission report and the recommendation that moratoria on genetically modified organisms be lifted. We think there's a specific Tasmanian context that I hope the Commission makes itself more aware of because the draft report doesn't acknowledge the value of Tasmania's brand, the fact that our brand is built on clean, green and natural.

We're also a bit concerned about the line-up of today's hearings. There's a number of interests that we think the Commission should speak to in relation to the proposal to lift the ban and that is Fruit Growers Tasmania, Cape Grim Beef, The Tasmanian Beekeepers Association, the Tasmanian Red Meat Industry Council, Tasmanian salmon producers, and we recognise that the question of genetically modified organisms doesn't just relate to crops, that there are other organisms potentially that could come into our production and supply chains that aren't specifically related to crops.

I guess I just wanted to give the Commission a bit of context here. There are very few issues where you will find complete tripartisan support and the moratoria on genetically modified organisms is one of them. The Greens position is that the moratoria should be extended to a permanent ban on genetically modified organisms in Tasmania. We have an issue with some of the statements and assumptions that are in the draft report about what industry feels about GMOs in Tasmania and the moratoria, because as DPIPWE has made quite clear in their genetically modified organisms annual environmental scan of December 2015, there is no collective viewpoint across industry sectors as to whether there's an imperative to change the current policy position.

The key finding of DPIPWE's report is that there is no need to trigger a review of the moratoria on the commercial release of GM into Tasmania's environment at this time. Politically, I think if the Productivity Commission's final report makes a recommendation to government that States not be allowed to implement GM moratoria or bans on economic grounds that they currently are, that you will have the mother of all fights on your hands in Tasmania because there's a strong political will that we maintain our GE free status. There's a strong political recognition that our brand is one of our most valuable economic assets and we just cannot support a lifting of the GMO ban.

One of the issues that I see in the draft report is a failure to recognise that the markets are actually driving this and the markets have spoken in many nations around the world and our key trading partners' consumers are very wary of consuming GM products and that's the reality. That's the reality that we're dealing with and we've got an agricultural export sector that's worth around $1.4 billion a year. It's an absolute pillar of our economy and it sets us apart. Our brand sets us apart from many of our competitors in the agricultural space. We're a very small State but we punch above our weight in terms of our exports and we're recognised for quality of our exports.

I would urge the Commission to seek testimony from companies like Cape Grim Beef and Fruit Growers Tasmania and those other stakeholders that I talked about before because their perspective is really important.

MR LINDWALL: Thank you. I got an email from Bob Phelps of Gene Ethics this morning, or late last night actually, and he said that we hadn't invited anyone. I just want to put it on the record that we welcome everybody and we don't have any policy to invite people in particular or not invite them. Anyone who wants to register is welcome to testify at our hearings at any time.

MS O'CONNOR: Sure.

MR BAXTER: Could I also add that I have had a long association with Tasmania. I sat on the board of the Hydro which won't help exactly the words you want to hear but I sat on the board of the Hydro for 11 years.

MS O'CONNOR: We love Hydro.

MR BAXTER: I worked for five years for Senator Reid, the late Senator Reid, and then worked for another four years for Senator Rae and sailed the Deputy Premier's Batt's boat to allow him to win the Melbourne to Hobart on one occasion. So I've had a fair association with the state and, as a consequence, several of the people that you spoke of, Cape Grim, in particular, I actually, in addition to the publicity that was given, contacted them and said, "We would very much like to hear from you" and several others in exactly the same category. Paul has been I think on ABC radio to make it very clear that we were coming to Tasmania.

MR LINDWALL: We did advertise on the radio, yes.

MR BAXTER: There's a number of people who couldn't appear today, to who it was what they regarded as short notice. What we have indicated

is Paul will be overseas in I think a couple of weeks' time but probably Rowan, who's sitting there on the other side of the table, and I will probably be back to Hobart - well Launceston and Hobart, because a lot of these people are focused on Launceston - while Paul's away, not for a formal hearing but at least to meet and hear from what they've got to say.

Can I say Tasmania is living up to its reputation of punching above its weight and the most likely reaction is we'll have complaints from Queensland, New South Wales and Victoria that we aren't giving them equal treatment to the Tasmanians. So we're well aware of the importance of this issue to Tasmania.

MR LINDWALL: Do you distinguish the situation in Tasmania to the one in South Australia where people who, for example, have some testimony that a farmer in New South Wales wanting to export something to move it across to Western Australia has to go to a special route so it doesn't go through South Australia.

MS O'CONNOR: I obviously can't speak for South Australia but they have had a moratoria in place for some time and they've made that decision on strategic economic grounds. It's an important state's rights issue. States, parliaments, governments should be able to make laws in the State's interests and I know that's vaguely heretic from the Productivity Commission's point of view to open borders.

MR LINDWALL: Our recommendation was that the state government remove them in the draft report. It was that the state government remove them, not the federal government override the state governments.

MS O'CONNOR: Yes, I understand that but it's still quite a strong recommendation in the draft report that the states remove their moratoria. I don't think the draft report examines closely enough why different jurisdictions, in fact, five jurisdictions have put in place moratoria. With respect to the authors of the draft report, I think the fact of the market and consumer demand, the fact that there's strong support across a number of sectors for the moratoria in those different jurisdictions should be respected. You've got a majority of Australian jurisdictions having in place moratoria on GMO products because I think fundamentally there's a recognition that it potentially provides a market edge and we would argue it does provide a market edge, but it's also about the precautionary principle.

There's still quite fierce base in scientific communities about GMOs and from the Tasmanian point of view we think that the precautionary principle needs to be acquired. I have to say I could be sitting here with

the Liberal Premier of Tasmania and the Labor Opposition Leader, and we'd probably all be in furious agreement on this issue. So I will just again flag with the Commission that you will have quite a fight on your hands if your final report recommends that states overturn longstanding moratoria that are based on very sound reasoning, and from a Tasmanian point of view, an absolute determination to protect our brand and what we regard as a marketing edge.

MR LINDWALL: How would you explain - apparently in Victoria which doesn't have a moratorium, it has a price premium some people say for non-GM products over GM, and yet they're able to exist side by side.

MS O'CONNOR: But you're talking about them existing side by side on the shelf.

MR LINDWALL: Yes.

MS O'CONNOR: You're not actually arguing, I don't think, that you can have GM crops growing side by side with non-GM crops. Well I think that's a really flawed assumption in the Commission's report and I know you quote the *Marsh v Baxter* case from WA. But if anything, what that case exposed is the weakness in the Australian legal framework to protect organic farmers and farmers who don't want GM crops because it's clear there was contamination.

MR BAXTER: With due respect, there are places in Northern New South Wales and Southern Queensland where you have GM product or crops along with non-GM. Again, due to my age, can I go back over history when one of the complaints as to when they cleared a lot of the country in Northern New South Wales which had been traditionally sheep and cattle breeding and they pulled down all the fences and went to a wide range of crops, including cotton, that you had complaints from a number of producers of the food grains which was then the brans and the oats and others. Standard wheat was coming across and influencing and affecting the oats and the bran or the oats and the other grains that were next door.

Aren't there two distinctions in this? One is a question of good farming practices and the second one is the scientific issue of the validity of the science that's involved with genetically modified organisms. You can have many places, certainly in mainland Australia and I suspect Tasmania, where you have farmers who will look after their pastures. They will be growing pastures which are necessary for either high milk production or what-have-you. Next door neighbour fails to deal with his weed problem and you get things like fireweed which are absolutely toxic

to ruminant animals, grown adjacent to ryegrasses and others which are aimed at fattening cattle.

Now I find an inconsistent view over the GMO argument when the greatest threat certainly in many places in Australia is poor farm management in dealing with weeds and second-grade pasture crops, adjacent to a farmer who's attempting to be a very good farmer and minimise his weed infestations and maximise his pasture growth. Now you make no noise about that. Very little is said and very little is done to avoid the weed problems.

MS O'CONNOR: If you want to talk about creating another issue where there's contaminant problems for adjacent property owners, in order to argue that you should have GM crops side by side with organic or non-GM crops, I think that's a flawed argument. There will be situations in the agricultural sector and there long have been, as you've noted, where you get contamination across property boundaries. You can't deny the fact that wind blows, that animals move across crops and you will get contamination.

MR BAXTER: Exactly.

MS O'CONNOR: It's not an argument for introducing another potential contaminant. It's just not a sound argument.

MR BAXTER: No, I'm not saying that but I find that if you look at major costs to the efficiency of Australian agriculture, the GMO issue is at the lower end of the scale.

MS O'CONNOR: That's what you say.

MR BAXTER: No, no, let me finish.

MS O'CONNOR: On the evidence. What's the evidence?

MR BAXTER: On the evidence, the massive cost of weed infestation across this country is enormous and would far outweigh any of the so-called costs - well, not so-called, but the costs that are alleged in relation to GMOs.

MS O'CONNOR: Again, I think that's a really subjective statement from your point of view.

MR BAXTER: No.

MS O'CONNOR: Well just let me finish for a minute. Part of the reason that many producers have problems with weeds is because of farming practices that are over reliant on chemicals. We would argue that if you have good strong low chemical use or organic practices, that you're not creating situations where you've got weeds cropping up that are resistant and out of control. So if you go to a good, healthy organic farm or a permaculture farm where they've moved away from the use of pesticides or chemical fertilisers, you'll find that weed problems are minimised. You can talk to people who work in the organic farming sector that will tell you that. It's actually the weed problems are a significant part, I'll put to you, as a consequence of industrial, agricultural practices that are heavily reliant on chemical fertilisers and pesticides.

MR BAXTER: That might be a Tasmanian view but can I say to you and we agree or disagree, it is that the vast areas of Queensland and New South Wales and parts of Victoria have very little pesticide ever applied to them because the areas are just so vast that the cost to use pesticides would be absolutely impossible and they'd go out of business. Again, with due respect, yes, I know a fair degree about the permaculture and others but they're a very small part of Australian agriculture.

MS O'CONNOR: They're growing.

MR BAXTER: No, not very much. They're a very small part of it and the big weed problems exist in the broad acre areas of either grazing and farming of New South Wales, Western Australia to a lesser extent, and Queensland. I don't think it's worth pursuing this at this stage but there's in fact an unwillingness on some of the groups in Australia who focus on the GMO issue not to apply the same degree of energy in dealing with what are very serious weed contamination problems.

MS O'CONNOR: Well we've had weed contamination problems here obviously with weeds like ragwort and thistle but we would argue that once you start changing the chemical structure of soil through the heavy application of chemical fertilisers, you're actually creating situations where weeds will flourish.

MR BAXTER: Yes, but a lot of this country in central and western New South Wales and Queensland doesn't have that application.

MS O'CONNOR: Of chemical fertilisers? Really?

MR BAXTER: Of chemical fertilisers, yes.

MR LINDWALL: Could I ask about - the moratorium we're talking here that it states it is based upon economic issues. We can get on to the scientific stuff later perhaps. The market is fickle. Let's say a GM product is developed which I've been told is on the way that provides positive health benefits, for example, it reduces blood pressure, reduces cholesterol levels or something like that and people start clambering for it. I wouldn't be surprised that would happen. Why would you want a permanent moratorium? Surely you should be flexible to adjust that suddenly the market says we now value the GM product more than the non-GM product. Why would you want to stick to only non-GM.? Can you conceive that it's possible that technology could advance in such a way that the environmental and health benefits of GM products are so overwhelming that the public would accept them?

MS O'CONNOR: Of some GM products.

MR LINDWALL: Perhaps, yes.

MS O'CONNOR: That time may come in the future. I'm quite prepared to concede that. But again, if you just go back to first principles, if you have government policy and direction of funding into preventative health programs, good diet programs, it's not necessary to take a pill every time you want to improve someone's health, this notion that GM products are going to be the panacea of humanity. It's not bearing itself out, I think, anywhere in the world.

If you have a look at what GM cotton has done to farmers and farming communities in places like India, where it's broken them and you have poor farmers committing suicide because they cannot afford to keep buying the seed that Monsanto requires them to buy. There are a whole lot of issues with the GMO industry. Of course there will be advances in medicine and technology that can improve the health and wellbeing, not only of people, but potentially lead to significant environmental benefits and, of course, you should look at them.

Right now we're in a frame where the Tasmanian Government, with tripartisan support and broad sector support, has looked at the evidence, looked at the risk, examined the value of Tasmania's brand to the greatest extent possible and made a determination that we don't want GM products contaminating the agricultural sector or the broader primary industry sector in Tasmania. That's in place until 2019 and I'll be extremely unsurprised if the moratoria is extended for another five years.

MR LINDWALL: What is it about regulating GM on to the process, rather than the output? We had testimony this morning, for example, that

you can have GM poppies and non-GM poppies. They ultimately get processed through to morphine which is chemically identical in each respect. Why should people be so concerned about the process leading to an output, rather than the output itself?

MS O'CONNOR: Isn't the issue here about the policy approach and what legislation you have in place and a concern from organisations like Cape Grim Beef that once you make a strategic decision as a State to lift a moratoria on a narrow basis, which is what you're arguing here, that it will damage the brand, because we won't be able to go into the markets that we're so reliant on and say Tasmania is a GM-free State. That will undoubtedly have an impact on our experts and on our brand. As I've said earlier, our brand is one of the most valuable and treasured economic assets that we have, which is why in a state where you have political disputes over so many things.

MR LINDWALL: You don't have it over this.

MS O'CONNOR: On this issue we don't have it.

MR LINDWALL: It doesn't make it all right though, does it?

MS O'CONNOR: Well we think that it makes it right because we've applied - we've looked at the evidence. We have looked at the value of our brand and we've applied the precautionary principle. Like the four other jurisdictions that have moratoria in place, we've weighed the evidence and decided the risk is not worth it. Therefore, from a state policy point of view, we would argue that's right.

MR LINDWALL: We've had testimony from the Office of the Gene Technology Regulator and other biochemists and they've told us - and I think I said at a previous hearing that I'm an economist and an ancient historian and I can tell you what's good literature there. I can't really tell you what good literature in gene technology is. These scientists say to me and to Ken that the science is absolutely overwhelmingly clear. It's like climate change. It's like the benefit of vaccinations - that the dispute over science is not correct. Who am I to argue about that?

MS O'CONNOR: Well, the Office of the Gene Technology Regulator is going to say that, aren't they?

MR BAXTER: No, I'll pull you up on that.

MS O'CONNOR: There's plenty of dispute over the science, plenty of dispute.

MR BAXTER: There's certainly plenty of dispute but I'll pull you up on that. Certainly mine and I think Paul's experience with Federal Government scientific bodies has been that first of all the people who inhabit that space are scientists of first of all usually very good education; secondly, they're very experienced; and thirdly, regard their professional integrity very, very highly and are not prepared to compromise themselves.

I spent several years, in fact, five or six years, as chairman of the Australian Dairy Research Commission in which we had a serious set of diseases, one being Johne's disease, which still hasn't been resolved and impacts quite heavily on the dairy industry in Tasmania. The science arguments surrounding Johne's disease were very considerable and in relative terms probably with the same intensity that the pro and negative scientific views exist, but we had a series of scientists who stood by certain views which they regarded were scientifically justified. I think to impugn people of that kind, and particularly OGTR, I don't think is justified.

MS O'CONNOR: Well hang on a second. The desire was not to impugn.

MR BAXTER: Well you said, "They would say that, wouldn't they?"

MS O'CONNOR: Well yes, but the organisational momentum of the Office of the Gene Technology Regulator is towards the regulation of genetically modified organisms, so there's a scientific momentum that I think we should acknowledge here. When you were talking I was remembering that the former chief scientist made recommendations in 2007-8, that would have allowed the dispersal of pulp mill waste potentially containing dioxins into Bass Strait from a proposed pulp mill in the Tamar Valley.

Now on a purely clinical, scientific basis, weighing up the potential environmental detriment to the - well, weighing that up, you can kind of understand why the chief scientist could say that. But it was a real indication to me of the flaws in scientific arguments because Bass Strait is a shallow body of water that takes about 90 days to flush and that effluent would have contaminated scallop fisheries, yet the chief scientist put in place a set of conditions for the dispersal of that effluent. Nonetheless, the chief scientist okayed the dispersal of dioxin-containing effluent into Bass Strait. So I'm not going to sit here and agree that scientists are infallible.

MR BAXTER: Yes, but that's a different - - -

MS O'CONNOR: One of the things scientists don't examine is intrinsic values and scientists aren't looking at the value of our brand. They're not looking at the way producers here feel. Feelings don't come into science, whereas feelings are quite legitimate.

MR BAXTER: Can I just say, I understand the brand argument and the brand argument is something that anybody who's got something they regard as special and distinguishing them from another product or products in the market, they will pursue and exploit to the Nth degree. Whether it's Tasmania Incorporated doing it or whether it's Woolworths or whether it's somebody else, whether it's one of the big, wicked, evil petroleum companies trying to convince you that buying a litre of BP petrol is better than buying a litre of Shell petrol, that is going to be exploited to the Nth degree. I've got no problem with that and while the phrase may be misinterpreted, if you can get away with that for as long as possible, very good luck to you, because clearly in a number of agricultural products, including Cape Grim Beef, which I buy, highly expensive but which I purchase, it's a valid marketing ploy.

There is, I think, a very clear necessity to be honest on an intellectual basis of whether what happens if that brand starts to get diminished, not because of GMO but because either Europe, which is the major driving force at the moment for this clean, green thing, or Japan, turns around and says, "Well, we've had that. We're launching off on another thing", in exactly the way that the Chinese for a short period of time bought Australian, not just Tasmanian, Australian-produced baby food. Then for reasons of market or political intervention, decided, no, that they were going to produce it all internally and imported skim milk powder.

MS O'CONNOR: One of the biggest customers for Tasmania's agricultural products is China and they buy it because they want clean produce of high quality that is not containing contaminants that are harmful to humans.

MR BAXTER: And at this stage they're prepared to pay for it.

MS O'CONNOR: That's right. At this stage they are prepared to pay for it, yes, that's true. As Thomas has just pointed out to me, you've relayed a sequence of hypotheticals to me which actually are not necessarily all that relevant to the argument about why we're so fiercely defensive about brand down here and will continue to be so.

MR BAXTER: Well no, they're not irrelevant. If you've got a marketplace which regards your product, whether it's right or not, but regards your product as being better than another product.

MS O'CONNOR: Because it is.

MR BAXTER: No, but whether it is or not doesn't matter a great deal, but if they perceive it to be and they accept it as being, then you're perfectly entitled to pursue that to the Nth degree. I have no problem with that. In exactly the same way that General Motors used to convince us that a Holden car was the best car to buy, which frankly was a pile of rubbish but my generation in early days accepted that owning an FJ Holden was the absolute doyen of affordable motor cars.

MS O'CONNOR: Okay. Well I'll put another hypothetical to you. The world is becoming increasingly polluted. Agricultural systems are under increasing pressure. Population is increasing. There are now fierce contests over land and clean water and it is not unreasonable to project an increased demand for products that come from places that are recognised as having a clean environment. The world's environment is not getting healthier and that's why we believe that our brand will only increase in value. I'm not going to project to you why you buy Cape Grim Beef, but maybe you buy Cape Grim Beef because you know it's from cows that come from a place that's got the cleanest air in the world and is uncontaminated.

MR LINDWALL: But this is all about Maslow's hierarchy of needs, isn't it, that as people become wealthier they demand things such as the environmental benefits, when previously when they were poor they were demanding housing and food basically. They wouldn't care so much about the quality of the food when people are poor. Lifting them out of poverty is what's giving them the environmental foresight.

MS O'CONNOR: I think that's a fairly brave assumption that people who are poor don't care about the quality of the food that they consume.

MR LINDWALL: Well they don't have much choice often times.

MS O'CONNOR: That's different. In Tasmania we're seeing each year increase in the value for organic produce. I think it's increasing in value at about 16 per cent a year. When you look globally at demand for organic produce and non-GM produce, you can't deny the fact that consumers want to be able to access those products and they want them labelled.

MR LINDWALL: What about the paradox that one person who testified to us that GM and some conventional food is regulated to a far greater extent than organic which isn't, and in his view anyway, that it was much safer to eat GM food than organic which is unregulated and unsafe.

MS O'CONNOR: Well I don't know whose testimony.

MR LINDWALL: He's a biochemist in Perth.

MS O'CONNOR: He's a biochemist.

MR LINDWALL: I can't remember his name.

MS O'CONNOR: A biochemist?

MR LINDWALL: Yes.

MR BAXTER: This is not the subject of this inquiry but there is a far broader argument which is arguable on both sides or on multiple side of the fence about what the poor of any large country like India or parts of Africa get. I put this in for what it's worth. I chaired a government-owned company in South East Asia which built infrastructure and we saw people who were just more than happy to get food of any kind because they were starving and there was no alternative to what was being provided.

MS O'CONNOR: Companies like Nestle exploited that by selling contaminated baby milk products into Africa that made babies sick, so there's an ethical argument here for not assuming that GM foods are going to provide the panacea to poor countries, and if you didn't have an industrial agricultural complex that exploited the need to feed people who are living in countries of great disadvantage, you might have a higher focus on working within natural systems.

I attended the first Parliamentary Prayer Breakfast that I've ever been to a couple of weeks ago and the keynote speaker was Bruce French, Order of Australia medal, a Tasmanian icon and living treasure. He talked about - he's been to many, many countries in the world and examined their plants and their natural food plants and has prepared the world's most comprehensive database of native food plants for each country and he was quite scathing of GM products of their potential to disrupt natural food systems and this failed belief that you have to move away from natural systems. By the same token, he was equally concerned about the application of chemical fertilisers and pesticides.

This guy is not a greenie. This is a gentleman who trained as an agricultural scientist and had his grounding in first learning about natural food plants when he went to Papua New Guinea and realised that the locals had been planting a particular type of crop that was failing for them. He went back to find out what their natural food plants were and actually worked with those communities to establish sustainable agricultural systems that supported those communities.

The planet created - I mean there are plants that are there to feed people. Yes, the world's population is increasing and it's placing increased pressure on the world's natural systems, but if we just for a moment don't have the arrogance to think that we have to distort life forms in order to feed people. I mean there may be some arguments for genetically modified crops of some sort but it's not the answer to everything because sustainable agricultural methods are far more effective at feeding local communities in disadvantaged areas, I would argue, than GM crops.

MR LINDWALL: I don't think there's any disagreement about the fact that we want agricultural practices to be sustainable in the long term and also that people need to be fed, but what about the argument that without new technologies you're unable to feed the world's population, that traditional methods of organic farming would lead to mass starvation of a kind that's never been experienced in the history of the world.

MS O'CONNOR: There's already mass starvation happening in places like South Sudan and Sierra Leone. There's huge food supply problems for people living in poorer countries, so I'm not sure what your argument is here. There's huge pressure.

MR LINDWALL: We had testimony from another person who said that we should move to a very traditional, which I took to mean pre-industrial revolution form of agriculture, which would be in Malpas' time be impossible to feed a population of today's standards obviously.

MS O'CONNOR: What's the question, sorry?

MR LINDWALL: The question is that the technology we use to produce agricultural products is necessary to feed the population of the world we currently have.

MS O'CONNOR: Some of those technologies are but obviously the technologies haven't provided all the answers because there are still people starving in places that are resource rich.

MR LINDWALL: Yes, well that's true and there's usually a whole lot of issues, including bad covenants, and corrupt governments and all sort of evils that affect transparent systems.

MS O'CONNOR: Actually, there are still in Tasmania - the Heart Foundation, I think it was, did a study a couple of years ago that found - okay, I'm not going to put a number on it but there's a significant and disturbing percentage of Tasmanian families and children that don't have access to clean, fresh food.

MR BAXTER: Can I just add, my first visit to Tasmania was back when Henry Jones still owned every hop growing entity - - -

MS O'CONNOR: And fruit orchard.

MR BAXTER: - - - because they had all the debt between basically just north of here and right up the Derwent. I can remember my first encounter with real poverty was in the Derwent Valley when there were small people living and operating roast houses that Henry Jones operated in the small orchards and that was within seven to 10 kilometres of the city of Hobart and it was severe poverty. At that stage I was working with the University of New England on a federal program.

MS O'CONNOR: It still exists.

MR BAXTER: Yes, and it still exists in other parts of Australia.

MS O'CONNOR: That's why you're seeing probably the reversal of the move towards large-scale industrial agriculture. You're seeing a return to community-grown food, community gardens. At most of Tasmania's neighbourhood houses now there's a community garden. There's an increased interest in and focus on local food production, sustainable local food production, food forests, people growing their own vegetables. It's happening and that's a good thing. I'm not saying it's the solution to all the world's problems because clearly it's not but it's part of feeding people who are living in food deserts.

MR BAXTER: I've got no more.

MR LINDWALL: Did you have any final points you'd like to make, Cassy?

MS O'CONNOR: I hear what you're saying about speaking to those other representative stakeholders and I understand your concern about now showing any favouritism towards Tasmania, but it would be I think

helpful to the Commission's findings in its final report to speak to some of those producers who are heavily reliant on our clean, green natural brand, and are strongly supportive of the moratoria on GMOs in Tasmania. I've read through the chapter; is it chapter 6? I've read through the chapter and absolutely stand by the criticisms that we've made of your assumptions and findings and, unfortunately, I think biases contained within that chapter.

MR LINDWALL: Well that's what it is, a draft report. We are seeking feedback.

MS O'CONNOR: I would urge you to just please talk to those Tasmanian producers who will help you.

MR LINDWALL: Could I ask a question on a totally unrelated subject?

MS O'CONNOR: Sure, are we on the record?

MR LINDWALL: Yes. On my other inquiry is telecommunications universal service obligation, so this is out of left field.

MS O'CONNOR: Yes.

MR LINDWALL: Is there anything you can talk about telecommunications services in Tasmania that would be helpful to me?

MR BAXTER: We will be conducting hearings on that topic.

MS O'CONNOR: Thirty seconds or less I'll give you. We've had I think, probably more than some other jurisdictions, had a reasonably good rollout of the NBN. Personal experience, it took us 18 months to get the NBN and we live five minutes from the city centre but certainly in a place like Tasmania it has enabled people to live in New Norfolk and work in London and that makes a huge difference to a place like this where we're fiercely independent and island-minded but I like to contribute.

MR BAXTER: Can I add on to that, we're focused on GMOs but, as I say, having been involved with Tasmania for a very long part of my life, one of the key issues has always been the transport of this product between Tasmania and the mainland and export markets. We have heard a considerable amount of evidence from Tasmanians and others who would support very strongly abolition of cabotage which currently adds quite significant cost to the export of Tasmanian products, and reduces the frequency of vessels, particularly sailing out of northern Tasmanian ports. I understand from one of our witnesses that it's only recently that the

cargo vessels returned to the port of Hobart. What's your views about the transport issue? If you go through our report you'll see we've recommended the removal of cabotage which at the moment gives priority to Australian flagged and Australian crewed vessels, but in so doing adds an enormous expense to getting the clean, green product, whether it's to Melbourne or to other parts of the world.

MS O'CONNOR: I'm not an expert on these things and I think you should talk to someone like Senator Nick McKim or Senator Peter Whish-Wilson, but my understanding is that there is a Bass Strait freight equalisation scheme which mitigates some of the export costs. There's been some work done by the Liberal Government down here to extend elements of that subsidy to international exports and we're never going to back in policy that allows probably exploited cheap labour from overseas to take Australian jobs in the shipping industry. But like I said, I'm not an expert, I'm just talking from the gut.

MR LINDWALL: That's all right. Thank you very much for coming.

MS O'CONNOR: Thank you. Thanks for your time.

MR BAXTER: Thank you.

ADJOURNED **[11.57 am]**

RESUMED **[12.51 pm]**

MR LINDWALL: The usual thing, you just say your names and organisations and give us a bit of a statement and we'll go from there.

MR STEEL: Nick Steel, so I'm the rural affairs manager of the Tasmanian Farmers and Graziers Association.

MR BEVAN: Andrew Bevan, director of Tasmanian Farmers and Graziers Association.

MR STEEL: So we provided a draft submission - - -

MR LINDWALL: Thank you, yes.

MR STEEL: - - - to the Commission, so - - -

MR LINDWALL: And sorry about the late notice for the hearings. This is an added hearing, so - - -

MR STEEL: But we thank you for the extension to provide our submission up to the end of the week, and some of the main reasons behind the extension is to consider the views from our peak bodies.

But TFGA is the peak body for agriculture in the state. We've got some 3,000 members which represent about 80 per cent of the production of agriculture in Tasmania. The key, I suppose, thrust across our submission is we're very supportive across the draft report. We think - the opening comment, I think, within the report about no one-off inquiry such as this or red tape reduction target will be able to eliminate or reduce regulatory burdens, but obviously we see this as an opportunity to put our issues on the table, get the government to consider some of those, and where we can find some improvements.

Some of the main sort of issues we've discussed in our submission are around land use, so that's in regard to giving examples around the right to farm legislation. So Tasmania's one of the only states with a particular legislation around that. The environmental one, that's more in regard to consultation, so making sure farming organisations are on the consulted list for government.

On farm regulation of water, I think we've got a really good example there in regard to the four entities we have within Tasmania who are managing water, and certainly we can discuss that further. Animal welfare, it's certainly very important to farmers, and we believe the past model, the Australian government with the Animal Welfare Advisory Committee, was a good one to consider the standards and guidelines, and something that should be reconsidered, and we've noted within ours around the Tasmanian committee, the AWAC committee, that it does work, has got good representation sitting around that committee.

Let me talk about the ag and vet chemicals. So that's a fairly hot topic in regard to Tasmania's around GMOs. The TFGA stance on the moratorium is that we are supportive of it, but point out that it's a prohibition and not a ban, and that's why we are supportive, whereby we can review it, or the minister can review it, as and when needed.

Now, we believe obviously there's an opportunity there if a product comes on the market, like GM ryegrass, that's when you consider it. So as a member-based organisation with GMOs we have to try and find that common ground, and that's, at this stage, we're supportive of it, and not supportive of the recommendation within the report around having a

federal ban.

Also we touched on biosecurity in regard to people coming onto farms, taking the law into their own hands. So we've spoken about that. We've touched on the National Heavy Vehicle Regulator and permit system, how that can be improved. Also around coastal shipping laws, supportive of that, the new approach there, or reforms, I should say. Plus we're supportive of the foreign investment in Australia as well.

So that's I suppose the basis of our submission. I'd be happy to take any questions.

MR LINDWALL: Well, you may as well start, Ken, I think.

MR BAXTER: I'm not quite sure where I start.

MR LINDWALL: Okay. Well, why don't you start - - -

MR BAXTER: Yes. I think perhaps start on the - somewhat ironic, but the right to farm issues. And just as a preface, we've had discussions with all the state governments, but in particular New South Wales and to a lesser extent Victoria and Queensland, who are wrestling with the whole question of rights to farm. The expansion of what they might call sort of hobby farms on the edge of regional areas, which I don't think is the same problem, or is not a problem that largely exists within Tasmania, or not to the degree it does with some of the growth centres in Queensland and New South Wales.

So interested to hear the approach you've got, and included in it, because we've found that it's one of the things that happens quite often when mum and dad have been operating a farm for a long period of time, they get to the age of, you know, 65, 70, and decide they want to quit, and they've got a large enough farm to divide it into a couple of reasonable sized blocks, and sons and/or daughters then be given the blocks, and they find themselves up against a peri-urban area, and it's then that the muck hits the fan, if I might use the phrase, because the local inhabitants don't like - or the residential inhabitants don't like either a piggery or a dairy or some other operation being adjacent to them, and I'd be interested to hear what TFGA's view is about this, and how it's been handled, as a start.

MR STEEL: Yes, okay. I suppose from a Tasmanian perspective, we've got the Primary Industry Protection Act, so that's the overarching act, which is the US term "right to farm", and that's around common uses, so to try and protect the farmer to continue farming operations, their normal daily business, so be it ploughing or being in the tractor, so making noise,

understanding that farming is a 24/7 business.

So that is to try and assist the farmer, stop those - stop people who are coming into rural areas, the hobby farmers as you're saying, the lifestylers, providing a nuisance report to the council. Tasmania's also going through a planning scheme reform, so having an overarching Tasmanian planning scheme. Now, within that draft there's two zones, the agriculture zone and the rural zone, and that's to try and delineate between, I suppose, full-time agriculture versus rural zone being farming businesses or farming-associated businesses.

So that's to try and assist, I suppose, those who are moving to understand this is full-time productive agriculture. The question I think was around those who are entering - no, it was in regard to farm - - -

MR BAXTER: It was a succession - it was a situation that, say for example I owned a 1,500 hectare wool-growing beef-growing property, it was on - say, adjacent to Burnie or Devonport, one of the north-western places. There are two or three kids, parents were going to move into town or just stay on the house on the property. The farm was then split as part of succession plan and one of the kids decided to go into either say a dairy or a piggery, and yet there is a hobby farmer who came in sitting next door suddenly finding - or not having asked the right questions finds he is next to an agricultural operation and then starts objections to councils.

And examples were given to us in both New South Wales and Victoria where there had been prolonged litigation that had taken place to resolve this issue, and not totally satisfactorily.

MR STEEL: That's where the planning scheme comes in.

MR BAXTER: Yes.

MR STEEL: So instead of having 28 different - 29 different planning schemes, 29 councils, we've got one overarching scheme, and within that, within the draft they've got buffer zones for particular activities, be it like piggeries or feed lots. I can't think of the actual meterage, but in terms I think the piggeries might be 500-odd thousand metres. That would assist in that process.

MR BAXTER: Yes.

MR STEEL: So therefore you don't put it up against the boundary fence, you've got an actual buffer from the other person's boundary.

MR LINDWALL: But essentially this Primary Industry Protection Act is well supported in the community as well as amongst - - -

MR STEEL: It is. It can be improved, because it's subservient to other legislation, so other legislation comes first and this comes in.

MR BAXTER: What's the legislation that precedes or overrides it?

MR STEEL: Any other legislation.

MR LINDWALL: Any other? So it specifically says it's subservient, does it?

MR STEEL: It doesn't, but in terms of its use, it doesn't have - has the power - - -

MR LINDWALL: Yes, yes, very weak powers.

MR STEEL: I suppose it can be improved. I think one way it can be improved is around communication, so let people know when they're moving into that environment that something like the local council can provide a document to say farmers are in the area, they do this, this and this, this is what will - basically, they've got right to farm.

MR BAXTER: What's the processes in terms of the powers that local councils might have in Tasmania? Because you've had a rationalisation, haven't you? There used to be something like 125 councils or something ridiculous.

MR STEEL: We've still got 29.

MR BAXTER: 29.

MR STEEL: For 500,000 people.

MR BAXTER: What powers have the council got in this process, or is it a jump from land owner to Department of Planning at the state level?

MR STEEL: Well, the councils can still put in by-laws, particular by-laws. There's no examples at the moment, but if a council wanted to put in a by-law around land use they could potentially do that. But that's where the planning scheme's coming in to try and give rules around overarching planning scheme rules, so this is what you can and can't do. And then for each council to go, "I'm going to have that zone, that zone, or that code for my particular council."

MR BAXTER: And have there been many instances or any instances in, say, the last 5 or 10 years where members of yours have had confrontations with councils which have ultimately ended up either in the courts or being determined by the Planning Department here in Hobart?

MR STEEL: Not so much in the courts, but it's in terms I suppose people building up around them, so therefore they will have to stop an activity because it's deemed outside hours. There was one near Westbury in terms of he was cutting pine wood, so he was a pine wood operator, and also had a primary - had sheep and cattle, so he's gone industry, and it was too close to suburbia, because they'd built around, and they were providing, I suppose, rules to him whereby he couldn't do that outside business hours, even though he's classed as a primary producer. He could say, under the Act, that was normal business for him.

MR BAXTER: Okay. And has TFGA got any view as to where that regulatory regime should head? Because presumably, you know, Launceston and Hobart are expanding, and it's likely to encroach further on rural land use.

MR STEEL: Well, hopefully within the zoning, so the rule zone, the ag zone, the new zones, it will give councils a degree of, I suppose, scope to say, "No, you can't build there, or you can't build urban houses there because this type of activity is there." So to try and minimise the potential for nuisance.

MR BAXTER: Okay.

MR LINDWALL: Now, on transport, and you spoke about the NHVR, in the mainland states it's often a big issue moving across state borders and that, and I would have thought here coastal shipping would be a big issue obviously, and we talk about that. What are the main NHVR issues that you'd like to raise?

MR BEVAN: Yes, well, possibly the biggest one for us is the seasonal movement of large machinery, and primarily you could use the summer harvest period as an example, whereby if we applied the NHVR ruling we would be applying for permits per move. Well, Tasmania's an intensive agricultural state. We could have several moves in one day and the timings are unknown, so we would be asking that there be consideration for a seasonal or an extended permit over a given period of time, and that may even be one or two years if the machinery didn't change.

MR LINDWALL: Which I think is what we said in our draft report.

MR BEVAN: Yes, so we support that.

MR LINDWALL: Is there any issue - and that's a good point, but any issue about the different sizes of trucks and so on that can - - -

MR BEVAN: Yes, yes. So in terms of varying machines, you mean?

MR LINDWALL: Oh, heavy vehicles moving, like, live cattle or something and having access to the last mile, and they have to change to a different type of smaller truck.

MR STEEL: You use usually doubles.

MR BEVAN: Yes, we do. The documentation of B double routes is getting better all the time. There are avenues to access extenuating circumstances and get movements on non-scheduled roads. However, they can also be arduous. I guess the network is growing. It's in the more remote regions that that potentially could be an issue.

MR BAXTER: Where's the interface in Tasmania between NHVR dealing with the agricultural sector and presumably - I mean, there is still logging taking place in Tasmania, and the big log trucks, do they fall under the same category?

MR BEVAN: Under the - my understanding, they would fall under the NHVR regulation.

MR BAXTER: Right.

MR BEVAN: One comment I perhaps would make from a Tasmanian perspective is maybe the communication about NHVR and its enforcement within the agriculture industry is perhaps not as good as it should be.

MR BAXTER: That's been a common observation right throughout the country.

MR LINDWALL: Yes. Has the TFGA approached the heavy vehicle regulator to express these concerns?

MR BEVAN: Nick, you might help me on that one? I'm not sure - - -

MR STEEL: Probably - it's been a while, but we have. In terms of communication, I think we can all do it better.

MR LINDWALL: Yes, yes.

MR STEEL: But let's try and develop a - - -

MR LINDWALL: Well, I mean, sending a message, that should be simple, yes. That's fair enough. What about coastal shipping and the cabotage restrictions that exist?

MR STEEL: Yes. We're supportive of the recommendation, the comments within the draft around recommendation 8.5. We see there's an opportunity to increase competition, certainly in terms of exports as well, that's probably the main area, to utilise ports like Burnie where it's an open sea port to get the larger ships in, and as agriculture increases our exports should increase, in that port, obviously.

MR LINDWALL: Exactly.

MR STEEL: This will increase our productivity here.

MR LINDWALL: Because most of the agricultural product would be moved by ship, I assume?

MR STEEL: Yes, about 98 per cent.

MR LINDWALL: Yes, and is the rest by air?

MR STEEL: Yes.

MR LINDWALL: Now, is there anything on the aviation side that's worth noting?

MR STEEL: I think they're certainly open it.

MR LINDWALL: Because they're extending the runway here.

MR STEEL: They are. Hobart is, so that's a huge plus. Launceston is being considered, but for an opportunity like air, there's an opportunity to ship it or air freight it straight into the Middle East. That's a potential. So that sort of thing should be considered even further with the air freight, the different types of products.

MR BAXTER: Does most of your sea cargo at the moment go northern ports to Melbourne?

MR STEEL: Yes, so Port of Melbourne's our main port. I think it's about 50 per cent of their freight.

MR BAXTER: Right.

MR STEEL: Not by volume, by containers. So we've got two main private ones are Toll and Searoad, and then you've got the private operator in TT Line.

MR LINDWALL: Are you happy - I mean, set aside the cabotage issue, coastal shipping issue, are you happy with the efficiency of the ports that you deal with, both here in Tasmania and in Melbourne, for example, and pricing?

MR STEEL: I think overall, yes. I think with increased competition - and we're seeing that potentially with bigger boats coming on board, both the private operators. This is good for the state, good for agriculture. But all in all I think - - -

MR LINDWALL: Which is the main port used in Tasmania for shipping agricultural products?

MR STEEL: It's pretty much divided, but - - -

MR LINDWALL: Okay, so no one stands out?

MR STEEL: So Burnie and Devonport would be the main ones, and then Bell Bay I suppose is mainly dealing with the gypsum lime.

MR LINDWALL: On the environmental issues, and we've touched on that and native vegetation clearing, and the conflicts between the EPBC Act at the federal level - well, let's start with that. What are your concerns about that, and what do you like about it?

MR STEEL: I suppose EPBC Act, it actually states what it does and what it covers, which is a good thing, so (indistinct) sites, wetlands, that sort of thing, threatened species. The issue for us is I suppose it's a very powerful act in terms of it can come in and take certain aspects of the state land. It's onerous for a farmer to understand that legislation. We have multiple layers of legislation out there. It's another piece they need to understand from the federal point of view. The fines within it are very high, so they need to know that. Can it be communicated better to know, for a farm, what they need to do? Yes, it can be. So once again communication of that Act would be a good thing.

MR LINDWALL: Because from a previous witness I had the understanding that farmers in general would act in a risk-averse fashion because the penalties are so high that activities that might in fact be permitted under the EPBC are not undertaken because of fear that they might violate it. Is that something that - - -

MR STEEL: Potentially. I think Tasmania's a bit different from the mainland, and we're talking about large scale clearing, it's 40 hectares or under, where on the mainland it's a lot higher. We've got a forest practices system too whereby it's regulated, so as a farmer, someone like Andrew who wants to clear forest, you'd have to go through the FPA, the Forest Practice Authority, and they've got a system there. So I think most farmers certainly know about that, so it's not so much being scared of the EPBC Act, it's understanding it.

MR LINDWALL: Okay, yes.

MR BAXTER: I mean, if you look at degrees of understanding, what - how would you measure the federal legislation as against the state forestry legislation?

MR STEEL: I think the state forestry are a lot higher than the federal one.

MR LINDWALL: But more understanding?

MR STEEL: More understanding locally.

MR LINDWALL: Yes, yes.

MR BAXTER: And easier to understand in the way it's drafted?

MR STEEL: Is it easier? I think there's a go-to person that you can talk to.

MR LINDWALL: It does come down to communication, doesn't it?

MR STEEL: Yes, I suppose you could say it's a local, where they can talk to someone, but from a federal point of view it's hard to find that contact, even from a TFGA perspective too. I would like to have a bit more time to do that on behalf of a member.

MR LINDWALL: Overall would you say that the balance of regulation on the environmental side is reasonable, or - - -

MR STEEL: I suppose the biggest issue from a farming point of view is it seems that it's take, take, take, so if the public wants it, they have that perception that they need something - - -

MR LINDWALL: They get a free of charge - - -

MR STEEL: - - - there's not very much compensation back to the farmer.

MR LINDWALL: Yes.

MR STEEL: Generally farmers are doing the right thing, and then if there's a bit of legislation, a threatened species, they have to lock up that land or make it into a reserve, the compensation process is very hard to go through. And that's even from a state perspective too, with forest practice plans.

MR BAXTER: So how long would it take, roughly - let's assume you owned (indistinct) some country you wanted to clear - between the date you decided that you wanted to clear that country and getting approvals, the sort of timeframe?

MR STEEL: It all depends. It depends if there's - obviously you have to go through the assessment process.

MR BAXTER: Yes.

MR STEEL: I think that's 6 to 12 months, but - and then it depends if they find something, a Wedgetail Eagle's nest or a threatened species, and in the process of going through the compensation committee in terms of will you get compensation, and that could take years, because there's actually no timeline within the Act to say the minister must make a decision about this, and that's the issue farmers have.

MR BAXTER: I mean, there's been several examples given to us on the mainland. One in particular which I think has stuck in Paul's and my mind was a wine grape grower and general farmer on the edge of the west coast of Melbourne who the Department of the Environment alleged that there was - what was it? A Growling Grass Frog?

MR LINDWALL: Frog, yes.

MR BAXTER: In one of the creeks. And he'd never sighted it, and nobody else had sighted it, and this is what started the process about five or six years ago, and he's still battling to get some resolution to the issue.

I mean, is this - - -

MR LINDWALL: And they've declared large amounts of his property unusable for agricultural purposes - well, in this case grape growing.

MR STEEL: We actually had a TFGA forestry committee last week, and a comment that came out of that is our productive forests we know a lot about, being private and owned by Forestry Tasmanian, which is in the public as well, but the ones in reserves or heritage we don't know much about. So potentially we could have species there that might be considered threatened but they're in abundance, so there's an opportunity there to do more studies within our reserves and world heritage to find out what sort of species we have there. Because that species of Galaxia fish within private, they're saying threatened, potentially it could be abundant somewhere else.

MR BAXTER: So how long could it take for a resolution on that sort of issue?

MR STEEL: We've had farmers five years, six years, potentially trying to get a compensation claim because there's been a threatened species. So if there could be a timeline in terms of they need to make a decision on this, that's going to help everyone, so not only the farmer or government, the community as well, so it can answer their expectations, so to speak.

MR BAXTER: So this principle of getting some sensible resolution would apply to both federal and state legislation?

MR STEEL: Yes. I'm unsure about the EPBC Act in terms of resolutions.

MR BAXTER: Yes. Would you mind doing that? Because it appears to be an issue that will be raised in the other states as well, or has been raised.

MR STEEL: Yes. Yes.

MR LINDWALL: The 3,000 members you've got would obviously vary in size.

MR STEEL: Yes.

MR LINDWALL: Is it true in Tasmania as compared to other states - in the other states there's been a tendency for what I would call a bifurcation of the industry, where larger companies getting amalgamated and

becoming quite large and then there's still quite a lot of these small hobby farms where generally they're family or they might have other work outside the farm. Is that true here, or is it less so?

MR STEEL: What do you think, Andrew?

MR BEVAN: I think by nature of Tasmania it's less so. There are still a lot of, you know, farmers that we would consider larger could possibly still be family owned. There would be a handful of corporates, but the majority would be sole operators.

MR LINDWALL: Yes, yes. And foreign investment for agriculture, is that usually in the form of debt, equity, or where the business is just taken over holus bolus?

MR BEVAN: We're seeing a little bit of example of both. We're seeing outright purchasers come in, particularly with the higher value properties, whether it be what was considered dairy or fresh fruit, but there is also, Nick, am I correct in saying, a bit of a shift into being equity partners too.

MR STEEL: Yes.

MR BEVAN: For varying reasons. One is (indistinct) acceptance - - -

MR LINDWALL: In fact, and also that the people managing the farm are doing a job - a competent job, I suppose?

MR BEVAN: Correct, yes.

MR STEEL: We're also seeing that with the Australian superannuation funds too, foreign investors.

MR LINDWALL: Yes, yes.

MR STEEL: So there's quite a few instances there in terms of properties being equity-owned.

MR LINDWALL: Are these industry funds or retail funds or managed super funds?

MR STEEL: Industry funds.

MR LINDWALL: Sorry?

MR STEEL: Industry funds.

MR LINDWALL: Industry? So taking up fairly large positions, then, because they're not listed assets on the stock market, they're unlisted, obviously, yes. Let's move on to animal welfare - sorry - - -

MR BAXTER: Is part of the equity growth in the farming side influenced at all by the attitude of the banks to lending to the farm sector in Tasmania? What's the general view of the Australian banks to the farm lending?

MR BEVAN: I don't think they're averse to lending. I think the issue that we're seeing is that foreign investment particularly is willing to pay prices that are being asked over and above local interest, and that seems to be the deal falls that way because they've got the money, I think.

MR LINDWALL: And I assume that these are - sometimes they're older people whose children don't want to take over the children and - is that the type of reason

MR BEVAN: It can be, not always. I think most farmers are businessmen, and they see a business opportunity to get the best price on the day, and the best price on the day is not necessarily perceived that by a local. So a foreign person has a different view on that and pays the money.

MR LINDWALL: Well, that's fair enough. It has been resisted, obviously, in some other places. On the animal welfare, you're supportive of our proposal, effectively, which was to have an independent body. In terms of an independent body, do you have any thoughts about its structure or its membership?

MR BEVAN: I think the previous one worked, so the AWAC model for Australia, I think that worked. I think it still sat in Department of Ag, so I don't know if it was independent. I think the independence is more around the membership, so making sure we've got a good cross-section. That shows with our submission from the Tasmanian one, where from department personnel through to industry associations, RSPCA, there's even Animals Australia on there as well, so it's a good cross-section, and that applied their views to consider the standards and guidelines. And that assist government I would have thought quite well.

MR LINDWALL: And what's the reaction in Tasmania by farmers, some of whom I guess have tried to use practices that their parents have used and their parents' parents have used and was generational, which may be poor animal management practices in terms of welfare, animal

welfare? Is it generally accepted, or do you have resistance in pockets?

MR STEEL: Yes, I think they've moved away from that. I think it's certainly a business now in terms of understanding stocking (indistinct), so animal welfare, understanding how you handle livestock, understanding what stresses livestock. That's certainly a productive issue in terms of meat quality, so it lowers the meat quality if they're highly stressed.

MR LINDWALL: Yes, yes.

MR STEEL: And a lot of it also is driven by QA. So particular markets will tell the farmer, "You need to do this quality assurance program," and that assists, obviously, the livestock in a way as well.

MR LINDWALL: Are you using analgesics for de-horning and de-budding, you know, say the dairy industry, which I've heard that sometimes is not being used, partly because it's not available so easily?

MR STEEL: Yes.

MR LINDWALL: Is that true or - - -

MR STEEL: I suspect in the dairy one, there's a Tasmanian Dairy Industry Code of Practice, which was signed off by the industry, including groups like RSPCA, that the best practice is to use those type of sprays. So it is widely used.

MR LINDWALL: Okay.

MR BAXTER: Are you exporting any livestock over and above what you send to Flinders Island and other places? Is there any major either sheep or cattle live exports?

MR STEEL: So the majority, when we talk about going across the water, Bass Strait, goes to Melbourne, and that's under the Bass Strait Shipping Code, so there is a code there that the farmers need to do with their livestock (indistinct) at the ship and then obviously the (indistinct) the shipping operator (indistinct) across the water.

MR LINDWALL: In terms of irrigation, are there any regulatory issues about irrigation that are negatively affecting the farmers in terms of getting access to irrigated water, for example, or the trading regime?

MR BEVAN: One of the issues that we see is there's now a number of

bodies, with the expansion of irrigation in Tasmania, and I'm thinking we're up to somewhere in the half a billion dollars' worth of investment in infrastructure, there are now several bodies that we need to be dealing with at any one time, potentially because the amalgamation of systems and the sources of water have now brought those bodies closer together, and as the TFGA we feel that there needs to be some streamlining with that process to make some of the regulatory requirements easier and more quickly obtainable. And Minister Rockliff has acknowledged publicly that he sort of sees the potential to streamline those problems.

MR LINDWALL: That seems reasonable. But apart from that, it can be streamlined, but you don't - the arrangements are not bad? The access to irrigation is still reasonable here, isn't it?

MR BEVAN: Yes, yes.

MR BAXTER: Can I just - - -

MR LINDWALL: I mean, we heard good evidence from the Poppy Growers Association about the dramatic increase in irrigation of poppies here in Tasmania with the massive increase in productivity.

MR BEVAN: So in the last ten years, the water - irrigation development throughout Tasmania has been exceptional, so - and you've obviously heard about the opening up of access to water out of Arthur's Lake, which has given the midlands guys, which are traditionally dry land, you know, secure water.

MR BAXTER: Is all this dam water, or is it any of it ground water that's pumped out of aquifers?

MR BEVAN: No, it's all - to my knowledge, it's all ground water - it's all dam water.

MR BAXTER: It's all dam water?

MR BEVAN: Yes.

MR BAXTER: And influenced at all, particularly in light of the last 12 to 18 months, by the uses that the hydro might make of generation water?

MR BEVAN: Particularly some of the schemes that draw water out of the highlands, yes.

MR BAXTER: Okay. And do farmers have to take second place to the

hydro in terms of access to water? What's the situation? If I own a farm, say, close to one of the northern storages such as Barrington, can I draw the water I've bought or been granted access to regardless?

MR BEVAN: In the last dry spell over the last couple of years we were essentially rationed water, so that may be for a number of reasons. It may be the fact that the storage level was diminishing, therefore there wasn't enough to allocate a hundred per cent, and/or there may be other priorities on that water.

MR LINDWALL: The labour market, and the access to labour, we heard earlier from the Poppy Association that it was something of a - working holiday-makers was a very large issue. Is that elsewhere in the agricultural sector?

MR STEEL: Yes, certainly across berries and dairy, they certainly use those visas, so I'd see that working currently, with the working visas.

MR LINDWALL: The tax part of it, yes.

MR STEEL: There is an opportunity for the federal government to take heed to what the industry is saying and not have a tax rate of 30 - I think it's 32.5, so have a lower tax rate, and that's especially the case for Tasmania because most people come to Melbourne, which way am I going to go, there'll be initial cost to get across to Tasmania, so - - -

MR LINDWALL: Yes, yes.

MR STEEL: - - - we want those as a consideration for our market.

MR LINDWALL: Have there been some bad practices amongst some of the employers - well, labour hire companies, probably, actually, in some parts of Australia. Are there any - many - is it improved here in Tasmania, or (indistinct) the same issues?

MR STEEL: We haven't heard anything about that. I think on the whole it's worked well. Those companies are doing the right thing.

MR LINDWALL: Yes.

MR BAXTER: Does the TFGA act as the industrial representative of the farm-owning sectors (indistinct) within the Pastoral Industry Award (indistinct) and are you a respondent to that award?

MR STEEL: Yes, so we've got a relationship with the Tasmanian

Chamber of Commerce, whereby they've got legal people there who provide advice to our farmers, to our members, on - one of them is the Pastoral Award.

MR LINDWALL: Now, access to chemicals of course is very important, and sometimes we've heard that, as we said in the report (indistinct) for minor use and sometimes chemicals are just not available for whatever reason, or the timeframe to get approval is very long. Is there anything that you can give examples of where that's been felt here in Tasmania?

MR BEVAN: I can't think of any offhand.

MR STEEL: I suppose the only one that was a good one is around footrot, so the footrot vaccine. So Footvax was banned in Australia a few years ago because it was - it came through New Zealand, so it was a live vaccine, so it was potential for foot and mouth from the United States, so that was banned. But there was an opportunity to develop a different serum, so footrot vaccine specific serum. The issue we've got here is in terms of how big the industry is compared to the world market. So sheep is very important to Australia, but population-wise across the world it's not that high.

MR LINDWALL: Yes, yes.

MR STEEL: So it's the science, but here's an opportunity, I suppose, to get those minor uses through. But the chemical companies have to make that choice, because it's the market, and Australia's not that big a market.

MR LINDWALL: Well, that's true. But sometimes, I mean, we heard from a veterinary for goats where an analgesic wasn't available to be used because it was meant for, you know, sheep and so forth but not for goats, and specifically even though the goats need a higher dose, so it would be illegal for the vet to use the particular pain medication which can be used for the sheep, even though it's effective and even though the goat is suffering pain otherwise, so - - -

MR STEEL: Yes, I think they've got a good issue to raise there, and I suppose that's something to work with APVMA around to get that efficacy around that chemical for goats.

MR LINDWALL: Yes. As you noted before, Nick, the membership is split between those supporting GM and those not, but implicitly you're supporting the ones who don't since you support the moratorium, but that's the status quo in a way, yes.

MR STEEL: Yes, it's the point of that common ground, and I suppose it's - with the recommendation from the Productivity Commission, having a blanket ban, it's minimising our ability to push the brand, Tasmania brand, our image, to provide - hopefully to get those premiums for different markets, and that's why we're supportive of a moratorium, which is a short-term prohibition, not a ban, and potentially if something does come on the market the minister can review that with industry, with the community, whether we bring that on board or not as a GM product.

MR LINDWALL: So it's a marketing thing, economic thing, rather than a scientific concern about - - -

MR STEEL: We're not against the science, but we can see there's potential there as shown with canola. They do get a premium with their market, neat, you could say, through our Tas feed lot and groomers, which is the (indistinct) beef. So there are markets there that are getting a premium. It's whether we can get those in other industries, and we think the government's got a role there to push that even harder, so in marketing terms.

MR LINDWALL: Yes. All right, Ken, did you have any - - -

MR BAXTER: No. (indistinct). I mean, my view is that if you've got a brand and the brand works, you beat the daylights out of it to make sure it works for as long as possible, and the people I've spoken to who I know as farmers in the Tasmanian sector who are members of yours who've said, well, that's fine, we support the brand, and as long as it continues to be backed or supported we're not confident that in the long-term totally banning GM is the logical course.

MR STEEL: Well, given the hypothetical, if we're going to bring in any GM ryegrass, you could play it out as similar to with the vegetable seed industry, where they have exclusion zones, so you can't plant within three kilometres of another crop, so therefore you can have that co-existence, potentially, so that may be a model we can look into the future if potential products come onto the market that our members want.

MR BAXTER: I mean, you were here when I had that slight contretemps with Cassie this morning about the weeds problem.

MR STEEL: Yes.

MR BAXTER: I mean, certainly the reflection of a lot of the mainland farmers would be that effective control of noxious weed is probably far more significant in the current circumstances than is arguing about GMO

or not, and again, it's not a situation in Tasmania, but in any of the borderland farming and sort of on the slopes and plains of New South Wales you're absolutely dependent on people making sure they're good farm managers, control their weeds, make sure that they don't flow over into other people's properties. Far more significant, particularly with things like Bathurst Burr Fireweed, all of this, which you guys would all know about.

MR LINDWALL: Is there a concern about that, about proliferation of small farms, some of which are not well managed, and often, as Ken is saying, you get weed infested or something and end up - they walk off the farm and leave it as it is. Is that a concern? Or not so much?

MR BEVAN: It does happen, there's no doubt about that, but I suppose that comes down to relationships between each of the farmers, how they can work together, and then the other issue I suppose is around public land as well.

MR LINDWALL: Yes. Yes. Well, public land is another issue.

MR BEVAN: (indistinct) managing their resource (indistinct) and also fire management too.

MR BAXTER: Can I refer back to the discussion we had earlier about the EPBC? I mean, there are significant obligations going to be put on farmers under the new biodiversity legislation. Is that same obligation going to be put on the state in Tasmania in terms of them making sure they look after their own vegetation?

MR BEVAN: I don't know if there is, but I suppose from a state perspective we've been working with the Department of Primary Industries in terms of setting up a good neighbour charter, so therefore you're responsible for managing your side of the fence, so pests, weeds, diseases, fire, that sort of thing.

MR BAXTER: And feral animals?

MR BEVAN: That's pests, but yes. It's not a legislative thing, it's a charter, so it's a policy, but to us it's a step in the right direction. Under the Boundary Fences Act, the public's exempt under it, they don't have to pay, but we think we can still continue to work with government to try and reduce those issues.

MR LINDWALL: Well, I think we probably should draw it to a close, due to our next guest is here, so thank you very much Nick and Andrew

for coming today.

MR BAXTER: G'day, how are you?

MR MOORE: Yes, good. Both got the same name, so - - -

MR BAXTER: Yes, yes.

MR LINDWALL: You call yourself Kenneth, actually, don't you?

MR BAXTER: Yes, yes, I use that, that's my - - -

MR MOORE: Yes, I do sort of (indistinct).

MR BAXTER: She who must be obeyed.

MR LINDWALL: Well, Kenneth, just introduce yourself, and give us a statement about what you'd like to say.

MR MOORE: Yes, I'm representing NRM South, one of the three NRM bodies in Tasmania. My role is in agriculture I manage agricultural program, and my title is Sustainable Agriculture Consultant.

So just a bit of background on NRM South, we are an incorporated community organisation managed by a board, so we differ from some of the other states which are statutory authorities, but our charter's set by the Tasmanian Natural Resource Management Act 2002, and we're referred to in the Act as the committee (indistinct) become an incorporated community organisation.

So there's the Act, we're contracted by the Australian government to deliver the national landcare program in southern Tasmanian. We don't have any regulatory powers in relation to agriculture, and we don't have an advocacy role apart from advocating for good natural resource management. But we differ from an industry association like Tasmanian Farmers and Graziers Association.

That means that we don't have a position or a public position on issues like GMOs. So our activities comprise two streams. We have a sustainable agriculture program which helps farmers improve management of agricultural land and water resources, and we have a biodiversity program to help protect and conserve southern Tasmania's native flora and fauna, terrestrial landscapes, waterways and coastal landscapes.

Both those programs work in concert with each other. Because we're a very small organisation to be effective we have to work in partnerships with community organisations, individual farmers, industry bodies, local governments, the university and business.

So as a general comment, we don't see current regulation as a constraint for agriculture in southern Tasmania, and in fact it's more likely to result in improved practices in relation to things like biodiversity on farms, weed management, water quality, animal welfare, chemical management and workplace health and safety.

The best prospects for Tasmanian agriculture are really high value niche markets, and having our regulatory backing for protecting farming catchment natural resources may provide greater assurance to consumers that our practices are sustainable. And that's particularly so in relation to markets like China.

I went to China in April talking to the Chinese Academy of Agricultural Sciences and it sort of helped that - we're not a government organisation but it helped that we had the backing of an act of parliament in talking to the Chinese, which as we know, is a highly regulated (indistinct).

But I think that's an important point, that regulatory backing can be a competitive advantage and a marketing advantage, particularly in relation to high value niche markets.

We would also acknowledge, as you say in the draft report, that the number and complexity of regulations affecting farm business is a high burden on farmers. There's no doubt about it. It's - there are numerous regulations and they are quite complex, and it certainly would assist in the future growth of agriculture for regulations to be streamlined, simplified as far as possible, and for there to be greater consistency between regulations at the local level, state level and federal level.

Regional NRM bodies are well-placed to help farmers understand the regulations that affect them because you operate at a regional and local level, we have a lot of contact with farmers, so that we are well-placed to inform them and help them understand regulations.

And in this respect, we - thank you very much.

MR BAXTER: Thank you.

MR LINDWALL: This is good service.

MR BAXTER: Start again.

MR MOORE: Yes. The three NRM bodies in Tasmania got together with the Environmental Defender's Office Tasmania, and we helped fund a book on farming and the law, a set of guidelines, really, for farmers. And coming out of that, we're going to deliver two Farming and the Law workshops in the southern Tasmanian region this year.

I've been to one of those workshops held in the north, and they are truly excellent in, you know, making fun of what regulation applies to them and in a simple, practical way, explaining, you know, how it impacts on them, or how they need to comply.

So in regard to your report, we're generally supportive of the draft recommendations, and think that if they were adopted by government they will have a positive impact in southern Tasmania. As mentioned before, we don't have a public position on the current Tasmanian moratorium on GMOs.

MR LINDWALL: That's all right. So would you basically say that if farmers are provided information through the NRM and so on they are able to improve their environmental stewardship?

MR MOORE: Definitely, Paul, yes.

MR BAXTER: Can I just come back a step? That the Environmental Defender's Office - - -

MR LINDWALL: There's - - -

MR BAXTER: Yes, I know, but what's the role of it and the relationship with the NRM - or the NRM?

MR MOORE: Well, Environmental Defender's Office sounds a bit scary.

MR BAXTER: That's why I'm asking. It doesn't look scary, but it sounds scary.

MR MOORE: No, but they do have a role in, I guess, providing legal advice on the law as it applies to the environment, and in that sense the law as it applies to agriculture. So we've worked with them in a very objective way in producing that publication. It's not an advocacy publication, it's very much factual, and it's been a very cooperative

relationship, and we've found them to be expert in delivering workshops and establishing a good rapport with farmers. I know the EDO does get involved in some political issues, but our relationship wasn't in there.

MR LINDWALL: These workshops, how long and what's the duration of them?

MR MOORE: The one I went to was a four hour one held in the evening, but what we're going to do in the south is have a whole day one because, yes, it was just too much material to get through. It doesn't cover all law, it covers things like planning regulation, environmental impact assessments, vegetation clearing, working in waterways that are on properties, water management, agricultural spraying, mining on properties, and the question of what can farmers do, pest control and weed management and Aboriginal heritage, you know, if you find relics on your farm what you do or what are you required to do by the law.

MR LINDWALL: And if you've been - farmers are finding, what, that they're keen to go on this type of workshop?

MR MOORE: Well, we hope so.

MR BAXTER: Just a factual question, is any of the land - any of the agricultural land in Tasmania covered by the Native Title Act?

MR MOORE: No, I can't - I can't answer that one, Ken, yes, I don't - - -

MR BAXTER: I mean, the reason we ask that is that in both Queensland and Western Australia it was indicated that some of the land, and most particularly, and correct me if I'm wrong, Paul, but much of the land that was regarded as native title, the whole thing hadn't been really tidied up, and the Crown still had considerable control over it, and a similar situation in Queensland.

My own personal recollection, which might not be correct, is that there is no native title land in Tasmania, or if there is it's been tidied up and dealt with, but I'm just wondering if that's not the case how does the NRM or the Environmental Defender's Office deal with native title matters where they are also rural lands?

MR MOORE: Yes, I'm not aware that any native title does apply to farms in southern Tasmania, but I could be incorrect.

MR BAXTER: Okay.

MR MOORE: You'll have to ask someone else.

MR BAXTER: Yes, no, well, we will, I just thought you might - - -

MR LINDWALL: Does the NRM have a position on animal welfare?

MR MOORE: Not in a political sense, but in the sense of farmers - - -

MR LINDWALL: So our recommendation, you'd be supportive of the recommendation that we made?

MR MOORE: Yes, yes.

MR LINDWALL: That's - do you have any thoughts on how the independence of the organisation we propose should be - because we were very open on that, we haven't come to a firm landing on that, what type of factors should lead to better independence of such an organisation?

MR MOORE: Better independence of an animal welfare office, I think it was?

MR LINDWALL: Well, we called it a body, I think.

MR MOORE: Body, yes, yes. I think independence is vital. I mean, animal welfare has become a very controversial and political issue. There are a lot of activist groups involved in it, and a lot of farmers are sceptical of the arguments that have been put forward. I think it would be extremely necessary that an office like that is seen to be totally independent, and also that its work and recommendations are based on good science.

MR LINDWALL: Now, one of the recommendations we have mentioned in our report was that it would also be used to inform the community about good animal welfare practices and gauge community reactions to it, because animal welfare is a bit of a normative question about how much you should have.

MR MOORE: Sure.

MR LINDWALL: Would the NRM have any - the three here in Tasmania, would you see them having a role in that process of community consultation?

MR MOORE: Definitely, yes. Animal welfare is an issue that we deal with in working with farms.

MR LINDWALL: Ken, I'm sorry, I interrupted you.

MR BAXTER: No, no, I'm fine, I'm fine.

MR LINDWALL: What about NRMs and your thoughts on irrigation in Tasmania? We've heard a bit about irrigation and for example the Poppy Growers Association this morning was saying that it's made a dramatic improvement to the productivity of poppy growing in Tasmania where the yields have been substantially greater than they were.

MR MOORE: Yes. I'd agree with that, totally. In southern Tasmania in the past we've been very much a sheep and cattle dry land grazing sector here, but the expansion of irrigation schemes is certainly changing that. In the Derwent Valley, for example, we've got quite a number of dams have been established around that amazing water resource. I think - so in the past agriculture land in southern Tasmania, as distinct from the north, has been, I guess, of low intensity, low profitability, and yes, irrigation's certainly important in new industries in this region like dairy, horticulture, vegetable growing, orchards, poppies.

MR LINDWALL: Yes, yes.

MR MOORE: Although there's some issues around that industry, but - - -

MR LINDWALL: Well, what issues in particular?

MR MOORE: I think just the oversupply at the moment, yes. Not around irrigation, I don't think.

MR LINDWALL: That's all right. And the NRM here in Tassie is an incorporated community organisation?

MR MOORE: Yes.

MR LINDWALL: How are you funded?

MR MOORE: We're funded largely through that contract with the federal government to deliver - - -

MR LINDWALL: Yes. So the Tasmanian government doesn't provide funding?

MR MOORE: Sorry?

MR LINDWALL: Does the Tasmanian - - -

MR MOORE: The Tasmanian government does provide a bit.

MR LINDWALL: They have? But not much?

MR MOORE: Not a lot, no.

MR LINDWALL: No.

MR MOORE: But we are looking to diversify our income sources. Just getting back to that question of irrigation, Paul, the other thing that is worth mentioning, it does mean that there shouldn't be any great pressure on the need to clear further land in southern Tasmania.

MR BAXTER: Is there a prospect of that happening?

MR MOORE: Not really I don't think, no.

MR BAXTER: I would have thought that you're pretty much up to the limits of certainly arable or pastoral country in the south?

MR MOORE: Certainly, yes, yes. So I don't think there is great prospects, although there still is marginal (indistinct).

MR LINDWALL: Yes.

MR MOORE: But the other thing is too, some of it - when you get really good practice on an irrigation farm, I think you get far better outcomes in relation to soil health, water quality, biodiversity on farms. So you know, there is an argument that there can be detrimental impacts through irrigation, particularly on fragile soil, saline soils, but if farmers use best practice I think the outcome's more likely to be positive.

MR LINDWALL: And good technology there too.

MR MOORE: Yes, yes.

MR LINDWALL: Your role, as you say, in diversifying into activities is probably sensible given that you perform a communication and educational role for the community of farmers in southern Tasmania.

MR MOORE: Yes, we do, yes.

MR BAXTER: And do you have any interface with the private foresters?

MR MOORE: Yes, we do. We talk to private foresters. We often used them in our workshops and field days. The other thing, I just heard you talking to the previous people in here about small farmers and the issue of weeds. We do run a property planning course for small landholders, which has been very successive, and that is held over a three month period and covers pretty much everything about managing a small landholding.

MR LINDWALL: That's good, because some of the small landowners can be, you know, well-meaning on things, but in some cases their animal welfare practices can be appalling - - -

MR MOORE: They can.

MR LINDWALL: - - - and some of their management of biohazards also can be poor, so education is vital there, I would have thought, so - - -

MR MOORE: Yes. But we have found that I know small landowners do have a reputation for poor practice, but we have found that people who come to our courses anyway, they are wholly motivated, (1) to learn and they want to adopt good practice. So I do some important (indistinct) for that sector of farming.

MR LINDWALL: Which I assume is a growing sector, in a way?

MR MOORE: It is, yes, yes.

MR LINDWALL: People move to Tasmania for lifestyle reasons, and part of that is having - growing their own food, I guess.

MR MOORE: Yes, and a lot of them do come out of Sydney, Melbourne or even Hobart, have got no idea managing a - but as I said, the people we come into contact with are wholly motivated. They want to learn and apply good practice.

MR LINDWALL: That's excellent, Ken. I don't have any more questions, do you, Ken?

MR BAXTER: No, I've got no - - -

MR LINDWALL: Well, thank you very much for appearing.

MR MOORE: That's okay, pleasure to be here. And good luck with the final report.

MR BAXTER: Well, thank you very much.

ADJOURNED **[1.52 pm]**

RESUMED **[2.23 pm]**

MR LINDWALL: We might get started, so if you'd just say your name and what you want to say and then we'll get going.

MR BOURKE: Thank you. I'm Lindsay Bourke and I'm a farmer. I am an insect farmer, a honey bee pollinator. I pollinate the honey bees, crop pollinate one of the largest ones in the State, one of the largest ones in the country. Honey bees and pollination is very, very important for our country, especially here where we have cherries. Our whole cherry industry relies on them and around Cressy and Longford where we pollinate.

The beekeepers in Tasmania pollinate enough seed to feed Australia for 20 years, every year and that's a very, very important growing industry. Every year, especially this year, of course it's increasing, it's so successful, those farmers rely on us and they get extremely good bees because we have one very short honey crop every year, which happens at Christmas time. It's a crop, so it only runs for a certain time, like six to eight weeks. If we don't do it correctly, if we don't prepare our bees correctly, we won't get that honey crop.

If you look at the RBS figures, Tasmanian beekeepers produce just as much honey as anybody else does in the whole of Australia and mainland beekeepers can harvest honey for eight to 10 months of the year by going probably some times through three states, but we can't. We're contained on our little island and we can only get our Manuka and Leatherwood in the rain forest and we have one crop. So it's very, very important to us that we get our bees in such a healthy state and have reserves coming on that they can get that. So we prepare our bees and make them the largest honey bees in the whole world to get our short crop. It's very important for us.

We get very good prices for our honey because we've got Manuka. It was the original Manuka before Manuka floated over to New Zealand and pollinated that little island as well but the original Manuka came from Tasmania and you get good prices for that. We also produce the best

honey in the whole world from our rainforest, not contaminated with agricultural crops or anything like that, which is called Tasmanian Leatherwood.

Every two years we have a World Congress for Beekeepers and it was held in South Korea last year and a little honey from Tasmania, called Tasmanian Leatherwood, won the best honey in the whole world from 140 countries.

MR LINDWALL: Congratulations.

MR BOURKE: It is very, very good product and we get good prices for it, higher than anybody else does. One of those reasons is that we sell our honey into Europe which doesn't tolerate any GMO pollen whatever, none. We have other countries that compete with us like New Zealand. They don't have much GMO in their pollen either. That's our main competitor for our Manuka but for our Leatherwood and things like that, we have very good crops that we export. We rely on exporting in Tasmania and we rely on our very good name for having the cleanest, best product in the world. The last three years my little company has won the best small business exporter in Tasmania, three years in a row. We try to do our best here in Tasmania.

You can do without any other animal. If you took dairy cows out we'd survive and if you took beef cattle out, sheep and cattle, anything, take anything out and we'd survive, but you can't survive without the honey bee. It is most important for us. It is a European insect that pollinates our European food that we eat here. Keeping our products extremely good like that without any GMO pollinate is very important, but we have to stick our little toe into the pond to come here and pollinate these crops.

Quite often when you go to a beautiful crop that you are pollinating, clover or something like that, you get the seed for it and we do get a very high germination rate for our pollination here in Tasmania. Some of these crops are right next door to a poppy crop. We don't mind that. We're all in it together but bees do like a variety to keep themselves healthy they get a variety of pollens and they keep them separate in the cones. You get a little bit of pollen in there, stick, horribly, gooey stuff it is and it doesn't always come out when you extract that clover honey. With those empty cones we take them back down to the Leatherwood and we collect our Leatherwood honey and it could be in that extraction or the next one after that that pollen will come out and mix into the honey.

Now there is pollen in all honey, even the brightest sieved honey that you can see. Even some of the big companies, they finely filter it, but when you put it into a spinner and wash it and wash it and wash it, you put it under the microscope, you'll see the identity of that pollen, what that crop is. It's in all honeys. That's why it's so healthy for bees; it's a natural food for them. There is pollen in all honey. We can't avoid it. We don't want to withdraw our services from pollinating. Not every beekeeper does the pollinating. There are only a few beekeepers that do it. There are actually beekeepers here in Tasmania, very good commercial beekeepers who produce the most beautiful honey but they won't go anywhere near agricultural crops because it is such a threat to them. It's a threat to them only because of ignorant agricultural practices that some farmers still practice.

As I said, we have a very short period leading up to our crop and we can't be checked in any way, otherwise we won't get our crop. We have standing orders for our honey. We haven't been able to get a very good crop for the last four years, because of different reasons. Mainly it's climate and that has happened to us a few years in a row. We're quite annoyed that some people really want to pull in GMO for their small benefit, but at the detriment of all of us. We get very good sales for our honey because we have got a very good name in Tasmania.

I really am disappointed when this keeps coming back and coming back and coming back. I did a lot of work towards it before and we've got more important things to do in our industry at the moment. We've got to keep Varroa destructor and Varroa jacobsoni out and we have a small incursion in Townsville and we're sending beekeepers up there to help with it and we're on all sorts of things, like categorisation of the pest and containment of it. We've gone to the national management group to work out how to get the money to do all that and I shouldn't have to keep coming back and watching my own back door.

I'm a Liberal voter and it's a Liberal Government that's here and this is a bipartisan thing. We have a GMO moratorium here in Tasmania and we shouldn't have to come back with this thing time in and time out. There's only two or three crops that will benefit from it, the GMO ryegrass maybe and GMO poppies. Canola, we don't have to have GMO canola. Ninety-nine per cent of all canola in the world is GMO, yes, but we're a little bit different. We've got GMO free which you can sell those at the premium price into Japan.

In this little submission, 6.1, I see that it's questionable that we get higher prices. Well we would be getting no price at all if it came in that we had GMO pollen in our honey that we sell to Europe. It's not

questionable whether we get a better price or not; it's no price. It keeps coming back to it, doesn't it, back and back and back again.

I haven't had much time to rehearse things by the way. I've read it all before and I've lost it all in the car on the way down again because I had no notice.

MR LINDWALL: No, you're very clear.

MR BOURKE: So now I'm a little bit annoyed by it because I had no notice. I rang your office in Sydney and I got a very good reception and very helpful. Senna, it was and I was very pleased with that.

MR LINDWALL: Canberra, that is, yes.

MR BOURKE: I had to try and do this in the car on the way down. We put a submission in and I think that we should have been notified to come and appear, choose whether we wanted to appear or not, and I would have liked to have heard what the other people on the agenda here were to say today and I missed out on that. I would have definitely been here if I had known but finding out this morning, it's a little bit late for me but I am here.

So it's a bipartisan that we have a GMO moratorium here in Tasmania. I don't think we should even look at it until that time elapses. It's really hard to say that they can coexist side by side but that's bull, because we have flying insects that can go three kilometres to another crop. We can't contain them. The farmers desperately need us. They can't get enough. They can't get enough for any crops. They can't get enough for the almonds or any crops at all because of what's happened in the past. The carrot industry has grown another 20 per cent this year and they haven't got enough bees to pollinate it and that's putting more pressure on people like myself to be able to do these things. I don't want to put them all there because they overlap when we go to our crop. For the whole year we prepare for one main crop and the carrots, sometimes they overlap into that and we can't get the bees enough. So I sacrifice production for it.

Now sometimes farmers will complain that the pollinating costs a lot. For the carrots, it's $150 per hive. Last year I earnt, including that $150 per hive, I earnt $700 per hive. I've got 3600 of them and we employ a lot of people. We have people coming to us. For the first few years it was us going to them and now they come to us. Delegations come almost on a weekly basis and during the honey flow they sometimes come out into the rainforest with us and I'll get a frame of honey out and they'll taste it and

it's really good and it helps sales, because they want to see where it came from. We're so fortunate because we have a rainforest that's many kilometres away from human beings and human beings are the ones that go against organic certification.

We do pretty good things. Next week I'm flying to Victoria because I won the best food in the Australian Fine Food Awards which is held in Victoria. We won it last year as well. We do one here in Tasmania. We won our own Tasmanian Fine Food Awards. We've got premium products and we don't want them to be tarnished with anything that's got GMO on it. In fact, some of my neighbours have "GMO-free" right in the front. I shouldn't have to worry about those sort of things.

Would you like to ask me any questions?

MR LINDWALL: Thank you for coming. As for the short notice, I apologise for the short notice. The hearing here is an add on because of requests. I thought that all the people who had made submissions would have been emailed to let them know it was on. We did something through the ABC and also in the newspapers, so maybe we stuffed up. I don't know.

MR BOURKE: Well I'm a farmer. I'm working hard. We've been getting ready for the queen bees and all those sorts of things. I've missed it.

MR LINDWALL: Anyway, I apologise for that. Your concern about GM is about the marketing to Europe, in particular.

MR BOURKE: Correct.

MR LINDWALL: As I was asking someone else earlier today, GM or any science changes over time, there are new breeding techniques that are being used that are quite different to traditional GM and some of them I've been told could have major health benefits. What I'm getting to is that European Union's ban on GM for food consumption, one possible is that it might change in the future. You can't exclude the possibility it might change. If the European Union started demanding GM products, would that be something that would change your view?

MR BOURKE: The way to answer that is when you can convince the whole world that GMO is a good thing, I'll embrace it, but nobody believes that at the moment. You may have your success with that GMO products are really good to feed the starving people in the world, but not people who want high priced foods and the best that they can buy for not

only themselves and their children and their family, they want the very best, it's that it won't wash.

MR LINDWALL: As we had the poppy growers people here - - -

MR BOURKE: Yes, I would have loved to have heard them, heard my friend Keith.

MR LINDWALL: Sorry you weren't able to. They made the point that if you have two poppies, one of which is GM and one's non-GM, the final product, which is Oxycodone or some morphine-type substitute, is identical in every respect to a molecular level. So in all of this it seems like the concern is about process of getting from A to B, rather than the end product. Is that basically it?

MR BOURKE: Yes, I would have loved to have the poppies. I missed them.

MR LINDWALL: You can read the transcript in due course.

MR BOURKE: I'll get it in a couple of days' time. They're a very successful company and they're doing a wonderful job. They're actually oversupplying at the moment and doing an extremely good job. If they can come up with a GMO product will it help them in their yield? I mean if it's against getting crops pollinated and all those and it is directly against getting crops pollinated because we won't go near it if it's going to be there. We won't go near it. You can manufacture all the codeine you like in the world but if there isn't people there to eat it, it's no good doing it, is it? We have to feed the world. We're only a small industry, only $90 million a year, but we pollinate $4 billion worth of Australian crops, year in, year out. They're all on record. We're up against it. We're up against it because Varroa destructor is right around the whole world now. Everyone in the world's got it except Australia. We're doing everything we can to keep it out.

MR LINDWALL: Sorry, what is it?

MR BOURKE: Varroa destructor.

MR LINDWALL: That's a type of bee?

MR BOURKE: No, these are a parasite that gets on the bee and it came from the Asian bees. In Asia it only attacked the drone group which was much larger and that incubated for 24 days. About 60 years ago they learnt how to get in our European bees and they go into the brood cycle,

the normal worker cycle that only has a duration of 20-and-a-half days. The poor old bee hatches with half of the row of the six females that were laid in there. Three of them aren't mature and they die but three of them are mature and they will be successful. This is a terrible thing because it's not only the Varroa destructor that sucks the baby bees in their cones, but it also gives them viruses called deformed wing virus. So the bee comes out and it can't do anything much. It can't even fly so it's useless and it's really bad. It's really bad for our honey bee industry over the world.

The thing is they're trying to kill it with chemicals and they used two different types of miticides to kill this thing and they almost killed the bees. They killed the Varroa, almost killed the bees, but those things are going and leeching into the wax and leeching into the honey. The whole world is very concerned about this because they're becoming immune to it and you can't breed it out. It's just the sole female lays a male and then six females in the cocoon with the bee and they bite a weeping hole into the side of that bee and they feed off it while it develops and it develops into a useless insect and they can't pollenate. They can't do all those things. So we're very concerned about that.

We don't want any more setbacks. Probably here in Tasmania we have the healthiest bees in the whole world. We don't have the small hive beetles as well, which has come right down through the eastern parts of Australia. It came from South Africa and that's a really bad thing as well. Varroa destructor and small hive beetles would kill all the feral bees everywhere, wherever they get. Then it will only be up to the pollinating beekeepers, the ones who choose to stay in the industry.

When it happened in New Zealand, half the beekeepers walked off because they couldn't afford the $32 a hive that it takes and all the work to keep these things healthy. So the larger beekeepers got larger and it will be all down to that. I'm very concerned if it gets into Australia because we have such a laid back lifestyle here in Australia and we're not desperate. It's hard to find young people to work for you know because they all want to do their beekeeping with computer studies and it's not like that. It's a physical hands-on job. You've got to go out there and actually do something. It's like gardening.

MR LINDWALL: Is our biosecurity system sufficient in Australia to protect us for some of these hazards you're mentioning?

MR BOURKE: We're doing everything we can, everything we can. I'm chairman of the Australian Honey Bee Industry by the way, as well as President of the Tasmanian Beekeepers. So yes, we are, we're having meetings. We're going to have a meeting with Planned Health on

Wednesday to talk about the categorisation of whether the government has to spend 50 per cent to help us or 20 or 80 per cent. All that's going to happen.

We've got to roll out a better security for our ports and our quarantine system. We do have a camera monitored unmanned that's been developed. It's only in Queensland at the moment. We've got to roll it out. The CSIRO have identified all the ports that we've got to protect. It's ongoing, very busy and ongoing, and we're very, very concerned because it's in New Zealand, it's everywhere. These Asian bees are coming in now from Papua New Guinea. They came from somewhere else. They came from Indonesia and they have Varroa jacobsoni which is another parasite. It's not quite as bad as destructor. Up until five years ago we didn't think that it would propagate in the European honey bee but it's happened in Papua New Guinea unfortunately. Some have worked out how to reproduce on our European honey bees.

That's why we're so concerned because they are in Townsville at the moment. We did have an incursion in Cairns five years ago and now they're in Townsville. We estimate it will take one to five years to link up, but this new incursion we've got has got Varroa jacobsoni on it which is a very big concern for us because if there was a lot of Asian bees that were infested with jacobsoni, then the next thing is they would infect our European bees as well. Our European bees are used for pollinating all over the country. The almond industry can't get enough of these to pollinate, so they truck them down from Queensland and everywhere else. You could very quickly infest our country, so we are very concerned. We don't need any setbacks on these minor things. We need to get the best price for our products that we can.

MR LINDWALL: And also the appropriate chemicals, I guess, too.

MR BOURKE: The chemicals on miticides are really bad. Where we've got these incursions in Townsville, we want to get rid of them without poisoning them if we can help it, because if we poison them with Fipronil, which is the most terrible, social insect killer in the world. If you kill one bee, you're certainly going to kill everything in the area. It will be like nuking the whole place. We want to find these individual hives if we can and that's what we're doing up there at the moment. Beekeepers throughout Australia are putting their hand up and going up in blocks of four to work with the Queensland Government to try and beeline and find these bees and trace them back to where they live so that they can kill them. We're checking all our European honey bees to make sure that they haven't got any of the mites in there as well.

MR LINDWALL: Basically the solution is to selectively kill the ones.

MR BOURKE: Selectively kill, yes. We tried that in Cairns and we couldn't do it, so it got away from us. The Federal Government at the time gave us $2 million dollars to transition.

MR LINDWALL: You mentioned the European bees. They were introduced obviously at some stage. What did Australia have previous to that in terms of bees?

MR BOURKE: We have flightless bees that pollinate macadamias and things like that, and short, little bees with little tongues that do our little flowers that we have here in Australia. The solitary bees; we've had 200 varieties of solitary bees, but when we've brought our European food to Australia, we then quickly learned that we had to get a European pollinator out here which we did. We are lucky enough to go into a forest, into a Tasmania forest everywhere, because we leave a soft footprint. We're the eyes and the ears of the forests.

We work pretty well with forestry. Our industry, which is Tasmanian Beekeepers Association, we are members of FSC. We try to get better certification for our forests here. The private forests have got FSC certification. We'd like to see our Tasmanian Government forests get that as well because then they'd harvest the timber in a more responsible way, which we are in line with. We'd like to see them more successful so that they can look after their road access which we enjoy. We've had a lot of roads flooded out in this last season. We had some massive floods and we had bushfires before that, very large bushfires. Then we had these really bad floods that washed our bridges away and culverts and things like that.

I'm actually going to see our Minister in a couple of days' time to see if he can help us beekeepers because we're only working people. Three years ago another beekeeper and myself spent $60,000 repairing one of Tasmania's bridges which is owned by Forestry Tasmania but it goes to parks land over the Arthur Bridge. So we spent the $60,000 on a public bridge which is one of Tasmania's public bridges and we don't think we should have had to do that because we come and pollinate crops for everybody else and do all the right things and yet we have to maintain bridges which we can't even insure or lock up or anything. So I've got to go and see the Minister this time which I am going to do.

MR LINDWALL: The labour market issues you mentioned, the workforce, what's the future of the workforce in beekeeping in Tasmania?

MR BOURKE: The future of the work force is very, very good. Three years ago I worked out that we have to employ our own people which we did. So with TAFE three years ago I employed the first of category 3 beekeepers. They've passed now and the second-year ones are through their first year, and I've just put on four more for this year, the starter beekeepers. It's working very well. They're not coming from another company where they drive on the wrong side of the road and learn their practices and then go back home again. We are training our own crew.

MR LINDWALL: So you don't use any backpackers like some people do?

MR BOURKE: We have done in the past and some of them have been good and they've got in and worked very hard for us and some of them have been not good. You spend all the time teaching them because we are very fussy. We want to produce our honey the best way that we can and extract it correctly and do all those sort of things. So we're training our own beekeepers. We've got some passed, some on the way, and some new ones just employed.

MR LINDWALL: That's good. Transport, you export your product to Europe, as you were saying, but is that by air transport or by sea?

MR BOURKE: Some of it is. The creamed honey we export goes on the planes, so 50 tonnes goes to China each year, creamed honey, because it's got to be kept cool and quickly. On planes we send many pallets of live bees to Canada. We are lucky here. In fact, I'm the largest exporter of live bees in the country because we don't have small hive beetle and Canada doesn't want to get small hive beetle. So they get a lot of bees from when we finish in the Leatherwood and then we pack those bees up and send them off to Canada, so they go in planes as well. The rest are sent on shipping overseas. Sixty per cent of our product, no, nearly 70, is exported.

MR LINDWALL: Ken, you should ask. I've been asking all the questions so I'm interrupting you for a bit.

MR BAXTER: You mentioned the almond industry, and I gather that recently one of the biggest horticultural exporters in Tasmania, Webster, have bought a very significant almond plantation in the Murrumbidgee Basin. You talked about the threat of flying insects and of course the fruit fly is a major insect in that south-west corner of New South Wales. How do you deal with an industry that moves, such as the almond industry has done, from a reasonable sized operation in Tasmania to a very large operation - or what will be a very large operation in New South Wales?

MR BOURKE: Yes, well it's not coming from Tasmania. I'm not aware of it. We've got walnuts and things like that here in Tasmania but almonds are in Robinvale and three places on the mainland. So we can't pollinate any almonds from here because we've got a little insect as well that no one else has called the Braula fly, so we can't go over there. I know that they can't get enough bee hives for the expansion of the almond industry. It's going in leaps and bounds and they are under threat too because if the honey crop came at the same time, they're going to make a lot more money getting honey for pollinating almonds because they're not paying quite the equivalent.

California, of course, produces more than 90 per cent of the almonds in the world and they're paying their beekeepers more than what the Australians are. It's subject to negotiations, of course. The Australians have been reasonably happy with what they're getting at the moment, but the almond industry have been cutting them a little bit short and I hope it doesn't come to bite them because if the honey crops comes, then the beekeepers are going to make a lot more money.

MR BAXTER: Where would they get the bees to pollinate what is a very substantial area of almonds that they're growing on the Hay Plains?

MR BOURKE: They get them from three States. They go interstate. We're just worried that if Varroa destructor came to one of the States, then it would close the borders and people wouldn't be able to leave that and pollinate the almonds within that State. We've done scenarios on these things before. Robinvale was one that we did and the South Australian chief vet said he would close the border and that you could only do it within your State, but they wouldn't have enough hives within the State to do that because there's three main areas where they do grow almonds.

New players are coming on the scene too with growing almonds. I can't see where the end will come but the only way they can do it is for the beekeepers to work pretty hard and split their hives and put another queen in so they've got two to be able to do it. That's really the step at the moment. That gets me back to the huge, world record crops we get here in Tasmania and that's because we don't split them because we have to keep our hives extremely strong because we've got our main crop directly after it, so that's why. So they get very good value from Tasmanian beekeepers.

MR LINDWALL: What else?

MR BAXTER: I've got nothing else.

MR LINDWALL: That's a big threat, as you are saying. Are you optimistic that it will be contained?

MR BOURKE: The one in Townsville, if everything comes to the worst we'll have to go to the last thing and that will be to kill everything in the area. I can't talk too much because it's privileged but they are finding some up there which is a bit of a worry. They're find them and pollinating them.

MR LINDWALL: It's a very interesting industry I know very little about.

MR BOURKE: It intrigues people of all walks of life, of all walks of life in our beekeeping industry.

MR LINDWALL: I'm pleased to hear that you're getting a new labour force in because we visited some people in Townsville recently, more cane growing, and I had a sense that like in many agricultural sectors it's an ageing population and some of the children don't wish to take over the business.

MR BOURKE: That is correct. That is correct. The actual age of beekeepers is four years older than farmers; it's 58 and so we do need younger people to help us. I employ 10 beekeepers actually, so I'm responsible for their wellbeing and their families.

MR LINDWALL: It's a good living for those that are interested?

MR BOURKE: Yes, it is a very good living. Some of them even choose to stay and repair things in the winter. They go out and do other things. I've got two people who actually cut firewood and find that more profitable than beekeeping in the winter, so it's good for them.

MR LINDWALL: Is there anything else that you'd like to say that we've missed out on, do you think?

MR BOURKE: No.

MR LINDWALL: You've given a pretty thorough exposition of what your concerns are; yes?

MR BOURKE: Yes, I just don't want to get GMO. The other industries that think they need it, they don't. They're doing very well at the moment without it, extremely well.

MR LINDWALL: Thank you very much then, Lindsay.

MR BOURKE: Thank you very much.

MR BAXTER: Thanks for driving all the way down too.

MR BOURKE: That's all right - at the last minute. That's all right.

MR BAXTER: And I'm a great consumer of your Leatherwood.

MR BOURKE: That's very good.

MR LINDWALL: So am I.

MR BOURKE: Well you know foods complement each other, so you need a little bit of dairy with it, and a little bit of cream cheese and it really tops it off. Thank you.

MR LINDWALL: Thanks, Lindsay. Is this Brett?

MR HALL: Yes, it is.

MR LINDWALL: If you could just say your name and organisation and a bit of a presentation of what you'd like to say today.

MR HALL: Thank you. My name's Brett Hall and I'm from the Tasmanian Red Meat Industry Council, and I'm here particularly today to address your draft report which under finding 6.1 states, "There is no economic or health and safety justification for banning the cultivation of genetically modified organisms".

I sent you a covering letter and also a copy of a report I did on the beef industry in Tasmania in 2013 and I believe the content of that is still relevant today, things haven't changed. In addition to that I'd just like to table to you a copy of the Tasmania Red Meat Industry strategic plan, a value chain case study that I did on the Tasmanian Red Meat Industry, both lamb and cattle, and that's just a copy of the letter that I submitted.

MR LINDWALL: Thank you very much.

MR HALL: Our position quite clearly is to strongly support the continuation of the Tasmanian moratorium on GMO use because of the significant economic benefit it has generated from providing access to premium priced markets across the world. Our argument is mainly around

market access and developing new markets and our industry focuses on customers and this is the feedback we're getting from customers as to what they actually want. So that's why we'd like to see the moratorium kept up. We have a few main markets and GMO-free features highly in all those markets. I'll go through them one by one.

The Japanese market: this market is worth about $50 million a year to Tasmania alone and there are four parameters going through the Tasmania feedlot that service that market. The four things that the animals have to be is HGP-free, hormone growth promotant free; they have to be no antibiotics, high marbling and feed no GMO material or bone meal. That's the basis of all the whole trade there. So without being GMO-free in the intake, those animals are not eligible for that market.

USA has got most of its cattle finished in feedlots and they use GMO corn over there as their main food source. A market's been developed over there from health-conscious people who want beef that is produced as natural as possible without antibiotics, drugs and that type of thing, are not being fed GMOs and no grain in the diet. So with Tasmania being declared GMO free, it's become a marketing point of difference for the State's two main processors, that being J B Swift and Greenham Tasmania. The strength of the demand for GMO beef in the US is reflected in Greenham Tasmania Limited's successful effort in establishing the Cape Grim beef brand as the first Australian food brand to be certified in the USA based non-GMO project protocol.

The other markets are Korea. In Korea you've got mandatory labelling of GMO products and very few GMO products are actually sold there due to the negative public attitudes to GMOs. The other large area is EU. So support for GM food is around 30 per cent and declining across the EU states and from the Eurobarometer survey in 2010, it showed that 66 per cent of the people surveyed are either fairly worried or very worried about GMOs in food or drinks, if you refer to page 15 of that.

As far as the economic situation goes, there was some work done in Tasmania by Macquarie Franklin a number of years ago now but that was fairly biased I found towards GMO introduction. At present there's only one allowable GMO crop approved by the regulators that could be grown in the State of Tasmania, that's GM canola. Now the projections for the benefit of growing this crop in Tasmania show an estimated annual farm gate value of four million. It actually came from that Macquarie Franklin report. That's .15 per cent of the annual 2.7 billion Tasmanian food and agricultural sector turnover. That's Macquarie Franklin's figures from that 2012 report.

The amount of potential risk involved in growing this GMO crop for such a small gain does not stand the test of being an option economically. Since this estimation was completed by Macquarie Franklin, there's been a huge increase in sales of Tasmanian GM-free canola to Japan at a premium price and the Tasmanian agricultural producers themselves have estimated that could reach six to seven million in the next five years. So the potential for the industry is rather small in comparison to the rest of agriculture and one of our markets alone, Japan, is over $50 million a year turnover. That's its risk from an economic viewpoint.

To finish there, something that was identified in my letter was about the situation where the dairy industry is keen to grow GMO grasses in Tasmania, specifically ryegrass across the dairy industry. For such a thing to happen would be very difficult to establish in the environment. A GMO canola crop stands out quite markedly from the rest of the environment, whereas grasses, you would not be able to stop their spread because it would be extremely difficult, apart from a few experts being able to identify them in the landscape. We see that as a big risk, especially when given that the Tasmanian situation which is identified in our industry strategic plan, it's one of the few regions in the world with a positive agricultural outlook from the impacts of climate change. I don't think anywhere else in Australia has an improvement in the climate conditions for agricultural productions but it's certainly the case down in Tasmania with the forecasts.

What has been forecast is that by 2085 annual dry land pasture production from ryegrass is expected to increase by 10 to 100 per cent, depending on the region. Irrigated ryegrass yields are expected to increase by between 20 to 30 per cent by 2040. Now the basis of introducing a GM-species of ryegrass is to increase production. Now the climate predictions are showing we're getting amazing and significant increases in production just from the effects of climate change. So really to be looking at introducing another grass species in to increase production is clearly nonsense because we're going to get that through the climate change forecasts.

MR LINDWALL: Thank you, Brett. I don't want to criticise you on this but you're saying that this other industry which is worth an amount of money which you say is not very much should be banned because it might affect you. Well other industries might be saying the same about your industry, so you've got to be careful about saying that you should ban an industry you don't like for some particular reason.

MR HALL: Our industry is a proven industry. It's got proven markets and the basis of our markets is because of this GMO-free status. So we're

responding to what the consumers are telling us. We're not arguing whether scientifically this can be proven or there are no long term health implications of using GMO technology, but I think the jury is still out in that area as well. We're simply saying we're listening to our customers and our customers from our target markets, our key markets, are all telling us, "You keep producing your GMO-free product that's clean and green and safe and we'll keep buying it from you".

MR LINDWALL: I think your arguments on marketing could be soundly based and I can understand the economics and particularly you heard with the beekeeping before and other areas. But on the science I think that it's a bit clearer on that because the scientists that we've spoken to have been unanimous in saying that the safety of GM products has been well established over many years.

MR HALL: I still don't think it's been entirely established that the long term safety of human consumption of GMO products has been proven to be safe because that hasn't been done.

MR LINDWALL: But those products are identical in some cases at a molecular level. The example I gave earlier was that you can produce poppies, GM poppies and non-GM poppies, and the Oxycodone that you get at the end is identical at a molecular level. You cannot distinguish one from the other and it would be silly to label one lot GM-free and the other not, surely.

MR HALL: In the case of poppies, because they're going into the pharmaceutical industry, that would be a different kettle of fish to products that can potentially be going into the food stuff of the livestock we're raising. That's a different area really.

MR LINDWALL: What about scientists have also told us about things called new breeding techniques which directly target the genes and the genomes of particular species and they are not treated as genetically modified but they are able to make quite significant changes and therefore there's been a shift away in some ways from GM production because of the negative viewpoint by a number of people of it, even if it's misinformed in some cases perhaps, according to the scientists, to these other ways of changing the genomes. Is that something that would cause concern or is that not something that's affecting the market, I suppose?

MR HALL: I think what you're identifying there generally consumers are a little bit more comfortable with that because they see that in some ways replicating what's happened with their natural genetic selection, so they're probably a lot more comfortable with that, rather than putting

genes out of a different species into another. That's where quite a lot of concern is raised.

MR LINDWALL: Did you want to talk anything about the GMs?

MR BAXTER: No, I think I'd like to compliment Tasmania for an extraordinary effort in selling a brand name and playing well above your weight.

MR LINDWALL: Yes.

MR BAXTER: I mean I've been involved in Tasmania for nearly 30-odd years. Can I also add, and I've probably got a conflict of interest, that I am a regular purchaser of Cape Grim beef. Not because it's GM-free but because the Cape Grim owners have managed to present through Harris Farm markets a set of beef products which is a very thin strip of beef and being one of those ageing people with no children left at home, it suits my wife and I. So it meets a market that the traditional mainland beef producer or beef processor has not met.

Because of this inquiry, among other things, I take a particular interest of the products that are in the shelf. For whatever reason, the Tasmanian industries, which include you and the beekeepers and a whole lot of others, have managed under pressure several years ago when you were having difficulties, to develop a range of products. If you look at meat, bees for one, or honey, you look at the wine industry which has gone from being largely non-existent or certainly at the lower end of the market 20 years ago, to now in the number of wine types as being dominant in parts of the Australian market. I have absolutely no problem if you use to a maximum all the assets you've got to penetrate a brand and once you've established that brand, to pursue it and maintain it.

The question I'd ask is the one which results from the query over ryegrasses. Are there no ryegrasses at all in Tasmania?

MR HALL: Yes, there are existing ryegrasses in Tasmania, yes. You'll see in the additional information I provided to you just then that the grass is a critical marketing factor in our beef brand. It's seen as a natural product and they see grass as natural, even though there's species that have been introduced to improve the pastures here in Australia. So that's still seen as being quite different to genetically modified.

MR BAXTER: Yes, and I understand that but they are here.

MR HALL: Yes.

MR BAXTER: So it's not as if you're introducing a totally new species into the stable?

MR HALL: Well I'd tend to argue that a GM species of ryegrass will be totally different.

MR LINDWALL: We've heard in these hearings in Hobart quite a lot about GM, so I'd like to use another topic because it's relevant to the industry, animal welfare. We made a proposal in our draft report about a body which was independent to provide advice on animal welfare standards to both farmers and to help educate the community about what are good practices and poor practices. Did you have any comment on that?

MR HALL: There's no doubt that animal welfare has been raised a lot amongst the community and it's a strong community concern. A number of years ago there was some advisory committees but I think they got probably fairly unwieldy and probably too large, but we saw in the past great benefit in those because there was wide industry consultation. We think that that method, if they were reintroduced, that would be satisfactory to go, rather than have a higher tiered organisation especially made, because it would probably be a lot more costly.

MR BAXTER: You guys are not exporting any live animals, are you, apart from across to Melbourne or to the islands between here and Victoria? Is there any large type exports going from Tasmania?

MR HALL: Yes, there are live exports because we export dairy cattle internationally. We export Angus cattle for breeding purposes and they've gone into a number of countries, and more recently, obviously China, so yes, there are some live exports going on.

MR BAXTER: And sheep?

MR HALL: Sheep nowhere near the volume that there used to be but if somebody buys our sheep in another State and at the end of their lifetime they may go overseas as mutton, something like that.

MR BAXTER: Do you get concerns then about the cost of coastal shipping from ports in Tasmania which are quite expensive?

MR HALL: Yes, quite expensive and certainly, from our point of view, the Victorian government looking at privatising the port of Melbourne would be a bit concern to us because we're totally reliant on that port.

MR BAXTER: You think that there's a risk that it would be privatised and prices would shoot up quite a lot.

MR HALL: Well we're yet probably to see a privatised business becoming cheaper than what the government one was, as far as our costs go. I think just access to that port for Tasmania, the last figures I saw on that was about $75 million for that access to that port and that port's about 25 per cent of the throughput from Tasmania. So really we haven't got anywhere else to go that could be cost competitive.

MR BAXTER: Any other transport issue that's of note to mention?

MR HALL: Well freight is the big one for Tassie, because you've got freight from the other two main islands, King Island and Flinders Island, and as you know, they can be fairly rough waters crossing there.

MR BAXTER: Occasionally.

MR HALL: Having large enough facilities and ships to be able to handle all seasons, all weather is a big concern and that infrastructure in place.

MR BAXTER: Relationship with the supermarkets. I notice, for example, Tasmanian meat, and at the top end of the frame, such as Cape Grim, at least my observation as a Sydneysider are in Harris Farm, Woolworths and a couple of the specialist markets. What's your view about supermarket power and ability for you to extract the prices you're getting? Let me take an example. The Cape Grim beef that I buy from Harris Farm, what I bought would be a kilogram and it cost me about $32. Now I walk around to Woolworths and get a similar product but not identical by any means, and I am talking say $22 in the current market. What's the relationship between the Tasmanian suppliers and the major Australian supermarkets and chains?

MR HALL: Well I guess really the big drivers for the Tasmanian meat industry are interstate sales and international sales. It would probably come as a surprise to many Tasmanians that not a lot of Tasmanian product, as far as beef goes, actually ends up in the local supermarkets.

MR BAXTER: Because you're getting the premium price overseas?

MR HALL: Yes, getting premium prices and also the supply centre for a Woolworths, for example, operates out of Sydney. So they're not going to buy local cattle here in Tasmania, take them up to New South Wales,

background them, put them into that supermarket over there and then ship them down here necessarily.

MR BAXTER: So your members don't slaughter on their own behalf in the first instance and then sell product packaged to Woolworths and Coles. You still go through the normal process of say either the sale yards or consignment shipment. The cattle go to an abattoir in Tasmania or in Melbourne and then it's the purchaser who then puts it into the various supermarkets?

MR HALL: Yes, mainly going through the main - - -

MR BAXTER: Yes, so it's not a pre-packaged thing that goes?

MR HALL: In some cases different processors will have their own brands that will go into those supermarkets, or in other cases they will be contracted to supply certain brands to those supermarkets. A lot of the supply that comes into Tasmania's supermarkets comes from interstate. It's known as Australian beef rather than Tasmanian beef. If you walk into the supermarkets you'll see, "Proud Australian Beef", but it's a lot more higher percentage of lamb that actually gets into the Tasmanian supermarkets.

MR LINDWALL: Have you thought of marketing overseas with "Proudly Tasmanian Beef"?

MR HALL: A little bit of that is done, especially Greenham in the US have promoted it and certainly what gets promoted over in Japan is all clearly identified as Tasmanian product.

MR LINDWALL: Which is why you get that premium over the rest of the country basically?

MR HALL: Yes.

MR BAXTER: I've also seen it in Singapore.

MR HALL: Yes.

MR LINDWALL: How much of a premium do you think you're getting from that?

MR HALL: An example would be probably about 80 per cent of the cattle in Tasmania would be Angus and until recently there was a

premium in identical sized calves at six months of age of $50 to $100 a head for cattle that were eligible to go into the Japanese market.

MR LINDWALL: For the record, what percentage is that of the total price?

MR HALL: Well that would have been 10 to 20 per cent in most years. Yes, so there's a significant premium out there for animals that are meeting the specification. The specifications are broadened now to include basically all British breeds, rather than just Angus. So you're seeing less of a premium for the Angus, but you're certainly seeing a premium in the marketplace for all those British breeds now.

MR LINDWALL: Thanks very much, Brett. Do you have any final points that you'd like to make?

MR HALL: No, no, I think this just follows on. Tasmania, as you say, has moved on from being a commodity supplier to a specialist high value premium supplier.

MR LINDWALL: Thank you very much for coming then, Brett.

MR HALL: No, thank you.

MR LINDWALL: Is there anyone else who would like to make a final presentation before we finish up? In this case, this is the last hearing for the inquiry and thank you all for coming. That's the end of it.

MATTER ADJOURNED INDEFINITELY AT 3.19 PM