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Mr Felix Ellis
Minister for Business, Industry and Resources
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Dear Minister Ellis

Fruit Growers Tasmania welcomes the opportunity to comment on the draft Economic Diversification and Investment Strategy (Strategy) and has taken the opportunity to meet with Professor Eccleston at the University of Tasmania who is conducting targeted consultation to inform the development of the strategy.

We appreciate that the strategy will be the framework through which the Tasmanian Government will drive the delivery of the commitments made in the Tasmanian Government's Economic Statement released in July 2025.

That Statement sets out critical commitments of the Government in particular:

- "create the economic conditions that enable businesses and industries to grow, Tasmanians to be employed and our economy to thrive."
- "Tasmania is the best place in the country to live, work, raise a family and invest."
- "Government will make Tasmania the easiest place in Australia to do business."
- "ensuring that essential public assets continue to service the best interests of our community and the economy for the long term"
- "Government will create the conditions to attract new investment, back local businesses and turn Tasmania's competitive advantages into new opportunities."

Fruit Growers Tasmania supports these commitments.

We have provided a range of comments below regarding the draft Strategy. Above all else we seek to highlight what we believe offers the most immediate and significant potential for Tasmania's growth and investment. **The strategy should focus on the levers available to the Tasmanian Government – levers completely within its control and which must include taxation and fees and charges. Specifically the Strategy must prioritise:**

- **Establishing Tasmania as the best place in the country on payroll tax.**
- **Mandating competitive pricing of right sized government services and infrastructure, none more so than the TT-Line freight services**.

Purpose of the Strategy
Given the critical importance of the above commitments set out in the Government's Economic Statement we suggest these be reproduced in the purpose of the Strategy.

As stated in the Purpose, the Strategy is the framework through which the Tasmanian Government will drive the delivery of these commitments and will guide how the Government supports economic development, an approach we endorse.

Accordingly, the focus of the Strategy should be on the role the Tasmanian Government plays in shaping economic outcomes and the levers it has at its disposal. We offer comments on these below including elevating a consideration of the Tasmanian Government's economic levers within the Strategy.

Further, we believe the current version of the Strategy is couched too broadly and does not focus sufficiently on the levers open to the Tasmanian Government. In doing so it runs the risk of presenting a range of motherhood statements to which no one is truly accountable and where the outcomes of government actions are not measurable. It would benefit from a more focused examination of the issues and the specific role that the Government will play in improving the business environment to facilitate greater investment.

Finally, although the Purpose cites some 20 other strategies, policies or plans, there is no Tasmanian Government Taxation, Fees and Charges or Government Business Enterprise policies – each are core responsibilities and activities of the Tasmanian Government.

Goals

Fruit Growers Tasmania endorses the 3 goals outlined in the Strategy.

However, the discussion around "What we will do" and "Potential key indicators" are not well considered or targeted.

- The "What we will dos" would be better titled "What we aim to achieve". If "What we will dos" are considered here they need to be more specific and focus on the levers the Tasmanian Government has available to it. However, we suggest the "What we will do" would be better covered in the strategic priorities.
- The "Potential key indicators" are very broad and relate every bit as much if not more to the actions of the private sector not the Government.

Decision-making principles

Fruit Growers Tasmania appreciates the importance of the decision making principles and that "The government needs a clear framework for deciding when and how to intervene in the economy, and for aligning effort across portfolios and agencies."

However, the principles as to **why** the Government should intervene in the economy is not well considered, with the focus being on guidelines as to **how** the Government intervenes.

Accordingly, the principles need to be expanded to provide guidance on the rationale for government involvement. Specifically, is it an underlying principle that the Government will primarily only exercise its levers if there is a market failure or in the case of an investment in 'public goods' that would not ordinarily occur by the collective actions of individuals in the market place?

Providing this guidance is essential to the conversion of this Strategy to outcomes, including informing the work of the Tasmanian Development Board as identified in the document.

Further, there is little consideration in the strategy of what diversification the Government is aiming to achieve and why it is seeking to diversify. Is it diversity of investors, diversity of ownership, diversity of activities, diversity of industries or some other aspect of diversification? The principles to "Build on Tasmania's comparative advantages" and "back local businesses" may run contrary to diversification. If the point of diversification cannot be clearly explained, perhaps it should be removed from the title of the Strategy?

Building on Tasmania's comparative advantages is a principle we endorse but we would welcome a shared understanding of what those comparative advantages are, how they are determined and by whom? Does the Government see it as its role to determine Tasmania's comparative advantages? Often this has seen governments attempting to pick winners – something they have a very poor track record of achieving - or favouring pet projects.

We would argue the principles should apply across the board and allow the market and commercial operators to leverage comparative advantages and drive success. The role of government is to provide a supportive and encouraging environment to improve the chances of success for all investors.

That said we highlight the importance and relevance of the Government's stated commitment to "back local businesses". These businesses are far more of a safer bet as they have already committed to being in Tasmania, made significant investments, committed to employing people and have invariably already identified and leveraged Tasmania's comparative advantages. There is no better guide to identifying those comparative advantages than considering what we already successfully do!

The Tasmanian fruit industry is a perfect case in point. Employing some 10,000 people annually, having grown fourfold in farm gate value to over $400 million over the last decade and operating in the north west, north, central and southern regions of the state, our fruit growers have identified and leveraged Tasmania's comparative advantage in temperate fruit production and should continue to do so. Furthermore, in terms of diversity, Tasmania's fruit industry is not typified by a few multinational corporations. It has a wide diversity of ownership across small, medium and more significant businesses, the vast majority of which are Tasmanian owned.

No better example of this is Tasmania's cherry industry. Operating on less than 800 hectares of production and with a farm gate value of over $100 million, Tasmanian cherries are Australia's 5th largest fruit export by value with some 80% of our cherry growing members being accredited for protocol markets, 40% of those accredited having an area less than 5 hectares and almost 70% having an area less than 10 hectares. The sector is well placed for further growth with the area to be accredited for international protocol markets for the coming season on target to expand by 9% and further plantings underway.

Tasmania's comparative advantages of a temperate and stable maritime climate, long summer daylight hours, clean water, soils and air and relatively low pest prevalence have been amplified by the Government's infrastructure and regulatory investments in irrigation and biosecurity.

It stands to reason that where tangible comparative advantages exist, a compelling proposition is presented and reasonable returns are available, then investment follows.

The Tasmanian Government's economic levers
The Tasmanian Government economic levers are currently buried within the 'Decision-making principles' section of the Strategy yet are a key feature of the diagram on page 14.

These economic levers are a critical component of the Strategy and we strongly recommend they be afforded and examined within their own dedicated section. They are the primary means by which the Tasmanian Government shape economic outcomes, drive strategic priorities and deliver on the commitments they have made.

As stated "the Government shapes economic outcomes through multiple modes of action:

- facilitating private activity
- investing in shared assets
- regulating markets
- funding targeted initiatives
- partnering with industry and other governments, and
- advocating for Tasmania's interests in national and global settings."

Two critical levers are missing.

- **State based taxation**
- **State levied fees and charges for government services and infrastructure**

We suggest all these levers warrant a more fulsome examination and better description.

The principles state that "Each of these economic levers draws on established assessment frameworks, technical tools and analytical methods, calibrated to their context." It is not clear to us that this is the case and again recommend the Strategy would benefit from further information on these frameworks, tools and methods. Making these more visible would also support the decision making principles and their application.

Strategic Priorities
In relation to the six priority areas we believe there is unnecessary overlap between the first three and suggest that they be collapsed into 5 priorities. Specifically we suggest grouping "stimulating growth" within "Unlocking Private Investment" and combining "Accelerating Innovation" and "Lifting Productivity".

We believe the Strategic Priorities are the most critically important component of the Strategy if it is to deliver on its purpose of being the framework through which the Tasmanian Government will drive the delivery of its commitments.

Accordingly, we have taken the approach of commenting on what we see are the two most important priorities, assigning key commitments, key levers and measures of success to these and recommend this approach be adopted in the next version of the Strategy.

We would also strongly recommend that particularly in this section of the Strategy motherhood statements are avoided, clarity is provided and careful consideration is given to the use of specific and selective sector examples to avoid criticism of pursuing pet projects and to ensure the Strategy delivers on its stated vision of creating "opportunity for every region and every generation".

We believe a more focused examination of the strategic priorities and the appropriate exercise of the Tasmanian Government's economic levers would be of greater benefit.

Unlocking Private Investment and Stimulating Growth

Commitments:

"*create the economic conditions that enable businesses and industries to grow, Tasmanians to be employed and our economy to thrive*."

"*Tasmania is the best place in the country to live, work, raise a family and invest*."

"*Government will make Tasmania the easiest place in Australia to do business*."

Key levers of government:

- State based taxation including payroll tax, land tax, stamp duty and insurance duties
- Fees and charges for government services and infrastructure
- Licensing and regulatory requirements and charges across state and local government including workers' compensation and land use planning.

Measures of success:

- Tasmania is placed in the top two jurisdictions for all key Business Council of Australia indicators and the best place in the country on payroll tax.

If government is to unlock private investment it needs to create the business conditions conducive to greater trade and business growth. We know that the higher cost and taxation environment dampens the appetite for businesses to invest. Taxation, regulation reform and government charging are key impediments to improved private investment and are all within State Government control to address.

We endorse the draft Strategy's statement that "the jurisdictions that offer the clearest proposition, the fastest pathways and the most coordinated government response will win the investment Tasmania needs."

The Strategy proposes two complementary directions of "A clearer, more compelling proposition for all investors" and "A more integrated pathway for major investment".

We appreciate the two directions but argue strongly, as we have above, that the Government's focus should be weighted toward the first direction over the second, and most certainty not weighted in the reverse.

A focus on a compelling proposition for all investors will have far greater impact than a heavy emphasis on major investments. It is also more consistent with a theme of diversification.

The Strategy places some emphasis on "refreshing the value proposition" and "ensuring our pitch is contemporary" for the preparation of "sharper sector and regional investment prospectuses". Whilst we recognise that government has an important role in marketing Tasmanian investment opportunities, the focus should always be on substance over spin. The word "pitch" should be removed – it is the compelling proposition that counts.

The Strategy proposes an Economic Future Act. It is suggested this would fast track approvals for major investment, creating additional approval pathways administered by new government committees and therefore adding more cost to a failing system. We have more than enough legislation and would prefer the Government take responsibility for tackling the bottlenecks within the existing structure(s) and make approval processes work better for all investors. We would not support more legislation in the form of an Economic Future Act. We see little return for value in allocating time and resources to this.

The Strategy highlights the need for "National benchmarking – investment facilitation and development". We agree with the principle but what is concerning is that this discussion is solely focussed on major projects, the Coordinator-General and the mooted Economic Future Act. The vast majority of investment has and will continue to be progressed outside these processes.

The focus of national benchmarking should be more heavily on that which supports all investors and a readily available national benchmark of regulation and taxation policies across Australian states and territories exists in the form of the Business Council of Australia's Regulation Rumble 2025.

The report indicates that Tasmania is ranked the second best state in which to do business. However, this outcome is dominated by its performance on planning systems.

The same 2025 report ranked Tasmania 5th out of the 8 jurisdictions on a regulatory costs and trading environment basis. Glaringly it ranks Tasmania:

- × **5th on payroll tax (6th if Victoria's favourable regional rate is considered)**
- ✓ **2nd for charges for owning or acquiring property**
- × **3rd for flexible retail trading hours**
- × **5th for the cost of workers' compensation schemes**
- × **7th for licensing and requirements to do business**
- × **4th for insurance duties**

If the Government is to deliver on its stated commitment that "Tasmania is the best place in the country to live, work, raise a family and invest", the Government must commit to being within the first two rankings on all the key measures in the Business Council report and outline the immediate steps by which it will achieve this.

And given its absolute significance, Tasmania must commit to being the best place in the country on payroll tax.

The Business Council identifies that payroll tax is the single most important criteria when it comes to regulatory costs and trading environment. As the Business Council outlined it measures payroll tax across jurisdictions because it "is an additional cost that business must absorb when they hire more staff … This can deter a business from expanding and hiring workers in a particular jurisdiction, which is counterproductive for governments seeking to create more jobs. … Increasing payroll taxes on business detracts from investment and jobs."

Payroll tax is a tax on jobs and is incredibly damaging to business growth and employment. Any tax system should "raise revenue with the least possible cost to society by minimising distortions to the way we work, save and invest". Tasmania has not made any changes to the payroll tax system since 2018 and is ranked 5th out of 8 jurisdictions for competitiveness. Meanwhile other states are moving to increase their tax free thresholds and increase deduction phase out rates to support private businesses. The Business Council report highlights recently changes in the Northern Territory, Victoria and Australian Capital Territory. In addition, Victoria and Queensland both offer employers reduced rates if operating in regional areas.

By way of example the Tasmanian fruit industry's most significant and direct competitor is regional Victoria (particularly as our seasons are aligned). An annual payroll of $10 million would require a regional Victorian employer to pay $109,125 (at a 1.2% tax rate) and a Tasmanian employer $533,750 (at a 6.1% tax rate) - a difference of $424,625 per annum. A more extensive comparison is provided below.

Comparing the payroll tax burden of Tasmania and Regional Victoria

Tasmania:		Regional Victoria	
Payroll	Tax Payable	Payroll Tax + Surcharges	Excess tax on Tas employers
$1,000,000	$0	$0	$0
$1,250,000	$0	$3,031	-$3,031
$1,402,250	$6,090	$4,877	$1,213
$2,000,000	$30,000	$12,125	$17,875
$4,000,000	$152,000	$36,375	$115,625
$5,000,000	$228,750	$48,500	$180,250
$10,000,000	$533,750	$109,125	$424,625
$15,000,000	$838,750	$219,750	$619,000
$20,000,000	$1,143,750	$330,375	$813,375
$100,000,000	$6,023,750	$2,100,375	$3,923,375

Land tax and stamp duty are also significant burdens on business. We appreciate land held for primary production is exempt from land tax in Tasmania. It is also exempt in other jurisdictions such as Victoria and NSW.

Local government rates have also increased significantly with no corresponding improvement in service delivery. Local Government rates, fees and charges are now a far more significant factor in agricultural business costs.

Stamp duty applies to business insurances and on the sale of property, making it difficult for businesses to relocate and scale up their operations. Tasmania ranks only 4th on insurance duties demonstrating the Tasmanian Government has more work to do if it is to meet its commitments.

Tasmania ranks even more poorly at 5th with respect to the cost of workers' compensation schemes. Industry has long argued for the Tasmanian Government to reform the Tasmanian workers' compensation arrangements which provides an imbalance of power for industry to influence these costs.

The Business Council reports Tasmania and Victoria have the most voluminous licensing requirements in the country and ranked them as the two worst places in Australia to start or scale up a business. The level of approvals required, time taken to get approvals and the cost should be more commensurate with the risk. The Tasmanian Government has been promising to make advances in red tape reduction for 12 years. We have seen little if any tangible progress in addressing the cost burden of regulation.

Some perspective on the excessive burden placed on agriculture is provided by the September 2025 report Horticulture compliance and regulation: reducing the burden by 2030. This shows the compliance and certification requirements for Australian vegetable growing and on-farm packing have increased significantly in number, scope and complexity over the past 30 years. Australian growers now comply with around 50 separate compliance matters, the cost of compliance for the industry considered to be between 3-5% of average operating cost (excluding interest and depreciation). The areas of compliance run across all areas of production including - farm inputs, land use, accommodation, labour, workplace health and safety, food safety, biosecurity, post-harvest testing, packaging and labelling, transport, export certification, insurance, payroll tax and workers compensation. Some of this regulation is the responsibility of the Federal Government but much is the responsibility of the state and local governments.

Another example of this in the Tasmanian context is the punitive and inappropriate application of the Forest Practices Regulations with respect to agriculture. Quite rightly these regulations are currently open for consultation but with this ending in March 2027 it is too little too late. Accordingly, we endorse the Premier recognising "the poor experiences some of our farmers were having with red tape, and some heavy handedness they're copping with over regulation" and his recent announcement that the Government "will be updating and improving Tasmania's forest practices regulations".

Real action is required to reduce duplication across levels of government; streamline processes; ensure regulation is fit for purpose and not excessive and be proportionate to risk; and removing unnecessary rules not backed by sound reasoning.

The Business Council ranked Tasmania 2nd out of the 8 jurisdictions on a planning systems basis. Specifically, Tasmania was ranked:

- ✓ 2nd for efficiency (of permitting and approval processes)
- × 3rd for consistency
- ✓ 1st for certainty
- × 6th for transparency

On this basis Tasmania performs well on planning system efficiency and certainty, is close to where it needs to be on consistency but has some significant work to do in terms of transparency.

While we are not seeking to challenge the validity of this benchmarking as it is respected and available, we do question whether this matches the lived experience of industry. We acknowledge this may well be attributable to the different approaches taken by individual councils particularly to developments, regulation and approvals. Accordingly, we again seek to ensure that the focus of the Strategy is primarily on the levers available to the Tasmanian Government.

A prime example of this has been the ***State Planning Provisions Amendment - 05/2024 - Agriculture Worker Accommodation & LUPA Regulations***. While the Government's election policy was to facilitate increased investment in on farm accommodation through sensible regulation, the bureaucratic red tape implementation saw regulations with arbitrary and over zealous provisions and restrictions. This has been stalled post the consultation phase which concluded in August 2024.

The Tasmanian Government needs to take a more invested role in entrenching in the state planning provisions the right for growers to invest in modern day and efficient protected cropping structures such as netted orchards, rain covers and poly tunnels. On appropriately zoned land, these should be subject to neither development nor building regulations by local government.

Strengthening Infrastructure

Commitments:

"ensuring that essential public assets continue to service the best interests of our community and the economy for the long term"

"prioritise infrastructure that delivers real benefits for Tasmanian communities and businesses".

Key levers of government

- Fees and charges of government owned entities.
- Infrastructure that supports the whole Tasmanian economy.
- Improved productivity of the state owned assets.
- Advocate with the Federal Government and ensure access to key programs and national infrastructure.
- Partnering with industry and other governments.

Measures of success

- The Tasmanian Government places downward pressure on fees and charges and business costs
- Infrastructure is fit for purpose, cost effective, timely, minimises bottlenecks and supports efficient private sector activity and investment
- Greater access to digital connectivity for businesses.
- Levels of private investment comparable to the national average.
- Growth in export trade and gross state product for non-government sectors.

The Tasmanian Government has a somewhat unique opportunity because it is the sole shareholder (on behalf of the people of Tasmania) and provider of a range of major infrastructure entities including Hydro Tasmania, Tas Networks, TasPorts, Tas Irrigation and TT Line. But with this comes a responsibility to ensure that these entities operate in a way that "puts Tasmanians first" and this concept is not well defined.

Accordingly, it must transparently balance narrowly focussed revenue raising opportunities with how these entities facilitate economic development and the wider needs of the Tasmanian economy, jobs and communities through efficiently provided and competitively priced services and infrastructure.

The imposed dividend (and in some cases tax equivalent) requirement from these entities has placed additional cost pressure on Tasmanian businesses and is inhibiting economic growth. The often applied 90% dividend return policy is one rarely replicated in the private sector and is inconsistent with entities with high debt levels, extensive asset replacement and improvement requirements and are key economic enablers.

Investment in these infrastructure entities has a high multiplier effect on the Tasmanian economy and a positive influence on economic growth and development. "Taxing" users of the services and infrastructure provided by these entities increases prices and places a higher cost burden on a relatively narrow band of the Tasmanian economy – industry. In turn if the revenue raised from higher prices and dividends are redirected to less productive areas of the economy then the economic outcomes for Tasmania are reduced.

The role played by TT-Line in the Bass Strait freight market is a case in point.

The TT-Line freight service upon which many Tasmanian agricultural businesses with perishable goods rely, continues to set the benchmark shipping freight rates for Bass Strait. TT-Line sets the maximum price in the market – as the TT-Line rate increases so then do the rates of the other shipping service providers.

In isolation this may seem appropriate and an entity acting "commercially". In reality it is distortion of a market through government intervention that is being caused by a single operator that provides perhaps 10% of Bass Strait shipping freight capacity.

Undoubtedly TT-Line provides a reliable and high quality service. However, for a service that is primarily a passenger service we debate whether raising 35% of its revenue from freight is fair and reasonable to its freight customers. This is especially the case when it is

considered that the Australian Government contributes a third of all passenger fares through the Bass Strait Passenger Vehicle Equalisation Scheme.

What is more concerning is the negative externalities this inflicts upon all Bass Strait shippers as mentioned above which distorts the market leading to negative outcomes. If TT-Line's freight pricing supports higher pricing by the other operators, is this in the interests of Tasmania's economic development aims?

Further, this State Government owned entity through its charging policy is activity working against shippers seeking improved equalisation through the Tasmanian Freight Equalisation Scheme for their high freight cost.

Accordingly, freight rate increases by TT-Line work in opposition to the hard fought improvements in assistance under the Scheme. The end result is significantly reduced equalisation for shippers – and not just in relation to the services provided by TT Line but all sea freight operators.

The Tasmanian Government must recognise the role played by TT-Line in increasing the cost of Bass Strait shipping – a role played by a Tasmanian Government owned entity. A considered assessment of this situation and the negative consequences it has for trade and economic development in Tasmania must be undertaken.

We believe Government businesses need to be more than revenue raising arms of government. They are part of the state's infrastructure and as a result should be positive economic drivers.

These government owned entities are for the large part monopolies, operating within the captive Tasmanian market and without competition to incentivise productivity improvement, better service delivery and any downward pressure on prices. Tasmanian businesses have no choice to paying fees and charges for their essential services. There needs to be greater independent oversight to ensure that these entities are operating in the interests of Tasmanians, charging appropriately and not unduly inhibiting growth of Tasmanian industries. Freezing the escalating fees and charges of government owned entities would provide much needed cost relief for Tasmanian businesses and local investors.

A key lever for the Tasmanian Government in strengthening infrastructure is to advocate with the Australia Government on behalf of Tasmanian industries where it relates to the delivery of national infrastructure and key programs. This includes the Tasmanian Freight Equalisation Scheme, Bass Strait Passenger Vehicle Equalisation Scheme and telecommunications and data infrastructure.

Providing Tasmanian businesses with reliable and affordable digital connectivity is more than just a requirement for productivity improvement it is central to modern day business operations. Offering initiatives such as "digital skills programs" and "shared digital tools" is secondary to ensuring infrastructure is fit for purpose and fully operational. Government must continue to invest in and facilitate access to digital connectivity through the infrastructure foundations of broadband, fibre optics and mobile networks.

Another Tasmanian Government lever to strengthen infrastructure is through partnering with the Australian Government and industry to invest in major infrastructure projects that create business opportunity. The standout here is the irrigation scheme developments which have been critical to regional communities and transformational to Tasmanian agriculture.

The Tasmanian Government also takes a more sensible and balanced approach to Tasmanian Irrigation's role in facilitating economic development and raising revenue from customers. As a monopoly provider with no dividend or tax equivalents levied by the Tasmanian Government, Tasmanian Irrigation is better placed to facilitate private investment, boost productivity and facilitate growth and employment. We would argue this is a sensible model to be considered for other entities.

Thank you once again for the opportunity to comment on the draft Economic Diversification and Investment Strategy. We recognise the critical importance of getting this Strategy right to ensure it provides the necessary framework and guidance to deliver the Government's worthy commitments.

We believe this first draft is a good start but requires significant refinement if it is to achieve its purpose. We would welcome the opportunity to continue to be involved in and support this process of refinement.

Yours Sincerely



Peter Cornish
Chief Executive Officer
Fruit Growers Tasmania