



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

JOINT SELECT COMMITTEE ON THE AUSTRALIA FUND
ESTABLISHMENT

Establishment of a fund to support rural and manufacturing industries

(Public)

WEDNESDAY, 4 FEBRUARY 2015

HOBART

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SENATE

JOINT SELECT COMMITTEE ON THE AUSTRALIA FUND ESTABLISHMENT

Wednesday, 4 February 2015

Members in attendance: Mr Laming, Mr Pitt, Mr Wilkie.

Terms of Reference for the Inquiry:

To inquire into and report on:

The establishment of a fund to support rural and manufacturing industries, with particular reference to:

(a) the need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters, including the following assistance:

(i) emergency or ongoing financial relief,

(ii) a loan to such a business,

(iii) act as a guarantor for all or part of a loan or proposed loan to such a business,

(iv) purchase all or part of an existing loan to such a business,

(v) capitalise or waive interest owed by such a business,

(vi) assume control of such a business for a particular period,

(vii) grant funds to an appropriate industry body, and

(viii) grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it; and

(b) whether:

(i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis, and

(ii) any foreign bankruptcy or insolvency laws should be adopted as laws of the Commonwealth.

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CARTER, Professor Christopher Guy, Head of Centre, Fisheries and Aquaculture Centre, Institute for Marine and Antarctic Studies, University of Tasmania

Committee met at 09:17.

CHAIR (Mr Laming): The committee will now commence its second public hearing on the establishment of an Australia Fund. I welcome Professor Chris Carter from the Institute for Marine and Antarctic Studies. Information on parliamentary privilege and the protection of witnesses has already been provided to you. I invite you to make a short opening statement and at the conclusion you will receive some questions from the committee.

Prof. Carter: Thank you for the invitation to speak at the hearing. I believe I was asked to attend in relation to marine aquaculture. I would like to make a brief presentation to the committee. Fisheries and aquaculture are very important to Tasmania and Australia. It is Australia's leading state in relation to the successful industry's production and value. It is worth over \$700 million per annum. Aquaculture and fisheries are located mainly in rural areas and it is a major employer in those industries. Both industry and research institutions lead research and innovation both nationally and globally. Therefore, I think a fund to support industry and communities during a crisis will have a significant and positive impact.

Interconnectedness of terrestrial and marine operations: fisheries and aquaculture operations depend on the security of both terrestrial and marine environments. Key infrastructure to support marine operations is located on land. Of particular importance are aquaculture hatcheries, which produce the next generations for stocking intermarine operations. Salmon hatcheries are located inland and are exposed to bushfire and drought, for example. Shellfish hatcheries are located close to the sea and are vulnerable to extreme coastal events. In addition, abalone farming is land based.

Catastrophic events to hatcheries could destroy a year or more of production. Whilst there is some geographic separation in hatcheries, Tasmania is the only viable source of animals for restocking—and I refer to the salmon industry there. In addition, current hatcheries are working at maximum capacity. Therefore, a catastrophic event would have a severe impact on production. Catastrophic events at sea could destroy brood stock, which will take more than two years to grow and replace. They could also destroy the results of selected breeding programs. Therefore, aquaculture is vulnerable to catastrophic events because the production cycles are long and the impact will be on the brood stock.

Marine ecosystems and unpredictable changes: marine ecosystems are complex and may be vulnerable to threshold changes. A threshold change is where a small environmental change may cause a large effect. These effects may be local and affect particular breeding or growing areas. This may disrupt the life cycle of a commercial fish and lead to low availability of that species and therefore reductions in the total allowable catch, the TAC. As well as that, we have to consider some global events. As an example, aquaculture feeds for salmon source ingredients globally. So any global changes in availability may have impacts on what can be put into the feed, the cost of the feed and therefore the cost of the product. For example, fish oil is sourced from South America and depends on a wild fishery. Disruptions to supply will lead to a large price increase in feed and changes in the nutritional composition of the feed and therefore the salmon. That could have consequences in relation to the consumer.

In my presentation I have focused on the complexity of fisheries and aquaculture as primary industries and the long-lasting consequences of mass mortality due to catastrophic events in both the marine and terrestrial environments. Catastrophic events may have many causes and I am not in a position to comment on the likelihood of these events, so I would not wish anything I have said to have consequences on the commercial understanding of the industry's viability. Thank you.

CHAIR: Are you aware of any actions that these industries take to reduce the impact of natural disasters—for instance, buffers to avoid bush fire impact or any work that they do to preserve the quality of estuarine ecosystems where they exist or are they very much a purpose if the elements?

Prof. Carter: I believe they are fully aware of predictable environmental disasters and do what they can to manage that. I cannot speak with authority on what they do, but I would predict that they are aware of them and do those things. Their concerns are to manage what would happen with a catastrophic event where management is futile in a sense that it would override anything that they have done.

Mr PITT: Thanks for coming in. This is something of great interest to me and the people whom I represent. Regarding the on-land issues, there is an existing fund through NDRAA. I am from Bundaberg and we have been through this process in the last couple of years. If you have any knowledge of it, do you think it is inadequate? Do you think there should be more? Are there changes we should make to that? We are here today looking at the opportunities for another fund, but clearly there are options available now.

Prof. Carter: I know the industry believes there is a gap and this fund could fill that gap in terms of a few particular issues. I have discussed this with various members of industry and they are interested in looking at a particular fund which would be there to protect key brood stock and cover the consequential replacement of that hatchery and brood stock, which I have identified as a major consequence of any catastrophic event. I think they are also concerned about replacement of plant and supporting infrastructure for their land based facilities. I think they believe there is no fund that would cover that.

Mr PITT: Is it simply a matter that the value that might be available from the existing fund for a low-interest loan is too low?

Prof. Carter: I cannot comment on that. The point I am trying to make is that the aquaculture industry in particular will need a long time to recover from this because of issues such as the brood stock and the time it takes to rebuild the infrastructure, and the lack of ability to bring stock animals into Tasmania, for example, or other areas from elsewhere.

Mr PITT: Regarding your comments about sourcing feed from overseas, clearly that is a risk to the local industry. Is it simply that there is no availability in Australia or there is no ability to develop that feed in Australia?

Prof. Carter: It is specific ingredients. One of the key research directions the whole of the world's aquaculture industry is taking is to look at how to make aquaculture feed sustainable. There is a huge amount of knowledge and research on that. I would say Australia, through various institutions, has led a lot of that research. A lot of that research has been funded, if you like, because Australia can place itself as an ingredient supplier, not for fishmeal or fish oil directly but for agricultural products. A lot of the replacement for those will come from terrestrial agriculture or even innovative things such as growing algae on salt pans et cetera. CSIRO and other universities, ourselves included, have been at the forefront of a lot of research. In the long term, Australia is very well placed to actually deal with that.

Mr WILKIE: Can you help me get a better understanding of how natural disasters affect marine industries? I would imagine that the recent heavy rains have affected oyster farms in the Coal River Valley. What other ways can disasters affect the industry?

Prof. Carter: I think it is useful to go through some examples. The oyster industry have their growing stations in estuarine conditions. High rain events will cause run-off which dilutes the salinity of those areas. It can also wash-out potential toxicants. More normally, you cannot actually define what the cause of a decrease in production is or an effect on reproduction. That would be an example of heavy rains causing run-off which affects the oyster and mussel industry in estuarine conditions.

In the hatcheries when there is a severe drought condition they have to manage their freshwater supply. The production of salmon is dependent on salmon in freshwater and the volume of water can limit their production. How do they manage that?

They manage that by having sophisticated technology to recirculate the water and clean the water and put it back into the systems so they minimise the actual demand on freshwater supplies, but they still need some freshwater.

Natural disasters such as high wind events or tsunamis et cetera can disrupt cage systems and tear them from the moorings and rip the cages. Other effects could be less obvious such as inability to go out and feed the fish so you lose one, two or three days of production, and then you have a lag time of getting the fish back to where they were before et cetera.

Mr WILKIE: It sounds like natural disasters are more relevant for things that are on land, in estuaries or close by the shoreline—more intensive industrial farming methods. What about out to sea? Do cyclones and those sorts of events affect trawlers and their operations?

Prof. Carter: Absolutely. I do not speak with great authority, but weather will control whether a fishing fleet can go out to sea. That is an obvious one. I think a lot of the changes can be to do with these subtle changes that are partly to do with catastrophic events and partly to do with climate variability, which is having some predictable events and some unpredictable events. The key things to do with climate change in the ocean are to do with acidification and temperature rise. Acidification is just becoming at the forefront of people talking about the issues. The problem with acidification is that it can have consequences on larvae of marine animals—crustaceans or molluscs. Because their shells or carapaces depend on acidity and the balance of calcium et cetera as to how they are constructed, if the pH becomes too acidic it may actually have disastrous effects on life cycle.

Mr WILKIE: Does that mean we have perhaps two sorts of natural disasters? We have the clearly defined event like the Barilla Bay oysters over Christmas that could not be harvested because of sewage contamination.

Prof. Carter: That is correct.

Mr WILKIE: That was a clearly defined event which could be clearly linked to a natural event. It sounds like there is a broader range of effects which are slower and probably harder to nail down a start and an end, and even to attribute them directly to what we thought of as natural disasters in the past.

Prof. Carter: Absolutely. As we all know, the world is changing and environmental parameters such as temperature, acidification et cetera are gradually changing in the wrong direction. Scientists and industry are aware of these changes and are putting in a lot of factors to manage that—for example, selective breeding of stock to be temperature resistant or perhaps in the future to actually work at different acidification levels et cetera. You are quite correct: you are right to identify there is a gradual change which may have difficult consequences sometime in the future versus the distinctive events.

Mr WILKIE: It might be reasonable to expect business to adapt over time to a slowly changing commercial and physical environment.

Prof. Carter: Yes, I agree with that. Industry is doing that and working with scientists to manage that.

Mr WILKIE: This might be out of your area of expertise. Whether it be Tassal, Huon Aquaculture or Barilla Bay oysters, are they generally able to insure to protect themselves from specific events? Is there a gap in their ability to access disaster relief, do you know?

Prof. Carter: I would prefer not to comment on that because I cannot speak with authority.

Mr WILKIE: That leads me to my second question which is about knowledge gaps. Do you feel that there are knowledge gaps when it comes to disasters and what assistance these producers need?

Prof. Carter: In terms of identifying relief after a defined event, there is quite a lot of global work being done on that in terms of fisheries and aquaculture. I think Australia is relatively well prepared in many senses for that particular disease event. I think industry have their views about needing support, in terms of funding, to manage through that, and the point I was trying to make was that the aquaculture and fisheries industry have this long lag time that they have to work through to cope with that, which obviously has financial consequences. Those financial consequences will be felt much more severely by small operators than large operators, who will be able to buffer. So the big salmon companies would be more able, I would think—and again this is my view—to cope than many of the small oyster and mussel farmers who are independent producers.

Mr WILKIE: Would IMAS benefit from more funding for research to fill any gaps?

Prof. Carter: The research—and the research that is done with industry as the partners is particularly strong in Australia—and IMAS and other research institutions would benefit tremendously, I believe, and of course I would say that. But I think we do have a place and we are doing valuable work, such as in the selective breeding or in understanding how to manage the feeds or in doing cutting edge work about the physiology of salmon under these types of conditions that are going to become more prevalent. As you well know, we have had funding for an experimental aquaculture facility where we will be able to do this type of work and specifically do it on the large production type fish under more controlled conditions than you could do in industry or anywhere else in the Southern Hemisphere. So these are really important research areas.

Mr WILKIE: Are you adequately funded currently to do this research?

Prof. Carter: No is the quick answer because we have spent a very long time trying to collect a very small amount of funding to be able to start this initiative. We are desperately seeking funding for the next phase of that initiative, because, as I said, the salmon industry is critical to Tasmania and therefore Australia, and we believe that we would need to be able to do that research.

Mr WILKIE: Would you support a recommendation, if the committee were to reach this conclusion, that part of the solution for preparing Australia for future natural disasters is to better fund our research into preparing for natural disasters and plugging those knowledge gaps?

Prof. Carter: Yes, and thank you for asking that, because it reminds me that, of course, part of the innovation that goes on in Tasmania is to do with the infrastructure and cage design and technology that goes with aquaculture, and the kind of industrial research and development and funding of that would be key factors in terms of trying to manage those catastrophic events, such as whether you could develop cages which would withstand the type of event that may be specific to Australia or may be more generally found.

Mr WILKIE: I am sorry, Chair, that I monopolised that session.

Mr PITT: That actually leads in nicely to what I wanted to ask. There is a recent Productivity Commission report looking at existing NDRRA funding where they are talking about recommendations to mitigate rather than

just rebuild existing infrastructure. We have spoken about cages, but can you see any other opportunities for mitigation for the seafood industry?

CHAIR: Research around mitigation, or actual, practical mitigation?

Mr PITT: No. This is around practical infrastructure mitigation. A simple example is where the bridge is washed away three times in 10 years. We should build a better bridge rather than rebuild the same one.

Prof. Carter: One example is infrastructure such as sewerage. Leaks in sewerage pipes are most unfortunate and have a huge consequences not only immediate but to the reputation of industry. So there is that type of issue. Access is another issue, as is, I guess, people. Because a lot of these industries are in rural communities, it is often difficult to encourage people from the outside to move into those areas and encourage people in the areas to stay in them.

Mr PITT: In terms of limiting the effects of a natural disaster, I find it very difficult that we can control run-off. However, other people may have some suggestions.

Prof. Carter: No, I do not have the expertise to give you further advice.

CHAIR: So we have really talked about the two areas today. We have talked about planning for and provisioning for significant and catastrophic events and we have spent probably a bit more time on mitigating the slow threats to the industry. There is a sense that both research and the work of the fisheries organisations themselves are looking after the later, but there is still a significant gap around the former of really large catastrophic events which are very hard to plan for. Maybe the final question could be that we are struggling with this balance of whether one can insure against catastrophic events or whether you need a public fund to do it, which is a bit of a philosophical question. When it comes to these catastrophic events, do those in the industry have a sense that there is reasonable support from government and that the insurance market is working for them, if that is something within the range of your experience?

Prof. Carter: I think—and again this is my view about what they think—that they would believe there is a need to more precisely define what these events are and therefore who is responsible. Maybe some of that is a concern in relation to the fine print—who is insured and for what?

Mr WILKIE: It reminds me of the movie *The man who sued God*.

CHAIR: It is much appreciated, Professor Carter. Thank you very much.

BAILEY, Mr Michael, Chief Executive Officer, Tasmanian Chamber of Commerce and Industry

PARR, Ms Susan, Chair, Tasmanian Chamber of Commerce and Industry

[09:43]

CHAIR: Welcome. Would you like to make a short opening statement? Then we will follow with questions from the committee?

Mr Bailey: Perhaps I will explain who the Tasmanian Chamber of Commerce and Industry is. We are the peak business body in Tasmania. We have members all around the state. We also have the Chamber Alliance in place, which links the regional chambers in Tasmania to the TCCI. We meet with our regional chambers quite often. As with most states, there is a myriad of local chambers of commerce around our state, mostly based on the major towns and cities across the state.

Our membership is representative of the business make-up of Tasmania. We have a range of small to medium businesses, up to the very largest businesses in our state. Our membership is growing. We have a very strong board that makes sure that we keep on track.

Susan Parr is here at my request, not only because of her experience as the Chair of the TCCI but also because Susan was the community recovery coordinator from the Port Arthur incident, which we think is important to discuss today as well because of the learnings from that and also the implications of different sorts of major incidents on local businesses. So I thought it was a very logical opportunity for Susan to come along. On that, I might handball to Susan.

Ms Parr: Thank you, Michael. Although Port Arthur was a long time ago, in 1996, I think the lessons are still pertinent. As recently as the Dunalley bushfires, the TCCI did take a very direct role. Based on some of my experience, I think it is worth reflecting on those.

One of the things in terms of what I would like to say to the committee today is that I think the definition, the terms of reference, is too narrow. It really does not matter if it is a natural disaster. It could be a bombing. It could be a massacre. It could be anything that disrupts the community on a wide scale. With that, I realise that government cannot be God, but, in terms of thinking, I think this is important.

On my experience, what I need to say is that, as a result of the work that I did in 1996 to 1997, my community recovery plan was adopted as the template for Australia, and I was invited to speak at Mount Macedon in 1997 to try and broaden people's experiences and understanding of what an emergency is. One of the things that I would like to say is that, when something happens in a community on that scale, the effects are multidimensional, and they are not always obvious. There is a knock-on effect. There are lots of needs that are really evident, but there are also opportunities.

The nature of communities that experience natural disasters or major events is often that they are conservative by nature, especially rural communities or isolated communities. They are the product of generation after generation of farming, sawmilling or whatever—even the local hardware store, the local winery or whatever. By nature, those communities work with the seasons. They are resistant to change, resistant to new people and resistant to new ideas—and none of that is intended as a criticism.

What happens is that, once a disaster has struck, the emergency services come in. The firefighters fight fires; the ambulances take away injured people; the police do whatever they have to do; a whole lot of bureaucrats descend upon the place, and after six weeks they all go home, saying, 'Incident managed.' And then some poor blond person, as I used to be, goes to do the job of community recovery. It becomes absolutely enormous. It is the economic issues. It is the fact that businesses in small communities are often marginal anyway. It is the fact that customers stop coming. They will not come to Dunalley or Port Arthur or whatever. So immediately you have an economic issue, never mind the real grief, social and personal issues. There is a need for certainty.

With the greatest respect: John Howard came to Port Arthur and said that anything that was needed would be provided. Unfortunately, every person in Port Arthur thought that that was their golden lotto ticket, and it became a focus for: 'Well, why can't we have this? Why can't we have that?'

So the first thing I would say is that promises, while I can understand them being made in that emotional situation, need to be very guarded and very moderate—they need to be almost underpromised and perhaps overdelivered—because people are relying on a need for certainty in management arrangements—that what it is said is going to be done is done.

I found that it became really important that I had a regular meeting with the local community. The point of it was not so much what was discussed at the meeting. It was having the meeting and then listening to my bad jokes, which were about me, because they could laugh at me; they could not laugh at anything else. They needed local

ownership and local control, so if there were government cars with government numberplates the response was, 'We're not talking to you guys.' We found that at Dunalley also, didn't we?

Most people do not understand what their insurance policies cover, and a lot of people are not insured for interruption of business. I think that we talk to every local council. I came originally from a local government background: I was part of the Hobart City Council's Emergency Management Committee. In my own business we have an emergency management plan. It is like the ER in a hospital; it is not about the wards, the physios or the rehabilitation. That is where I think we need to focus our attention.

It takes somebody dispassionate and slightly detached to be able to identify the opportunities that might exist. One of the things that we identified at Port Arthur for that whole peninsula was that businesses did not have any customers, so it was an opportunity to roll out training in preparing businesses for when people came back—so upskilling them, training them in customer service and doing those sorts of things.

Coordination is obviously really important, but so are stakes in the ground that say, 'We are making a comeback.' After a bushfire, it is probably a little bit easier because—this is a simplistic thing—if fences get burnt down you put a new fence up. That starts to say, 'We're recovering.' It is a little bit harder when it is death and mayhem.

So those are the things that I would like to reinforce. It is multidimensional. You need expertise of the highest order to get the most out of such a situation to move it on.

Mr Bailey: The things that I would add to that are some of the experiences in Dunalley, I suspect, where insurance simply did not cover all things. An example was a local sawmill that had been in business for some generations. A lot of the equipment had been built by previous generations. Trying to get insurance for very important equipment that might be 60 years old was near impossible, and I suspect one of the reasons that that business did not reopen was the energy required by the sons and grandsons of the original owners to get this thing up and going again. It was almost easier just to step away and not have to worry about it, which led to 15 jobs being lost in the community, pressure on the local hotel and the local cafe et cetera. It is very difficult for businesses—particularly in regional areas, where, as Susan said, they are quite often very marginal anyway—that have been built up over, sometimes, many generations to accurately cover their insurance.

There is something else we discovered, as Susan highlighted. On my first visit to Dunalley, I wore jeans and a T-shirt and spoke to one of the local oyster farmers. We were chatting away, and he said, 'Where are you from?' I said, 'I'm from the TCCI.' I will not use the exact language, but he essentially said: 'Thank goodness you're not in a suit. I'm sick of people being here in suits.'

One of the concepts that Susan talks about, which I think is very smart, is the need for two bodies to approach this sort of issue. One body is the immediate recovery body, almost like the war general. But also, at the same time, you need a group of people that are there for a much longer term, starting at the same point, and that are more like the peacetime general, to be working with the community on an ongoing basis, because it is a very different job indeed. One is that immediate fix. The next is that more long-term help for this community to regenerate.

What we did not learn in Tasmania was the experience of Port Arthur, because we rebuilt everything for Dunalley again, as far as how the bureaucracy and the community approached it. To me that is extraordinary, because a natural disaster, or a disaster such as Port Arthur, whether it happens in the north of Australia or the south, is probably going to have the same issues. To me, it seems like a terrific opportunity to put together some sort of process that just clicks into place that links all of the learnings from all of these experiences around Australia to come up with the guide that is used. What we found in Tasmania in that instance was the vacuum of knowing what to do in that first few hours, maybe 24 hours. We were lucky. We had Susan on our board, who was able to give us very quick advice so that we could move in, at least on behalf of business. But it was interesting as an observer to see all of this kind of stuff happening—people in suits arriving in cars and someone saying something to one person and something happening to another person. In my experience, there was not that general knowledge that we have learnt across Australia.

Mr PITT: With your indulgence, Chair, I will just make a brief statement. Coming from Bundaberg, where we have had a very large natural disaster, we are on the same page. I have business in Bundaberg right now whose insurance bill for a \$1.5 million building is \$500,000 a year. Clearly they cannot pay that. Just to give you a little bit of hope a new model was run out up there by the Salvation Army. For those who were badly affected and had no insurance and no ability to pay, as a community fund with volunteers they have turned out about 46 homes, just with the basics—refit the kitchen, make it functional and make it liveable. That model seems to have worked really well and certainly has some value.

The recent Productivity Commission report around NDRAA funding was talking about changing the model, some of which I do and do not agree with. One of the points was around day labour and the fact that funding, when it does come in—and this is a personal view—tends to go to major contractors who have come from out of town and knock out all the people who are actually in a position a) to do the work and b) desperately need it because they have nothing else. I would be interested in your comments around some of that type of funding, for repairs in particular.

Mr Bailey: It is a very good point. The same experience happened here in Tasmania. Many of the contractors were major contractors that came in to do their things and then left again. Also, and I am not sure if this is the right point to say this, right around Australia there is normally an outpouring or support. Huge numbers of support donations come in to help people who have had this sort of experience, but not to help business. So business is left out on a branch without any real support, other than having to try to work with their insurance companies to get some sort of resolution to the situation. In a smaller community, which tends to be where these sorts of issues occur, they are so closely linked—they are intertwined—that you cannot separate the two. I do not know how we cope with that and manage it, Susan.

Ms Parr: I can really relate to that experience. People stopped coming to the Tasman Peninsula, because of the Port Arthur massacre, but then when we put all of these things in place to try to encourage people to do that, we then did not have staff, because there was nowhere to house them. There is the option of demountable housing for labour, that could be located appropriately, because of course all the tourism sites are dispersed. So there is not a single nice hub you can do that with. I think that is really worthy of examination, and of course it is money going back into that community, which makes very good sense.

Unidentified speaker: It keeps people moving.

Ms Parr: Yes.

Mr WILKIE: Chair, through you, can I pick up on Mr Pitt's comment about a business in Bundaberg. Did you say a \$1.5 million policy?

Mr PITT: No—and this is only my estimate—I would put that building at around \$1.5 million plus contents, and the insurance bill they were offered this year was \$500,000.

Mr WILKIE: I will put my devil's advocate hat on here to tease this out a bit. Does that suggest, though, that a business like that is actually unviable if it is built on a flood plain? From a business point of view perhaps they should not persevere with it, or, from a public policy point of view, government money should not really prop it up.

Ms Parr: Yes.

Mr Bailey: I have not heard of insurance premiums of that scale in Tasmania. But there is no doubt that, after an instance like Dunalley, insurance premiums in regional areas do tend to go up. But there are also unintended consequences of things like that. For example, when the state government looks at the way the planning works for areas that are bushfire prone and brings in additional bushfire regulations, that has an impact on every business in Tasmania after that sort of an incident. But, picking up on your point, there may well be areas of Australia that it becomes very difficult for businesses to operate in because of the nature of the area, particularly as climate change continues and floods may become more regular in certain areas. I am not sure whether that is in the scope of this body but, no doubt, in the future we are going to need to take into consideration areas of Australia that we may well need to help businesses relocate from.

Mr WILKIE: Relocate from, as opposed to re-establish in the old location.

Mr PITT: From memory, there were some 2,000 homes effectively wiped out because of the flood—although they could rebuild—and there were about 400 businesses. So an actual buyout option is incredibly expensive. With something like the Australia Fund, do you have any idea about how we might actually fund something like this in these tough economic circumstances?

Ms Parr: Yes, and government cannot be God. I guess that goes to my poorly formed—it is not distilled properly—concept that you need innovative business brains as part of a recovery plan. But they need to be thinking already. We can identify the most likely in terms of natural disasters—we can do flood et cetera—but we do not. So what are the options around that? I think that is money that could be invested now in thinking to better equip those communities that are affected by that. 'Hey, this is not working. What else could?' It will need people who are quite detached who can see more than 'Oh my God, this is my life and my grandfather's life. Our whole family was invested in this.' So I think that is part of what we need. In the same ways that we invest in better cures for medicine, we need to look for better cures for disaster.

Mr Bailey: Having lived in Bundaberg for some time as a young bloke—I think most Tasmanians leave for a while, settle somewhere warm and then come back—I think Gympie is also a town that floods regularly. I suspect that, for many businesses in Gympie, getting insurance would be nearly impossible. So it becomes a decision for business: 'Can we expect to be flooded in Gympie every three or four years? We probably can. Can we get insurance for that? We probably cannot. Can we make enough of a go of it in those years when we don't have flood rather than having to pay high premiums around that? Can we afford to pay our insurance in this location or is it more likely that we can afford to pay the insurance if we're five or six blocks back from the river?' Maybe we need to let the market decide.

CHAIR: I think that is an important topic.

Mr WILKIE: Would the establishment of something like the Australia Fund be a disincentive to business taking out comprehensive insurance for all eventualities, and might we see even more instances of businesses not taking out disruption of business cover as part of their policy?

Mr Bailey: That certainly could be an unintended consequences—businesses saying, 'I'm not going to worry about my insurance because this will cover me.' That is not the outcome we would be looking for. No doubt, that is something this committee would be taking into consideration.

Mr WILKIE: Do you think that it might be an unintended consequence for some businesses at least?

Mr Bailey: It certainly could be for some businesses.

Ms Parr: If I could make a point that, again, this goes back to how well informed people are when they establish a business. Would you build a multimillion dollar structure in flood-prone area that is flood prone every three years, or would you build something that does the job but is not so expensive? It is all about how well informed people are when they plan their business. It is a bit different from you farming that land for generations and generations. I think there could be unintended consequences.

Mr Bailey: It also shows the need for very careful and continual reviews of local zonings and not accepting that things are always going to be the way they have been. I think that will play out more and more around Australia over the next 20 years or so.

Mr WILKIE: With regard to your comment that perhaps too many businesses do not have—what was the term you used?—

Ms Parr: Business disruption insurance.

Mr WILKIE: business disruption cover as part of their policy, I am sure some businesses make that decision. It is a business decision: how much extra will it add to my premium and is it a real risk? That is fair enough. That is a business decision and that is their decision. Is there a problem in business insurance cover where, as was revealed in the Queensland floods where a lot of policy holders really did not know what was covered, there is a bit of naivety?

Ms Parr: I think we found that, didn't we, at Dunalley?

Mr Bailey: Yes, absolutely. A business that burnt down reasonably recently was insured for 'usual stock'. It burnt down just before Christmas and it had Christmas stock. So, again—and 'naivety' is, I think, a very good point—the business just did not understand that their policy would not cover an extra couple of million dollars worth of stock that they had on site at that particular point in time.

Mr WILKIE: Is there a problem with insurance cover that it is not clear? It needs to be made more clear? With the Queensland floods, there were moves to make flood cover clearer.

Mr Bailey: It is probably more the need for organisations like the TCCI to consistently remind our members that you need to double-check your insurance. It is the same for all of us with our home insurance. I am not sure of the last time that I actually checked my home insurance. I assume it is right. It is probably one of those things that I probably will not think about unless something happens—which is pretty silly. Again, I suspect that the need is certainly with the chamber movement around Australia to continually remind our members to double-check their policies.

We spend a lot of time with some of our insurance members at training events and even roadshows to get out to the members and to get them to double-check what they are insured for and to remember these pitfalls. I think 'insured for usual stock' is a great example. In their mind, the business was insured to the best possible level but they had just not thought of that. It was a case of: 'Gee, I didn't expect this to happen at all. What terrible timing for me. It has happened just before Christmas, with a couple of million dollars worth of stock on site that I didn't expect.'

Ms Parr: If it had happened at stocktake time they would have been laughing.

CHAIR: We are really getting to the heart of this inquiry, and you are probably the most important witnesses in helping us understand this balance of moral hazard where people under insure because they know there is a state fund that is available. We are looking right at the margins here to see where there is genuine, unavoidable market failure. You will recall that period between when those floods caused significant damage and the construction of the state funded levy banks. In that period, until the mitigation had occurred, those guys were significantly exposed to much higher insurance premiums that could not have been predicted otherwise.

Maybe in these unforeseen areas where it is out of the control of business and normal insurance, there may be some case for assistance. Another one, potentially, would be where hatcheries are destroyed and you might have some form of business continuity cover. It may not include the fact that contracts are signed that run for much longer than is realised and where competitors take your market share. These sorts of things are probably even more complex than what an insurance policy could cover.

Ms Parr: There was an example at Dunalley where an oyster farm could not have been reinstated without volunteer support from other oyster farmers. You are absolutely spot-on with that, because I do not think that every time somebody signs a business contract they go back and make sure their insurance is adequate for the length and life of their business or imagine all the potential risks.

Mr Bailey: Yes, without a doubt. To me also—and I know it is outside the scope—the Port Arthur massacre is a terrific example of an incident which I think we would all call a disaster, which had an incredible impact on local businesses. There was no ability for those businesses to have any sort of support through their insurances. How can you insure against that?

Mr WILKIE: Business continuity insurance would not have covered a local café?

Ms Parr: Not—things might have changed.

Mr WILKIE: Not the café but another cafe down the road.

Mr Bailey: No, although I might be wrong. I would need to check that.

Ms Parr: I think not and in any event we are talking about fairly unsophisticated business owners in the main. There are a couple there obviously who are part of bigger groups and I guess it is that naivety—as Michael says, there is a role for us there but I think there is a role for local government as well.

Mr PITT: I am just going to give you a rough idea of how big the damage was in CQ. There was some \$2½ billion worth of infrastructure, there was well over \$2 billion to \$3 billion in domestic housing and commercial business. It was very substantial. It was a combination of legacy buildings—over a period of 100 years things just get built—combined with local government planning decisions. It is a one-in-200-year event. Given the size of the financial exposure, if a fund like this was to be proposed, how big do you think it would need to be, given our risk across Australia? Obviously insurance actuaries do this all the time but I think they lack a lot of knowledge that is specific to the location. They simply do it by postcard, which is obviously detrimental to the people who would not be affected. I would be interested in your comments.

Mr Bailey: I could not begin to answer that terrific question because the one-in-200-year events, just from Tasmania's perspective—a flood in the Tamar at some—could be anything. It is an impossible question to answer. From my perspective anyway, I just could not put a number on it. We know the number will increase in time. We know it is not going to get any cheaper and the longer it takes for these events to happen, the more impact there is going to be financially.

Mr PITT: Of course, the federal government, as all federal governments, is limited. If we are to raise funds for a specific fund like this, how do we do it?

Mr Bailey: Good question.

CHAIR: The last point is that there is the prospect of a large fund which is constantly picked off by different sectors in different parts of the country or the other one is whether from this point of view you are better off having a series of smaller responses to natural disasters where, for instance, fisheries and agricultural groups get together to make their own provisionings for a natural disaster. We potentially talked about small levies for regional areas where they then have a self-interest in making sure insurance is adequate, rather than the moral hazard of saying, 'We're just competing with Queensland's next cyclone, with WA's next fire and we just hook into a fund as quickly as we can when we need to but in the meantime we do not do much with insurance.'

Mr Bailey: Perhaps there is an argument for different scales of disaster, too. There is an interesting model at the moment with the NSW business chamber who have recently offered financial support to South Australian businesses impacted in their recent bushfires through a fund they have put aside and which they make available to chamber of commerce members right around Australia from time to time, as far as I can understand. Your point is

a good one, that perhaps there is an argument for each state putting something aside if possible for regional issues. But again, if there is a disaster of a national scale, the federal government has responsibility.

At the end of the day, we know that businesses quite often are left exposed in these sorts of situations and in ways that quite often normal members of the community are not. We have the charitable drives for people impacted by these sorts of disasters and Australians are terrifically supportive of those things but again business seems to be the group that is left to the side in these sorts of situations. To me, that is the core of what this committee needs to be thinking about.

CHAIR: I have to excuse myself. Thank you, very much.

Mr WILKIE: I have two questions; you might not know the answer to the first one, regarding bushfire cover in Tasmania. Are there areas where businesses are established and have long been established which are now having trouble getting bushfire protection?

Mr Bailey: I do not know the answer to that, but I will see if I can find that out.

Mr WILKIE: I would be interested to know. In a place like that, like in a flood area, if a business has been there for 100 years, they suddenly just cannot get insurance and it is out of their hands now, what do they do? They cannot afford to move the business.

Mr PITT: I can tell you I have any number of businesses that are over 100 years old and in the location, and to shift that type of legacy organisation which employs hundreds and hundreds of people in my local community is extraordinarily expensive.

Mr WILKIE: So maybe not an option.

Mr PITT: I do not think so; that is the reality. Another thing I would like to put to you is that there is a suggestion in the most recent Productivity Commission report around NDRRA funding changing the actual percentage model. My view—and I am on the record on this anyway—is that we split the country's wealth across the nation through the GST distribution. I still do not see any reason why we should not split the nation's risk. I think it is in the best interests of all people in the country, but I am interested in your comments around that. Tasmania has a different risk profile to Queensland, of course, where we are subject to cyclones, but we do have some states which contribute enormous amounts to our GDP, which is split across everyone.

Mr Bailey: If you look at the impact, even in Tasmania, of the Queensland floods, of the cost of productivity and even of insurances in Tasmania, I think it is a valid point. We do know that Queensland in particular is much more prone, as you said, to cyclones and the like, but it is also incredibly important to Australia's economy with the produce produced and the like.

Ms Parr: I support that concept and I would go to the chairman's comments about focusing on industry groups as well, as a starting point at least, because the expertise would be there. The self-interest and the self-education would come from that. That could happen tomorrow, but, yes, that is a nice big-picture thing that appeals to me.

Mr WILKIE: You said, or suggested at least, that, at the time of Port Arthur, governments made a lot of promises and they did not deliver on all of them.

Ms Parr: They could not.

Mr WILKIE: Have governments delivered on the promises after Dunalley?

Mr Bailey: I think they have.

Mr WILKIE: This is your chance to make a comment.

Ms Parr: It is really interesting because the government delivered on a new school for Dunalley, but, before the bushfires, Dunalley school was on a list that probably suggested that it was not sustainable long term. Now, because the community got up really early and said, 'We want to build our school,' which is probably one of those stakes in the ground that I talked about, the school probably represents more than just an educational institution. But it is interesting because that is how the whole agenda changes—and they built it in record time. I think, in the main, government has delivered in Dunalley. Mr Bailey was able to cut through some red tape that we learnt about to enable some things to happen when people were just saying, 'I don't know what that means; I can't do that.' We were able to identify what the problem was, and government was responsive to that. So, yes, I think so. If I can say, the scale—I had a property in the Tasman—of the bushfires was enormous, but the fact that no lives were lost made the kind of response different.

Mr WILKIE: Less of a response?

Ms Parr: It was a community-rebuilding response rather than it also being a grief process, with all the things that go on for at least a year in any grieving process and all of those things. Losing your house is traumatic—there is no doubt about that—but losing four people who you spent every day with is different.

Mr WILKIE: Is the community down there still being supported adequately?

Ms Parr: Yes, I believe so. It was the two-year anniversary just recently. The pub has been a really important part of it. They had a festival over the weekend. The pub has been really key. I do not think the importance of a pub is in any community recovery plan.

Mr WILKIE: Maybe we should have air-transportable pubs.

ACTING CHAIR (Mr Pitt): I can tell you that in our region they were open as soon as possible. It is important for the community to be able to get together.

Ms Parr: Yes.

ACTING CHAIR: While we are talking about this, I will put on the record that there was a phenomenal response in Central Queensland. It was the biggest helicopter rescue in the Southern Hemisphere, outside of wartime, without loss of life. There was one minor incident, which was just unfortunate. Your point is spot-on. If you gave me the choice between the lives of my kids and my house—easy. As there are no further questions—I assume I am the stand-in chair at the moment—I thank the witnesses for coming in today, for your advice and for sharing your experience and knowledge.

Proceedings suspended from 10:21 to 10:31

WALSH, Mr Stephen Robert, Secretary, Unions Tasmania

ACTING CHAIR (Mr Pitt): I apologise on behalf of the chairman, who has just had to step out for a moment. I welcome Mr Walsh from Unions Tasmania. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I now invite you to make a short opening statement. At the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mr Walsh: I am the Secretary of Unions Tasmania, a position which is elected each four years. I was elected unopposed in October 2014.

By way of opening remarks, Unions Tasmania is the peak body for unions affiliated in Tasmania. In effect, we are the state branch of the ACTU, though unions are separately affiliated within each state. In Tasmania we have 25 unions affiliated, representing approximately 50,000 members. Organised labour in Tasmania is represented in both the public and private sectors and across all industries.

I welcome the opportunity to appear before this Parliamentary Joint Select Committee on the Australia Fund Establishment. Unions Tasmania has not traditionally made a lot of these submissions, but this is an area which is clearly in the interests of our members. We ought to be putting our view to committees such as yours.

The main thrust of our submission today is really the need for Australia to have strong industry policy that supports rural and manufacturing industries. When I looked through the terms of reference for this inquiry, it appeared to me that this inquiry was about the form assistance should take, rather than, from our perspective, what policies need to be developed to ensure that industries are supported to create jobs and therefore economic growth and wealth creation for the workers that we represent, particularly in regional communities. Clearly, from a Tasmanian point of view, with the spread of population across the state, we are a regional community, and many of our regional communities have been particularly impacted as a result of loss of jobs and closure of companies. In our view, narrowly focusing on financial relief necessary to support these industries in times of crisis is missing an opportunity to develop long-term and innovative industries that provide meaningful employment in well-paid and permanent jobs.

Unions Tasmania does not believe that a fund of this type should be used for the type of assistance that is referenced particularly in terms of reference (1)(a)(i) to (vii). Item (1)(a)(viii) reads:

grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it;

That is an area where such type of assistance could be relevant, provided there are criteria in place. We see that as an area where the establishment of a fund similar to the Australia Fund would be relevant, as I say, providing there are criteria around that.

In our view, strong industry policy is needed to support our manufacturing and rural industries, particularly in the areas of innovation, investment, management skills, integration of Tasmanian businesses into national and global supply chains, access to new markets and, importantly from a Unions Tasmania perspective, organisational approaches in the workplace that give workers a greater say in workplace decisions and that ensure their ideas are actually listened to. I personally have seen too often situations where the consultation has been, 'Yes, we have consulted,' but it is not true consultation. It is, 'We will hear what you have got to say and then basically ignore it.' Whether this support can be delivered through the establishment of an Australia fund remains to be seen, but I am sure that this will be canvassed by your committee as you proceed through this inquiry.

In the Tasmanian context, support for Tasmanian businesses to deal with those issues I referred to is needed. One example is access to markets. In 2013 I was part of a joint Tasmanian delegation to Canberra to lobby the previous government for a share of the defence capability projects. That lobbying exercise crystallised in my mind the importance of coordinating a cooperative tender process for Tasmanian companies, which may, at the very least, enable an opportunity for smaller companies to develop joint partnerships to tender for parcels of larger projects. I think it is clearly accepted that, if we just use the naval capability project, we are not going to be able to build frigates as much as we would like to. We are not going to be able to build submarines or frigates in Tasmania, but we can certainly participate, as is already happening with some companies, in terms of fit-outs and parts of that tender process. For that to occur it seems in our view that it does require goodwill from companies to jointly tender; but, more importantly, it requires leadership from governments to facilitate that type of approach. If that type of assistance is not provided then regions such as Tasmania will continue to struggle to be competitive in the tender process, particularly for major projects, such as the Defence Force one.

Another area is innovation and investment, where again a fund such as the Australia Fund could be utilised. I have looked through many of the submissions that you have received, and I particularly note the AMWU submission. I am a member of the AMWU and was a former full-time official with them. They canvassed that

issue in their submission, and we would support their approach. I do not intend to reiterate that. Companies, particularly in manufacturing in rural areas, that are being confronted with the need to restructure their business to improve their competitiveness through the use of technologies and to diversify should have access to this type of assistance. Again, we would support the submission made by the AMWU in this area.

As I said in my opening comments, Tasmania is a regional economy. Unions Tasmania is supportive of policy development that will grow Tasmania's manufacturing and rural base both in terms of size and capabilities. We have seen in recent times media reports about the hemp industry and the growing nature of the wine industry and how it is increasing in size. We welcome those developments. Put aside wine—plenty of wine is processed in this state. Certainly in the case of hemp, downstream processing is a key part of any growth in Tasmania. Of course we have the existing agriculture. There have been periodic threats of companies like Simplot leaving the state for all sorts of reasons. I think it is vital for this state that downstream processing is continued here. There are many examples. We see the death of the paper industry. I had a close association with the paper industry in the past. You could not point to any one thing internally that caused the demise of the paper industry; it was outside pressures—distance from markets, the global downturn in pulp and paper, for example. Companies such as Norske Skog's recent investment in the Boyer mill to go into new grades of paper is a huge benefit.

We believe that there is an opportunity for an Australia fund type of assistance, but, again, we do not want to see it narrowly focused on those companies that are in crisis particularly due to natural disasters or some poor management decisions, and bailing them out. We think there has to be a broader approach and we really do need to look at this whole question of industry policy.

Mr WILKIE: Term of reference (viii) states:

grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it

Do Unions Tasmania support that?

Mr Walsh: We would see there would be a need for assistance for companies to be able to access that. I accept that companies need to invest in technology. Unfortunately, nine times out of 10—I would say 10 times out of 10—new technology results in a loss of jobs, but we cannot continually keep our head in the sand and refuse the advance of technology; I accept that. It is obviously how you deal with the restructuring of a company. It is important that companies have access to technology as a means of maintaining their viability.

Mr WILKIE: Am I characterising this correctly by saying that Unions Tasmania would support public money being granted to private enterprise if it were to make them sustainable, to help them grow, but not to make them more efficient and shed jobs?

Mr Walsh: We believe there are many companies out there who require that access to technology. Whether it is through loans or whatever, if it is in an overall context, we are not saying that businesses should not have access to that. So, in broad terms, yes.

Mr WILKIE: Does Unions Tasmania support the Cadbury grant? By way of explanation to the acting chair, this is to help me get my mind around the detail of the Unions Tasmania position.

Mr Walsh: I do not have a definite position, from Unions Tasmania's point of view. Putting aside the politics of how that announcement came about, if it was to assure the long-term viability of the company, clearly we would support any initiatives that would ensure that. In this particular context, though, it is—

ACTING CHAIR: That is probably a little bit out of scope, I would have thought, for a grant from some time ago. It is an existing company.

Mr WILKIE: I am not opposing the grant; I support it. But it just gives me a bit of a sense of where the union movement stands in regard to industry assistance.

Mr Walsh: I think the industry assistance has got to be seen in the context of saving jobs and increasing efficiency and viability.

Mr WILKIE: Acting Chair, I want to ask a question about industrial relations. This is not a rhetorical question. I do not know the answer to it—that is why I am asking the question. In times of crisis when there is a natural disaster and a commercial enterprise is really under pressure—maybe it is under water—do all of the normal protections for workers still apply?

Mr Walsh: Again, in broad terms, yes, they do. It largely depends, of course, on the nature of any natural disaster. In regard to things like wages and whether people have got access to leave, all those normal processes would follow. But if you are talking about a small company with no HR department et cetera and no infrastructure around them—they are a mum-and-dad business, so to speak—then they are usually worked out between the

parties. From our perspective, there would be certain expectations that workers' rights would continue to be protected. This is where the importance of workplace consultation and good relationships improve in relation to industrial relations, because in a workplace that has treated its workers fairly and properly, in those times of hardship, my experience is that workers will respond. But if workers have been continually castigated, criticised and treated poorly, in times of crisis, they will not respond.

ACTING CHAIR: I think my experience in central Queensland is that overwhelmingly they exhausted all of their capital to pay their employees, to pay their entitlements, to ensure that their business remained viable, and they got back to work. I cannot actually think of any example where that did not happen. There may have been one or two, but generally the community was very strong about ensuring as many people as possible kept their jobs, and they kept working. That was generally the outcome. I just want to add something in to what you are looking at there. Just to go back one question, one of the issues in the terms of reference is about supporting manufacturing industry's crisis. I would be interested to see what your comments are around the things that the government could do inside a private company better than it was already doing. I guess you should know a bit of my background. I did a trade as an industrial electrician. I have got a degree in engineering. I have done a lot of work in manufacturing in a very vast range of areas. Given that history, I would be very interested to know what it is that a government can do better than the existing company.

Mr Walsh: I think it is not so much that the government can do it better. It is about what levels of assistance are around for a company to access. If it is merely things like changing the—I did not touch on B—bankruptcy and insolvency laws and providing bailouts for companies that have been poorly managed, then, no, I do not think funds should be used for that.

ACTING CHAIR: I think the Australian taxpayer would agree with you, to be honest.

Mr Walsh: Yes. I think there are plenty of examples of where the taxpayer has agreed.

ACTING CHAIR: Absolutely.

Mr Walsh: I come back to this point about being able to facilitate access to markets. I think government has a role to facilitate and to encourage particularly in a state the size of Tasmania joint ventures and those sorts of things. Again, in previous jobs that I have held within the trade union movement, there has been the issue of training. I have a background in the printing industry and in Tasmania we tried, jointly with the employers, for many years to get training of apprentices utilised into various large companies. The major barrier—I accept this from a company point of view—was 'I want to protect my market; I do not want someone from another company coming in here and being trained and seeing what sort of quotes we provide.' I do not know the answer to that other than I think it is a responsibility for us collectively to continue to try to improve those sorts of things.

ACTING CHAIR: Once again it is out of scope, but the Industry Skills Fund which was announced in the last couple of weeks I think addresses some of that. It is specific to six-month training packages that result in employment. But that is outside of what we are looking at today. You may well have heard this question during the previous witness. One of the issues that we had in Central Queensland in recovery, and given the very large amounts of work that had to be done, was that the work was generally done by larger companies from outside who atypically did not hire a lot of the local contractors. That created significant angst in the community and of course a recent Productivity Commission report talks about providing the opportunity for day Labor to be used under NDRAA funding. Do you have any comment on those two issues?

Mr Walsh: I would like to look into it a little bit more. Providing things like decent wages and access to proper protection, workers compensation, health and safety—there are enough people being killed in workplace accidents now without having fly-by-night or ad hoc arrangements entered into in times of recovery that do not have proper protection and proper safeguards, particularly around health and safety. Obviously there are also proper wages.

ACTING CHAIR: I should be clear that there is absolutely no suggestion that that occurs. They are very professional. This is more about local content particularly for regional Australia, given that atypically they lose their existing employment ability.

Mr Walsh: The unions in Tasmania strongly support local content. I do not have the actual incidents in front of me, but with the Dunalley bushfires it is my understanding that concrete power poles were imported from New Zealand. That is outrageous, irrespective of what government was in power. It was done under the previous Labor government.

Mr WILKIE: My understanding is that when state government contracts are tendered local content is not a qualitative selection criteria. When I have challenged the previous state government on this I have been told that there is an agreement between all of the jurisdictions that they do not give a preference to their own content

because to do so, among other reasons, would then basically exclude one state from bidding in another state. They want a level playing field. Of course that fundamentally disadvantages Tasmanian businesses because we are a small economy with small businesses dislocated from the mainland obviously by Bass Strait. We have this ludicrous situation at the Royal Hobart Hospital where a lot of the labour and material will be shipped in even although it can be supplied by local companies. It is the same thing with this construction site next to the state parliament house here, where the glass is coming from China, I understand, while there are glass companies up in Derwent Park desperate for the work. Unions Tasmania, I assume, would be happy to see that agreement between the states abandoned.

Mr Walsh: We would certainly be happy to see local content. That whole question of the local content needs to be addressed, whether it requires all the states to agree how or not. But something needs to happen because you are right: in a state the size of Tasmania it is ridiculous for areas which could be producing. Whether it is a five per cent or 10 per cent differential, I have not exercised my mind to that; but there needs to be some acceptance of the importance of providing that. Again, in Tasmania, the state government would be the largest procurer of many services—things like stationery and all those sorts of things. That would significantly impact on a local company. That does need to be addressed.

ACTING CHAIR: Can I add to that?

Mr WILKIE: Yes, sure.

ACTING CHAIR: I cannot comment on the Tasmanian state of play; I simply do not have that understanding. But I know that typically the biggest area is road repair, which goes to local government in Queensland, and I know that different local governments do have different levels of purchasing policy around local content when they assess tenders. So, depending on which local government area it is, there are different outcomes in terms of who gets the work. Obviously you need to ensure you have value for money for the taxpayer; but I tend to agree that wherever possible that should be going to local people if they are competitive.

Mr Walsh: Exactly. We from Unions Tasmania have no argument with that because again, if you take the next step—the free trade agreements—there are plenty of examples of countries we have free trade agreements with which still protect their own markets.

Mr WILKIE: Back to the Australia Fund: there could be conditions placed on the expenditure of funds from the Australia Fund. It could be spent in ways that maximise the effect on the local economy—not just to rebuild things but to help rebuild the economy.

ACTING CHAIR: There are two issues around recovery. This is just a statement rather than a question. As I said, there is value for money and local content, but there is also the recovery time. The experience up there, and this is just a general statement, is the sooner the recovery is completed the sooner the community can get back to normal. That is something that also needs to be considered. Clearly if you have to wait 12 months to ensure a local content provision for something that could be done in five days, that also needs to be considered. Have you got anything else?

Mr WILKIE: I have one final question, through you, Acting Chair. Looking at the Dunalley fires two years ago: as far as you are aware, were the interests of local employees adequately cared for?

Mr Walsh: I really could not answer that with any real knowledge for two reasons: I had only just returned to the state when those fires occurred and it was not an area that touched upon my area in my current or previous role. So it would not be appropriate for me to make a comment on that.

ACTING CHAIR: I have just one more to wrap up if you are all done. This is something I have asked all the witnesses to date. Given the enormous amounts of money that are likely to be required—and I know that in my area it was some \$4 billion—have you got any suggestions how that might be funded, given current circumstances?

Mr Walsh: Again, I did not exercise my mind to that. I accept the fact that every good idea or every good outcome has got to be funded from somewhere. We are seeing that in the current debate here in Tasmania in relation to education. I accept that, but I really have no answer.

ACTING CHAIR: That is fine. All right. Once again, thank you much for attending. It has been good to get input from Unions Tasmania. With that, we will end this session.

Mr Walsh: Thank you very much.

STUMP, Mr Neil, Chief Executive, Tasmanian Seafood Industry Council

[11:03]

ACTING CHAIR: The committee will now continue its second public hearing on the establishment of the Australia Fund. I welcome Mr Neil Stump, from the Tasmanian Seafood Industry Council. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I now invite you to make a short opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mr Stump: By way of background, the Tasmanian Seafood Industry Council is the peak body representing the interests of wild-capture fishers, marine farmers and seafood processors in Tasmania. In doing so, the council works very closely with the individual groups which represent different sectors of the Tasmanian seafood industry. Our role is mainly one of coordination and facilitation in addressing issues that go across more than one sector or impact on more than one sector, so this inquiry is part of our core work. In getting across the establishment of the Australia Fund, I have met with my colleagues in individual sectors to gain their views about where they see the most value could be derived for our industry from the establishment of that fund if it ever needed to be activated due to a natural disaster or crisis in Tasmania.

Just so you are aware, in 2011-12—that is a little bit old now—the seafood industry in Tasmania was valued at \$691 million at farm gate or what we call beach price in wild-capture fisheries. When you take into account value-added processes, that is bumped up to \$808 million. If you use a standard economic multiplier for primary industries, that takes it up to over \$2 billion worth of economic activity in Tasmania, which is quite substantial for a small state like ours.

In particular, the seafood industry is active in regional areas, in smaller communities. If you take the salmon industry, for example, it is a big player in the Huon-D'Entrecasteaux area and now around Strahan on Macquarie Harbour on the west coast. Most of the smaller regional ports support fishing fleets of some size. In that respect, we are very important and vulnerable if there is a natural disaster in a particular area.

In relation to the Australia Fund, I would make one simple statement about our position. What we are seeking is to receive equal treatment, the same as our terrestrial cousins who are primary producers. Everybody is aware that farmers for many years have received drought assistance in times of drought, and we do not begrudge them that. But, at times when they have been natural disasters—maybe from slightly different causes—in the seafood industry, we have found it near impossible to gain government support to assist individual companies or industry sectors to get back on their feet and operating again. So, in a nutshell, that is our position in relation to an Australia Fund, if it were to be established.

ACTING CHAIR: I might just get you to outline the types of natural disasters and how they might affect the seafood industry.

Mr Stump: Yes. If we take our marine farming industry or aquaculture industry, disasters that may impact on marine operations are not only things like a tsunami, a storm event or something like that that severely damages infrastructure required during farming activities but also land-based disasters, such as bushfires and strong winds et cetera, which can have a detrimental impact on productivity and the ability of the industry to keep going in times of disaster. A lot of that is around pieces of infrastructure, like processing facilities or even hatcheries.

In Tasmania specifically, both the salmon industry and the oyster industry rely on hatchery production. Both Huon Aquaculture and Tassal, our two biggest salmon producers, have hatcheries in the Huon Valley in close proximity to native and Forestry Tasmania land. If a bushfire were to go through there and a hatchery were wiped out, that would have not an immediate impact on production; but, given the lag time between when the fish are put out as fingerlings and when they come through the production cycle, 12 to 18 months later, you could see production severely impacted—same with the oyster industry. In fact, I heard you talking earlier about the Dunalley bushfires here. That is a classic example: the bushfire came within metres of destroying Cameron of Tasmania's hatchery right in the centre of Dunalley. Now, that hatchery produces approximately 45 per cent of the spat for the Pacific oyster industry nationally. So if that had gone up, again, 18 months or two years down the track there would have been potentially a quite significant decline in production for a lot of producers. They are the sort of land based things that can impact on the ability of industry to keep going.

ACTING CHAIR: Welcome back to the hearing, Dr Laming. Just as a quick follow on from that: is there any way to mitigate against those types of disasters, in your opinion?

Mr Stump: Individual companies, to some extent—and I should make more reference here, probably, to the salmon industry—are spreading the risk by having hatcheries in different locations around the state so they are not centralised in one area. But still, as that industry expands—and I think in about 2009 it announced it wished to

double production by about 2025—that is quite significant. Even though they have spread the risk, it would depend a lot on the capacity of the other hatcheries that might survive an actual disaster to step in and increase their production. That might not be possible within a 12-month period. It is about spreading the risk as much as possible for those companies.

CHAIR: My apologies for missing part of your testimony, but I will catch up on it. Mr Wilkie, do you have any other questions?

Mr WILKIE: Mr Stump, are you aware of there being any instances in recent times where members of the council have hoped for or sought federal or state assistance and it has not been available?

Mr Stump: If I use the Lowell fisheries as an example, one of the classic things would have been when we had an outbreak of a herpes-like virus in abalone stocks which severely impacted the Victorian abalone industry and caused quite some concern here in Tasmania. It led to the closure of certain sectors of the fishery for a period of time. That is one of the issues.

If we are talking of natural disasters we see things like disease as being a natural disaster for our industry which might be very hard to deal with. With that abalone virus people wanted some assistance and found it really hard to come by.

Mr WILKIE: Because disease is not normally regarded as a natural disaster?

Mr Stump: Not in a marine sense. We have been in the process, over the last 10 years, of trying to come to an agreement with various governments on an EADRA—an Emergency Animal Disease Response Agreement. We are still working our way through that. I believe abalone may be being used as a test case—mainly on the back of that disease outbreak going back to the late 2000s.

Mr WILKIE: Chair, I do not know if this fits at all within our terms of reference but I think it would be helpful if we could make reference in our report to the whole issue of the definition of a natural disaster because of this evidence, now, about disease. While you out of the room earlier—I think it was while you out of the room earlier—witnesses were discussing the Port Arthur massacre and the effect that had on local businesses. I gather that would not have fallen within the definition of a natural disaster either.

Mr Stump: We are very supportive of that, Andrew. We believe that the definition of a disaster probably does need to be broader because the type of disaster that impacts on us as primary producers can be slightly different to that which impacts on terrestrial farmers. One of the things that we were discussing recently was the fact that changing environmental conditions may cause productivity within an individual fish stock or a number of fish stocks to be affected. They may not be as productive now. There is nothing a government can do directly that will allow those stocks to rebuild overnight but there may be a need to assist some people who would no longer be viable, or a number of operators within a particular sector, to actually exit.

Mr WILKIE: To exit or adapt to, say, a warming climate. But what about when there is a specific incident? For example, I think the Barilla Bay oysters were recently contaminated by effluent after a big rain event. That is a much more conventional natural disaster, at least for Barilla Bay oysters and those who like eating Barilla Bay oysters. Are those sorts of events normally insurable, and shouldn't the onus be on those commercial entities to ensure they have adequate insurance cover? At what point is it reasonable to assume the insurance cover stops and people have a claim on public assistance?

Mr Stump: That is probably a question I cannot answer directly. The reality is that, in most instances when you have a spill like that, it does not actually kill the animals. What it does mean is that you cannot harvest them and put them on the market. So your access to market is disrupted more than terminated completely.

Mr WILKIE: But there is a disruption to your business.

Mr Stump: Yes, definitely.

Mr WILKIE: I do not know whether commercial insurance policies will cover that sort of event. Might they?

Mr Stump: As I have said, I would have to discuss that with the individual farmers. I have had talks with oyster growers and it has not been mentioned that they are actually insured for those sorts of events.

Mr WILKIE: Talking of effluent and spills, does the council have a view on the Tasmanian water and sewerage reforms? Are they going to live up to their promise of diminishing the likelihood of these sorts of episodes?

Mr Stump: I think they will, but it is going to take time. I think, as it is now, TasWater inherited a mess, quite frankly, with different councils spending vastly different sums and prioritising sewerage and water at different levels within their budget spend. So the quality of infrastructure around the state, to the best of my knowledge, varies greatly. Some councils did have good infrastructure. Others have been neglected for far too long. We have

had instances where we believe that planning approval processes for new industrial developments, for example, may not have been adequate, or the inspection regime that goes along when somebody has to put in stormwater and sewerage and whatever may not have been rigorous enough. And there are competing priorities. As somebody quite succinctly put it recently, if you said to our Director of Public Health, Roscoe Taylor, 'Where would you sooner spend the money: on averting the need to have bore water alerts in so many communities around Tasmania or fixing a piece of infrastructure which is allowing a spill of effluent into a waterway?' I think he would probably go with the former. So we have those competing things. Getting back to your question, we hear all the right language from TasWater about the need to address these problems, but I think it is really going to take quite some time and a significant amount of money.

Mr WILKIE: In the interim, we can expect the Tasmanian oyster industry, at least, to pay a high price for the inadequate infrastructure.

Mr Stump: I think there is that expectation, because supply to the market will be disrupted. We are extremely confident now that we have better processes and systems in place to ensure that the contaminated product does not enter the marketplace. So, from that perspective, hopefully our reputation will not be damaged. But servicing markets for primary producers these days is all about continuity of supply, and if that supply is disrupted it causes issues for individual businesses. What we need to do smarter is maybe look at systems and processes to reduce the amount of time those businesses are not allowed to harvest. It is extremely precautionary, and those original criteria were developed when we did not have the technology we have today, which can say, 'Yes, you should close down now and you can open maybe a bit earlier.'

The use of technology in overcoming some of these disasters, or at least averting some of the potential impacts, is something that should not be discounted. I note that the use of modern technology was one of the points in your terms of reference.

CHAIR: Where we are increasingly heading in these questions has been in the area of moral hazard—the fact that if there is a back-up fund then there might be some perverse incentive not to be fully insured, or those who are taking the least mitigatory action are those who will get the greatest benefits from the fund, which is another form of moral hazard. My question is twofold. First, do you think that a national structure, where all sorts of different forms of national disaster or crisis can apply, would be preferred by your industry? Or can we start to drill this down and have a more localised response, which means that we may well be talking about a specifically designed fund or response for your industry so that we can continue the pressure to make sure that you are adequately insured, provisioning for the future and mitigating threats as you find them, but also, potentially supporting you with a local fund that might respond to crises just in your industry? Secondly, that there might be potentially an ability for your sector to be able to go to part of the natural disaster funding we have already, but that will really only be providing money to elements of your sector that have been appropriately insured and have done the right thing, but where unforeseen costs have arisen. In that case there might be a fund for unforeseen costs.

Mr Stump: Going back to what the witness before me said, we want to do away with those perverse incentives for people who do not have proper business planning and structures and insurance and other things in place—when they have been severely impacted by a crisis or national disaster and a lot of that impact has been caused, dare I say it, maybe by their own negligence or lack of proper planning and process. I think you do need to have at least a structure around the fund, whether it is a national fund or whether you create silos or buckets of funding for individual industry sectors, that asks those sorts of questions and has the correct amount of rigour around it so that people are not claiming more than they should be entitled to to start with. In fact, you are virtually suggesting that they be rewarded for bad practices. I do not think that should be part of any Australia Fund. The people who have done the right thing and had the proper structures, processes and business planning in place, and who are still impacted, are the people who realistically have more potential to bounce back, rather than an operator—

CHAIR: Did we ask you earlier about whether your industry has attempted to get natural disaster relief funding in the past and what that experience was—whether it was successful and effective?

Mr Stump: We have raised it, mainly at the state level, because I represent state based fisheries. From time to time with different governments we have put forward the proposition that we should be eligible for disaster funding along the same lines as farmers who receive assistance in time of drought, but we have not been successful.

CHAIR: So you have applied and you have not been successful?

Mr Stump: We have raised it—individual businesses I believe. Some of the businesses impacted by the bushfire at Dunalley may have received some level of assistance to rebuild sheds and things like that. But when you talk about insurance one of the farmers there got burnt out. His tractor, shed and everything were insured, but he could not insure the baskets he used to put the oysters in to contain them in the water. So that was a couple of hundred thousand dollars worth of equipment that was not insured.

CHAIR: From your experience with insurance in your sector, was there a way for the council, working for its members, to investigate the possibility of insuring those baskets, which typically do not fall under a policy?

Mr Stump: I am not directly aware of that. That question would be better addressed to the body that represents oyster growers directly, which is Oysters Tasmania. That is the sort of issue I will be bringing to their attention and something that they may be able to drive.

CHAIR: You might still be able to write to us on that matter, because it would be good to get an answer as to whether there was some structural problem in getting insurance coverage. This goes right to the heart of whether, by working in local partnerships and having a more responsive local fund, the incentive is there to identify those gaps in advance and ensure that insurance covers it. Whether it was just an oversight—you cannot expect every client to be an expert in insurance policies—but it seems pretty obvious that, if an insurance policy says 'We don't cover all of your contents,' such as your baskets, that you have an obvious problem. It would be great if you could possibly write to us after speaking to them or invite them to write to us about whether current insurance policies would not cover those kinds of contents or whether they just basically omitted to have that coverage.

Mr Stump: I will follow that up for you and write to the committee.

CHAIR: Thank you. That would be helpful. That concludes my questions. Thank you for coming in. I much appreciate it.

Mr Stump: Thank you.

BROWN, Mr Michael Wayne, Chief Officer, Tasmania Fire Service

[11:35]

CHAIR: Welcome. The committee will now continue with its second public hearing on the establishment of the Australia Fund. Information on parliamentary privilege and the protection of witnesses and evidence has already been provided to you. I invite you to make a short opening statement, then we will follow up with some questions from the committee. Do you have any comments to make on the capacity in which you appear?

Mr Brown: I am Chief Officer of the Tasmania Fire Service and that incorporates the role of chief executive officer and chairman of the State Fire Commission. If I can start off talking about the context of my organisation, Tasmania Fire Service, it is a completely integrated fire service. It was that way, following the Fire Service Act 1979, in which we amalgamated all career, volunteer urban and rural brigades, so it is a single fire service. For the most part, we are the only jurisdiction operating as a single fire service in the country.

We have about 5,500 members, of which only 300 are career firefighters, working in the shiftwork environment. We have about 170 support staff, meaning that the remainder are volunteers. So over 90 per cent of our personnel are volunteers. They are represented in all communities across the state, including the three Bass Strait islands and Bruny Island.

In the context of our fire risk in the history of Tasmania, Tasmania being situated in the south-east corner of the country is one of the most fire-prone areas in the world, on par with areas around California, in the United States, and also parts of the Mediterranean. We do not get major fires with great frequency, as Victoria might do, but we certainly have a history of major fire incidents in Tasmania. Historically, the most significant one has been the 1967 fires when 62 Tasmanians lost their lives in a single day, on 7 February. In more recent history, fire conditions that were very comparable with that same date in 1967 occurred on 4 January 2013. So we have had some recent experience of very major fire activity occurring at once in numerous locations across the state.

Probably the biggest turning point with regard to the way in which we operate in a bushfire context really came out on the back of the Victorian royal commission that looked at the bushfires in Victoria in 2009. That was a big turning point for the Tasmania Fire Service and indeed the whole fire industry across the country in that the major lessons came out about warning people. We know that, when fire weather conditions are on the extreme and/or worse, fighting fires in rural environs become somewhat fruitless because things just reignite very quickly with the high temperatures, high winds and very low humidity. We must put our emphasis on another set of operational priorities.

If I may, Mr Laming, share with committee members the new operational priorities that we developed on the back of that 2009 experience—I might be able to relate this to the terms of reference of your work—when bushfires are burning out of control, so on the 99 percentile it is normal business for fire brigades and fire services, our No. 1 priority is around issuing warnings. We issue them by any means that we can, and there is a whole lot of technology that we can now use to do that. We also know that technological infrastructure can fail in major bushfire situations, so we also have to use every kind of medium we can to issue appropriate warnings on communities. We must then protect vulnerable people who are caught in a bushfire situation, and so we need to understand where people will congregate. That will be in the nearby safer places which we might have notified people about, and that could also include refuges. It is places like schools, childcare facilities, nursing homes, hospitals and the like—wherever people are trapped in a situation and they are vulnerable.

The next one is protecting valuable community assets. We have gone out and consulted with numerous communities across the state about what is valuable to them. Some of it is fairly obvious to us in that it is critical infrastructure—things like timber bridges, electrical infrastructure and sewerage works even. There are all sorts of critical infrastructure things that we need to put a priority on protecting. We need to consult with the community about what is important to them in order for it to quickly recover following the emergency. They are things that may not be obvious to a bureaucracy. We need to talk with the community because they will identify things of a tourism value, a cultural value, a historic value or a business value. It may be the main employer in the township. We need to identify all of that.

The next one is about stopping building-to-building ignition. This is not about fighting individual property fires but where we have that chain reaction occurring. There was a lot of evidence of that in the ACT fires of, I think, 2003.

The final priority comes back to fighting the fire but only as conditions moderate. We are really turning all of our principles on their heads. We developed this after 2009. It has been a big job for us to indoctrinate this message in all our people across the organisation. The evidence for this was there when talking to our crew leaders and sector commanders on the ground in places like Dunalley or Bicheno in 2013. They said that in the

absence of operational plans, with very poor situational awareness, this gave them some guidance as to what they needed to be concentrating their efforts on. I think that contributed in a fairly significant way to seeing that the outcome in terms of losing people's lives was not there in the same way as it occurred in 1967.

There is an extension to that, which was developed in 2009 following the Victorian bushfire royal commission. We have also developed an award winning program called Community Protection Planning, whereby on our website in, I think, around 120 communities now residents, or business owners for that matter, develop their own bushfire survival plan. They can click on an area and see what we have identified as the roads that are safe for access and egress. They can see what is there in terms of predetermined nearby safer places or evacuation centres where we can get people to. It gives people some guidance on where they can get their information—so the local community radio frequency or the local ABC frequency that works in that particular area. That is for the community's access and it is available off the front page of our website.

I will pass out an explanatory brochure. This is the public one about the community protection plan. It explains that there are three levels. If we go to the bottom of the second page, there are the community bushfire protection plans. They are for the public and are available off the intranet. They are for the public to inform themselves on their own bushfire survival plan. The next step up is the community bushfire response plans that we do not make publicly available. They give local fire crews that are coming in important information about that critical infrastructure that has been identified—those locations where we might expect to find vulnerable people, places where they can access water supplies et cetera. It is a simple document that can be downloaded, given to a crew that might be coming in from an area that is well outside the area that is familiar to that crew. It gives them some guidance as to where their priorities have got to lie, again, when bushfires are burning out of control.

The next one above that is the community bushfire mitigation plans. We have developed some trial ones, but that is really identifying where we put the mitigation activities in, which are things like reducing fuels, most commonly through the use of fire—fuel reduction burning—and also in developing the plans needed to make access tracks and bushfire breaks and the like. An internal document that I have here is for internal use, so our crews can access this readily. And this here is a simple explanatory note on how to use the community bushfire response plan element of the process.

Regarding your terms of reference and the matters for supporting businesses affected and impacted by the bushfire emergency, with regard to the fire service, we are very cognisant of it. When we get major bushfires in the Tasmanian context it is in the height of summer, which is also our peak tourism season as well, and we do know the impact that can have on local businesses in terms of tourism when we have areas closed down for significant periods of time. So, we are cognisant of that, and in being mindful of it we do try to ensure that we will open areas back up for businesses to recover and for tourism to continue as quick as we can.

I will just remind members again, too, that in recognising the important community assets we are recognising in many cases businesses as well as other assets, because for a community to recover following the emergency we understand that in terms of the employment created business is extremely important. But as for funding-affected businesses and other entities following a disaster, in the state context that is really up to government, and they do that through the arm of the Department of the Premier and Cabinet for most emergencies. And when it has been a significant emergency, like the 2013 fires we experienced, they will establish something by way of a bushfire recovery task force, which really formalises the whole process a lot more.

Mr WILKIE: How are you allocated funding? You have so many unknowns about how much money you need in any one year.

Mr Brown: In terms of our general funding to run the organisation, just over half of it comes out of the municipal fire contribution, which is the fire levy. Everyone who owns property in Tasmania pays a fire levy consistent with the value of their assets on that land. Regarding the type of cover they get, people who are in a career brigade district will pay a levy that is higher than for people who might be in a remote area. And then there are other revenues out of government and insurances that fund us.

Mr WILKIE: So, at a time like during the Dunalley fires, when you would have needed to spend a lot more money—on the hire of aircraft, fuel and consumables—

Mr Brown: That comes out of state government. Each year, following the bushfire period, we look at the additional costs we have incurred that relate directly to wildfire operations and put an invoice in to Treasury to have that funding reimbursed. That might be, in a fairly quiet year, as low as \$2 million or \$3 million, but in a pretty busy year like 2013 I think it would have approached \$17 million or \$18 million, because we used a lot of very expensive equipment and we had a very heavy work commitment in relation to manpower as well.

Mr WILKIE: And presumably that is not capped in any way: you have the freedom of action to go out and do whatever you need to do to get the job done.

Mr Brown: Yes, we do.

Mr WILKIE: And there are no constraints on you in a time of crisis, I would hope.

Mr Brown: No, there are not. In fact, while these major emergencies are operating we are working closely with the state emergency management committee and the state emergency security advisory committee, on which Treasury sits. So, Treasury becomes aware of what we are doing in terms of bringing on additional aircraft from other jurisdictions.

And by way of aircraft, we get assistance from the Commonwealth through the National Aerial Firefighting Centre, or NAFC, in terms of supporting the funding for us to obtain aircraft year by year. It is a little bit hard in the planning process through winter to work out how the fire season is going to be, but we have a good arrangement whereby in Tasmania's context we now get five additional aircraft into the state that have specialist firefighting equipment.

Mr WILKIE: And that is federally assisted?

Mr Brown: Yes.

Mr WILKIE: How much of the bill is paid from Canberra?

Mr Brown: Approximately 50 per cent, for the standing costs of the aircraft. NAFC organises the national tendering process, and then the state allocations are worked through, and in Tasmania's context, where there are five aircraft that we get for an 82-day period, I think it is, through the summer.

Mr WILKIE: Chair, I hope you do not mind this indulgence, but I will take this opportunity to raise something that you would have seen me speak about four months or so ago. I wrote to the head of the company that leases the Skyranes and asked whether there were in fact any practical limitations on those aircraft being pre-positioned in Tasmania or operating in Tasmania, and he said as far as he is concerned there are not. Do you remain happy that those aircraft are not pre-positioned in Tasmania from time to time?

Mr Brown: I am. In terms of flexibility, we get good service out of the contract we have at the moment, which provides us with three medium helicopters—that is, helicopters that carry approximately 3,000 litres of water—and two of the lighter helicopters, which carry about 1,000 litres each of water. It really has to be considered in terms of what you can support. So, it is not only the cost that rises exponentially when you are looking at larger aircraft; there is consideration there in terms of support. We know that the big Airplane type of aircraft use a tremendous amount of fuel. And regardless of the cost of that fuel is the fact that logistically we have to follow that aircraft around with a very large fuel tanker to keep it operating. And for the cost of that aircraft, I think in terms of bang for our buck in our local context, we are well served with slightly smaller helicopters, being the medium helicopters we get in—the 3,000-litre helicopters. And we can support those well, and it gives us good flexibility, because we do not have our resource all in one basket. But we are always open to looking at other options. We are a member agency to the NAFC board. In fact, I chair the NAFC board. And members might be aware that there are two much larger aircraft again, now based in Victoria. In a Hercules and BJ jet aircraft they can carry about 15,000 litres of water. And while they are for the most part funded by Victoria, arrangements exist there for us to be able to access those aircraft, or put in a request to access those aircraft, should we need them. And in fact at this point in time I have two staff in Victoria working with those aircraft so that, if and when we need them, we have trained up and are prepared to support those aircraft.

Mr WILKIE: Who would pay for that if they were to be deployed to Tasmania?

Mr Brown: The state would pay for those. It would be the same arrangement I described about us making an application to Treasury.

Mr WILKIE: I have one last question, which is probably more focused on the committee's inquiry about the potential establishment of an Australia fund. I suppose you can spend money preparing a community, hardening it, or you can spend money when there is the fire, or afterwards. Sorry; I am stumbling a bit with the question. If I was to ask, 'What's best?' you would probably say, 'Well, spend as much money as possible beforehand doing everything we possibly can and then doing the best job we can afterwards in disaster relief.' But is there a danger that as we focus more on a disaster relief fund we are drawing money away from spending before a disaster to prepare for a disaster? It is an ambiguous question, but I think you know where I am going.

Mr Brown: I do, I think, Mr Wilkie. It needs the right kind of balance and, particularly in our context—no matter what we are doing to prepare communities or what mitigation works we are putting in place—you might be aware that the government is committed to spending \$28 million plus over four years on a fuel reduction

program. That will reduce risk but it will not eliminate the fact that we are still going to have fires. Tasmanians and all Australians enjoy the environment we live in, and the cost of living in the environment we like is the fact that we are going to have bushfires from time to time.

There does need to be considerable effort put in around resilience for communities, and that has driven, for example, our community protection program process, which I said was award-winning last year. We have just won another national award under the Natural Disaster Resilience Program for another program we have running called Bushfire Ready Neighbourhoods, which is about tailoring bushfire advice for communities specific to that community type. We have done a lot of research—we work with the University of Tasmania on this—and we know that the whole answer is not in producing websites and brochures: you must be able to engage with at-risk communities. How and with what message you engage with a community will vary significantly from a farming community to a shack community to a low-socioeconomic community to an affluent community. That program is now up and running, and we are getting very good responses at community forums. They are all tailored a little bit differently because there will be different community types.

There needs to be effort and money put into that, and I think doing a lot of that speaks volumes for some of the results—like our result over 2013 of not having a death attributed to a fire or in the recent fires in the Adelaide Hills or now in Perth. There have been properties lost—and the cost of some of these policies is that properties will be lost—but to date there have been no deaths. But let's not count our chickens too early, because I still think there are a lot of communities at extreme risk.

Mr WILKIE: Does federal funding assist with making communities more resistant or does preparation tend to be a state responsibility?

Mr Brown: For the most part it is a state responsibility, but federally through the Attorney-General's Department there are funds made available to the jurisdictions for programs. For some of these programs we have certainly put in an application for support funding to enable a program to come to fruition. There has been a significant contribution from the Commonwealth, not only to Tasmania Fire Services programs, but others nationally.

Mr WILKIE: Would it be appropriate for the committee to be mindful of the fact that all the money going into a disaster relief fund must not be at the expense of funding for preparation for disaster? It should not diminish the federal funding going into those programs. If it is recognised that more federal money is needed for disaster situations, then perhaps there needs to be more money at both ends—before and after the fact.

Mr Brown: I have to say that my scope of operations is less about the recovery phase. You can read about and understand that there are all sorts of situations for those who have been impacted by a disaster, but it should not be at the expense of having a good, competent and capable response system and good quality resilience programs, because they do have a significant impact on the loss of lives. I read recently that about 900 lives were lost in bushfires over the past century in Australia. It would appear that the climate is getting hotter and we are getting more extreme days. It would also appear that people are enjoying sea changes and tree changes and so are situating themselves closer to the risk. The results for Australian fire agencies in more recent times have been pretty encouraging for the lack of the loss of life.

CHAIR: That is environmental limitations?

Mr Brown: Because of agricultural concerns for the most part. Most of the island is developed, and their main concern is not having good dairy land fuel-reduced, so there are slight differences in different communities. In Tasmania there is catered for under the Fire Service Act what is known as the State Fire Management Council. The State Fire Management Council has been doing a lot of work, particularly since 2009, on identifying bushfire risk in a very scientific way. Some excellent models for that have been prepared and that has strongly influenced the planning work that has gone up to government and supported the state government sponsored fuel reduction programs and helping us identify where we are going to get best value for our activities.

In relation to insurances, I think you raise a reasonable point, in that it is not mentioned, to the best of my knowledge, in the materials we have put out. It may be in the bushfire survival plan, which I do not have here. I think it is a relevant point for people living in fire prone areas just to get another reminder to ensure that they do have insurance and ensuring that insurance relates to the costs that they will incur should they lose their property at the time and that it is updated. I think for a lot of people it is about updating insurance.

Mr WILKIE: I seem to recall that during the Dunalley fires a lot of people were found to be uninsured and a lot were found to be underinsured.

Mr Brown: Yes.

CHAIR: Thank you, very much, Mr Brown, for your time in coming here. It has been of great assistance.

Mr Brown: Thank you. You're welcome.

PARK, Mr Dale Humphrey, President, Western Australian Farmers Federation

[12:02]

Evidence was taken via teleconference.

CHAIR: Welcome. Information about parliamentary privilege and the protection of witnesses and evidence has been provided to you. We have your submission, which we appreciate very much, and we are delighted that you have been able to join us by teleconference to make perhaps an opening statement and then to answer some questions for the committee.

Mr Park: Thank you very much for this opportunity to talk the committee. As you are probably aware, I am not actually in Perth at the moment, I am stuck at home because we have no power. I am stuck here moving generators around to keep water flowing while we have not got power.

WA Farmers' concern about this whole area goes a long way back, way before exceptional circumstances. In general WA did not really appreciate exceptional circumstances, because we always felt that the guidelines were made for the eastern states and we usually fell outside the guidelines. There were a few farmers in the south-east that were helped by EC, it must getting back towards 15 years ago, and some of them were still very appreciative of that, but in general we saw most of the EC funding as being inadequate for WA and WA conditions.

Fortunately, we have not been in a drought situation for a little while now. Although we have got areas on the eastern wheat belt that continue to have very dry seasons and some of that is unseasonal rain. Maybe I should go back and explain why the EC did not work, because we are actually seeing the present circumstances not working for much the same sort of reasons and that is that, especially in the south-east land division, we have very much a Mediterranean climate where we depend on rain falling in a fairly concise time. We used to say it is from April through to November; I think it has actually shortened a bit now from probably May through to September, but that allowed wheat growers to grow pretty good crops on what would be considered very meagre amounts of rain.

One of the problems we have with the present system is that the rainfall outside that time is recognised. Therefore, people who are really deficient of rain in that growing period have been put out of, or culled out of, the drought section because they actually—especially last year—got rain during harvest and same with the year before. Although some of that rain in the summer can be useful if it falls in late summer, but if it falls around about harvest time it is virtually no use even with the amount of spraying and whatever that goes on these days. I suppose that is just a quick rundown of where we come from in Western Australia.

CHAIR: Can you tell us a little bit more about some of the changes that your minister for agriculture there announced regarding new and existing concessional loans for farmers and graziers? And has this had any significant impact, or do you feel that more could be done?

Mr Park: The concessional loans are a different issue again. We had a situation where the Western Australian government just did not want, in their terms, to 'become lender of last resort' and that is how EC and those others were seen. And he had this mantra that they were not going to be lender of last resort and so different conditions were put in.

Initially—we are going back to, I think, 2013 or 2012—we would have liked to have seen some of that Commonwealth money help people in the eastern wheat belt get a crop in. Effectively, they probably would have been lenders of last resort, because one of the things you must remember about some of our eastern sections of the wheat belt is that they factor in that they are going to get tough years for probably at least two in five. These days, it is probably going out to three in five, or six or seven in 10. But when they do get a decent year, that usually is good enough to be able to pull them through, so to talk on a year by year basis is a little bit erroneous.

We got to a situation in 2012 where we had had a run of pretty ordinary years with ordinary prices and these people were down, some of them below 50 per cent equity. In most of Western Australia we say, and banks say, you really do have to be around 60 or 70 per cent equity to be viable. The reality in the eastern wheat belt is that you can go down as low as probably 30 per cent because your cost of production is quite low. It is that your returns are not all that flash for most years and in the years that it does come up you can actually recover a lot of ground. I suppose there was a philosophical problem between us and the government. Eventually, they gave away their own money, the state money, to people we believed did not really need it in the form of grants. Those people who could have done with the money to get another crop in did miss out.

I go back to a comment that was made by Jock Laurie, President of NFF. It is very, very difficult to find out when farmers are in extremis. I heard in New South Wales that there were all of these farmers who were going to go broke in the next 12 months. Jock said, 'In three years time, after a series of bad seasons, they were still there.' That is probably more a comment on the durability of Australian farmers and their ability to exist on very little

and operate under fairly drastic circumstances, but eventually—and we have seen a little bit of this in the eastern wheat belt and we are seeing a little bit more now—all that tenacity comes to nothing and people have to be sold up. It is a difficult question, because it is usually on an individual basis. There have been a series of things happen in between times.

Going back to your question, we have noticed that there has not been a great deal of take-up of the discretionary loans that the federal and state governments put together, mainly because the interest rates were quite low but, if the farmer threatened to go and try them, the banks usually said, 'We can adjust our rates to make it almost viable.' So there were a series of things that happened that meant they were not taken up anywhere near as much as we thought they might have been.

CHAIR: I have two questions for you now. The first one relates to a policy issue of income contingent lending where, potentially, instead of concessional interest loans there might be more money available, but substantial portions of it would be paid back in those good years. For instance, if there was no good year over five years, then that loan might be written off, but if there were good years then substantial amounts of the loan had to be paid off. That is an alternative and a little bit more sustainable than low-interest lending. Would that have any different level of appetite from farmers?

Mr Park: I think that is a much fairer system. On a personal basis, I think that would be a better way of going. It is a little bit like subsidies. It is terribly difficult to work out when you should stop. It is probably not quite so hard when you start, but once you start doing these things there has to be some pain to actually stop the process, and that is always the difficulty. The process that you have just mentioned I think gives you the opportunity to say, 'We will take it for five years and see how we go,' and then you have to start making decisions. On the other side of this, we are seeing our climate change quite drastically and quite quickly in Western Australia, especially on that eastern end. There are farmers that are adjusting to that very well, and being able to make sure they make a profit every year. I know in the north east, 10 or 15 years ago farmers were doing things like only planting a crop every two years, and that was quite successful for them. People make these adjustments and it is quite difficult for those who are not that successful in doing that, but the reality is you cannot keep looking after them forever. There is always a trick in trying to find when you eventually pull the pin.

Most farmers are born optimists, so next year is always going to be better than last year. As I have described for the eastern wheat belt, when you are only looking at probably two years in five that are going to be pretty good to you, that next one is always just around the corner. It is just a matter of whether it is this year, next year or in five years' time. So they are quite justified in saying, 'We can do that.' Of course, what has made things more difficult in the intervening time is that the margins have just got finer and finer. Whereas one good year probably used to take people from 30 or 40 per cent equity up to 60 or 70, it is taking two good years to make that same jump. That is just the reality of agriculture in Australia at the moment.

CHAIR: You have given those excellent financial pictures of equity, but is there still a lot of heterogeneity among your membership in that some are taking the appropriate steps towards drought resistance and others are not, or would you say that most of those that are not taking the right steps have long ago been removed from the sector, and now really everyone is right on the margin doing everything physically within their capability to avoid falling victim to, say, a series of bad years knocking them out of the sector? Do we have a fair bit of heterogeneity and, therefore, we have the risk of adverse selection where the same old smaller farms that may not have automated or consolidated or taken particular remedial measures are the most likely to be requiring government assistance, or would you say that most of them have all been doing everything they possibly can to survive?

Mr Park: There is still a lot of difference between farms, there is no doubt about that. It is probably getting less so because, as you rightly said, the lower lot get pruned out pretty regularly. We have gone to a situation in Western Australia where CBH, our cooperative bulk handling cooperative, had about 12,500 shareholders 15 to 20 years ago. It is down to under 4,500 now; it is moving towards 4,000. In that time, of course, the size of our wheat belt has increased because as things have dried out the wheat belt has moved further and further west. So in a time of bigger areas going to crop, we have had a huge reduction in the number of farmers. Not everybody who has dropped out of the industry has gone because they have gone broke; it is because of retirement, age, all those sorts of things as well—but this does show that when a farmer sells he very rarely sells to someone coming into the industry. He is usually selling to someone who is in the industry and they are just getting bigger and bigger. There is still a fair amount of difference. It is certainly not homogenous, but I suppose the heterogeneity is actually getting less and less. The other side of that is there are now different mechanisms and strategies that people are using to confront the problems that they have got today, and they are different mechanisms than were used, say, 20 years ago. Having said that, some of the mechanisms actually are the same as we used probably 50

or 100 years ago—going back to fallow. As I said, in the north east when they really had a tough time, 15 to 20 years ago, there was quite a lot of fallow, and they were doing a crop every two years.

All these things mix and match and I think there has to be a recognition that there has to be and there will be a movement of farmers out of the industry. Part of the drought and the exceptional circumstances, for want of a better word, should be working out ways that we can help with that restructuring in the industry.

CHAIR: I want to finish with a question about the general trend, not just within agriculture but within industry, towards convergence and conformity of delivery. You cannot have doctors practising in different ways in a hospital. Can we really allow farmers to practise in all different ways and still be calling on government assistance? I want to ask you about that delicate balance between having some sort of local partnership where advice is provided about a minimum expectation of conduct by farmers or graziers in order to be eligible for assistance where that fails, as opposed to unique approaches to farming or eccentric approaches that might be less risk averse.

Is there any capacity for a group like yours to be advising local farmers who are departing from what is probably regarded as the most risk averse approach to successful farming, providing them with incentives to, for instance, become more drought resistant and invest in technology that will reduce damage to topsoil or whatever? Or do you still think that your members would possibly be resistant to that sort of external intervention, which might well say, 'You get more government assistance but only if you take the following measures, which are regarded as best practice'?

Mr Park: We are a stiff-necked lot, farmers, and hate being told what to do. But the reality is that at some stage, especially if you are getting government assistance, there has to be some conditions on it. Until now that condition has been, 'We're not going to keep looking after you forever, so at some stage we are going to say enough is enough.' That has to happen.

Going back to conservatives or otherwise, what has happened certainly in the eastern wheat belt and the wheat belt in general, but probably in agriculture in general in Western Australia as well, is that it has been the conservative approach that has been successful. Having said that, we have seen a huge build-up of farm size. People who have got themselves into real trouble—I am thinking of the Joyces from the Lakes District; there have really been quite spectacular bankruptcies—have often stepped outside the circle a bit and have been a lot less conservative. So, the more conservative you have been in the last 15 to 20 years, the more likely you are to be successful.

That does not mean that there has not been quite a bit of innovation in that time, of course. When I think about what has happened in the Wheatbelt in the last 20 years, you would almost not recognise the farming practices: things like auto-steer one-pass operations and minimum till. All those sorts of things have probably been the reason we still have half the Wheatbelt with us—the eastern part. It is because they have been able to cut costs, conserve moisture and do all those things that are not just only economically but also ecologically sustainable.

So it is a really fine mix. As politicians you would understand this as much as anybody: picking winners is incredibly fraught with danger. I do not think that our organisation would be that keen to try to pick winners.

CHAIR: What about providing best practice guidelines? It might well be that some of the technology you mentioned would be regarded as a minimum to be eligible for assistance?

Mr Park: Yes. In Western Australia—I cannot speak for the other states—you would almost get away with it. I do not know what the numbers would be but I would estimate that if you are a bona fides grain farmer in Western Australia—no, let me put it the other way: I would say that 90 per cent of the bona fides grain farmers in Western Australia have auto-steer and all those sorts of things. There are people who are still farming successfully without some of those, but they are very much a minority.

Yes, you could make that as a minimum standard. Of course, the people who are successful and not using these techniques do not come to us for help anyway. But if they do, I think that would be quite reasonable—to say, 'Righto, you really have to start looking at this, this and this.' The guidelines would be a good idea.

Mr WILKIE: Good day, Mr Park. I just have a couple of quick ones before we wrap-up. Does the frequency of drought in Australia now mean that drought really should be recognised as part of the normal business environment, so that it should sit outside the national disaster framework where, obviously, it has sat historically?

Mr Park: That is actually a very big question! I think it does have to. One of the other things that we are seeing change more and more is what I started off talking about—our Mediterranean farming systems. For instance, I am right on the west coast, north of Perth. I am not a wheat grower, I actually run cattle mainly and am going more and more towards perennials. And those perennials are certainly none of the perennials that the eastern states would recognise. We tried them 15 or 20 years ago and again, with the heat and dryness through the

summer, things like phalaris could not whether our very dry and hot conditions. But we found some East African ones that are looking not only hopeful but are doing quite well.

I think we all have to recognise this. I think when you have a look at some of the things that the Wheatbelt fellows have done with minimum till and those sorts of things, that those are also recognising the conditions are changing. We do have to recognise that drought is part of it but I think you then have to say, 'Righto, what sort of conditions or programs would you put in place to facilitate that?' One of the things we have noticed is that it is harder for corporates—and we do not have many corporates in Western Australia but it seems we are getting more and more of them, and the family corporates as well—to sustain themselves through these dry times. Traditionally, a family farm can just tighten the belt and stop spending on this, that and the other—quite often it is wages—whereas in the family corporates and the real corporates they have full-time staff and all that sort of thing that they have to keep going.

So, yes, it is a vexed question. I do remember a former agriculture minister of Western Australia—I am just trying to remember the figures; this was many years ago, 15 or 20 years ago—saying that the last drought had cost something like \$3 billion, I think it was. There is just no way that governments can make that sort of money up and therefore it is a matter of trying to put a small amount of money in, just to make sure that a greater number of the people are there for the next season.

So there have to be two parts to the focus: looking at the welfare side and then looking at what is best for industry. The welfare thing is always tricky because of the amounts of money. For instance, keeping a farm going while on dole money is just never going to work.

Mr WILKIE: What about a more flexible approach to the definition of an emergency or disaster? For example, one witness earlier today talked about a disease in abalone off Victoria—I think it was abalone. The abalone producers were not able to get any federal assistance. Another witness this morning talked about the Port Arthur shooting massacre in the 1990s and the fact that, for businesses in that region, there was no opportunity for government assistance, even though there were no customers in that part of Tasmania for a long time.

Mr Park: That is one of the difficulties, and that is why I started talking about looking at industry and how you should keep it. But I agree with you. I think we have to start factoring in that, yes, we do get more droughts. I think of parts of western New South Wales where, though they did quite well out of EC, there probably should have been more adjustment there. So, yes, it is very, very difficult. And is not just drought; there are all sorts of things. Often drought is the last straw. You will have a farming operation just breaking even and suddenly you will have a drought, which actually increases its debt level and therefore increases its interest cost component. It did not have the debt earlier on, so it did not have to work that out. But, if it had had that debt, that would have been sending it into a spiral anyway. So drought is often the catalyst for showing up deficiencies in either the farm management or just the general agricultural pursuit in the end.

Mr WILKIE: It does not seem to make any sense to temporarily prop up an unsustainable business.

Mr Park: No. And they hurry to work it off. A classic example is that there are farmers out there who actually are doing reasonably well, whether they might lose money or just break even in the bad years but manage to get through in the others. So we cannot write off areas and say, 'Well, they're not useful for agriculture anymore,' because there are farmers out there who are managing the process and the problems quite well. I would hate to see us say, 'Rightio, that area is no longer growing grain or it's no longer agriculture.' Although it is probably going to be tougher to do, I think you are far better off saying, 'Rightio, there's probably going to be less assistance in there.' That is why, when I talked about it earlier, I said there probably should be assistance for restructuring.

That brings me to the last point we made in our submission about bankruptcy laws. It is not so much about the bankruptcy laws but about the way the banks use those bankruptcy laws. I have just had an example, again in the last few months. The process seems to take so long that the banks then make decisions—and I am not going to say that there is corruption there, but it certainly looks like that or gives that perception—where they have sold farms too cheaply. The banks are only worried about their debt, so they only want to cover that cost. That is often to the detriment of their customers, who of course the banks are not that worried about because they will not be customers anymore. But it has been put to me a couple of times that, really, farms should have been sold for more. Of course, then the real beneficiaries would have been the farmers rather than the banks, so the banks have not been that worried about trying to get that extra value. That is always fraught with difficulty, too, because we all know that in selling assets what you accept is more to do with how desperate you are to sell than anything else. We have heard of examples where that has been a problem.

Mr WILKIE: Thanks for that.

CHAIR: Thanks very much. We appreciate your time. We sincerely appreciate your testimony.

Mr Park: Thank you very much for the opportunity.

CHAIR: That concludes the second public hearing here in Hobart. Thank you very much to everyone. Thank you to those who came down, the staff, the gallery and the technical team.

Committee adjourned at 12:37