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## Submission to the Australian Government's Competition Policy Review 2014

By

**KAGOME Australia**

Echuca Victoria

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### SUMMARY

**KAGOME Australia** is Australia's largest single grower of processing tomatoes and Australia's largest tomato processing company with operations centred in Echuca, Victoria. The company processed more than 220,000 metric tonnes (Mt) of locally-grown tomatoes in Season 2013/14, supplying 45% of Australia's domestic consumption of processing tomatoes as well as exporting to markets in Asia, primarily Japan, Thailand and Indonesia. The company provides tomato products to the major food manufacturing companies in Australia, providing widespread down-stream value to Australia's economy. **KAGOME Australia** has an annual revenue of A\$50 million and is expanding its operations to growing, harvesting and processing carrots and beetroot.

**KAGOME Australia** is keen to continue expanding, increasing its scale to more effectively compete with overseas processing tomato companies, primarily California. In doing so, the company is a major investor in Regional Australia (both Victoria and New South Wales), delivering career opportunities to local young adults as well as skill enhancement and capability training to existing team members. But there are major issues relating to Australia's competition policy that impede capability to expand.

**KAGOME Australia** welcomes the Competition Policy Review.

This submission focuses on the areas of the Australian economy most relevant to the operations of **KAGOME Australia**; i.e. agricultural production and processing in Regional Australia and industry competitiveness in both the domestic and international marketplace. It focuses predominantly on the matters raised in chapters 1 and 2 of the Competition Policy Review Issues Paper 14 April 2014.

**KAGOME Australia** offers to work further with the Australian Government on increasing the competitiveness of Australian industry and business in the ever increasing global environment through regulatory and micro-economic reform.

The main recommendations to Government are summarised below.

SUMMARY OF RECOMMENDATIONS	
ISSUE	RECOMMENDATIONS TO GOVERNMENT
<b>1. Transparency and consistency in the regulation of Australia's water resources</b>	<p>1.1 Regulate and manage the Environmental Water Holder to communicate transparently and consistently agreed guidelines on the release of environmental water</p> <p>1.2 Regulate and manage the Institutional Water Holders to communicate transparently and consistently decisions on when they are going to trade in temporary water</p>
<b>2. Competitive energy pricing</b>	<p>2.1 Regulate and manage Natural Gas distribution so that domestic demands are met first with the remainder available for export</p> <p>2.2 Invest in Natural Gas delivery mechanisms for effective supply of Natural Gas to key commercial centres within Regional Australia with equal pricing across Australia</p> <p>2.3 Extend the fuel tax credit rate for taxable liquid fuels (currently applicable only for off-road activities in agriculture) to heavy truck haulage where the haulage is an integral part of the logistics of agricultural production</p> <p>2.4 Legislate for government matching (dollar for dollar) of private capital expenditure for renewable energy generation in Regional Australia</p>
<b>3. Consistency in transport regulations between states</b>	<p>3.1 Standardise road transport regulations between states</p> <p>3.2 Issue a commitment and timeline to (re)building fast and efficient roll-on/roll-off freight rail networks particularly in key commercial centres within Regional Australia</p>
<b>4. Consistency in food quality standards and 'country of origin' labelling at point of sale</b>	<p>4.1 Increase resources to AQIS so that the FSANZ code and standards for food production and safety are applied equally and consistently to both domestic food producers and overseas food producers importing food products into Australia</p> <p>4.2 Legislate and regulate precise definitions of <i>origin</i> of food products to allow informed consumer choice at point of sale</p>
<b>5. Consistency in regulation along Australian industry value chains</b>	<p>5.1 All Government decisions relating to Australian manufacturing industries be made through the prism of impact on the product value-chain</p> <p>5.2 Establish mechanisms to increase our understanding of industry value-chains in Australia particularly the management of product and financial flows</p> <p>5.3 Strengthen legislation to protect all components of Australian industry value-chains against discriminatory behaviour by one component acting on others</p>
<b>6. Modify taxation structures for R&amp;D investment</b>	<p>6.1 Change investment incentives for industry research and development from an increment to annual tax returns to a simple 50% of funding</p>
<b>7. Policy initiatives to increase workforce skills</b>	<p>7.1 Increase incentives for employment of young adults in manufacturing in regional Australia, encouraging them to remain in Regional Australia with enhanced skills, long-term careers and increased community involvement</p> <p>7.2 Increase incentives for employment of mature adults in manufacturing in Regional Australia encouraging them to relocate to regional centres, retrain, and add to local community activities</p> <p>7.3 Waive the HECS debt repayment for the year in which a graduate is working in key commercial centres in Regional Australia, and cancel it completely if they remain for eight years or more</p>

## About this Submission

**KAGOME Australia** is a vertically integrated company, delivering a provenance that the final consumers can enjoy, and which few international competitors can match. It is Australia's largest single grower of processing tomatoes and Australia's largest tomato processing company with operations centred in Echuca, Victoria. It is expanding its operations into carrots and beetroot.

**KAGOME Australia** has invested over A\$30m in upgrading processing plant and farming operations since 2010. It is keen to continue to invest in expanding its operations provided the competition policy and regulatory framework for its operations continue to improve.

Australia represents only about 1% of the world's processing tomato production. California alone accounts for 25%. Thus Australia is totally dependent on cost structures that operate globally – and Australian customers of tomato products have options to purchase globally for product of similar specification and pricing.

The key to future-proofing the Australian tomato processing industry is for Australia's competition policy and regulatory framework to provide the means for industry to continually manage down the input costs, so that our products are priced competitively relative to imported options from the USA, Europe and China.

**KAGOME Australia** welcomes the Australian Government's initiative to critically examine competition policy and the regulatory framework, and appreciates the invitation to make a submission.

The submission has been prepared from the perspective of horticultural industries and agribusinesses operating in Regional Australia, using the experiences of **KAGOME Australia** as a reference. It focuses on seven issues relating to competition policy, each of which (alone and combined) has a major influence on the competitiveness of Australia's industry and business.

The submission makes recommendations to Government under each issue, and proposes actions that are within the remit of Australian competition policy. **KAGOME Australia** believes that such actions would immediately alleviate impediments or enhance opportunities for Australian industries and business.

The submission is deliberately kept brief. Additional information or extra supporting evidence can be provided at any time.

**KAGOME Australia** makes the offer to work further with the Australian Government in the development and implementation of the Competition Policy Review.

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## ISSUE 1. TRANSPARENCY AND CONSISTENCY IN THE REGULATION OF AUSTRALIA'S WATER RESOURCES

Tomatoes, as with many of the high value annual fruits and vegetables for export, have an obligatory requirement for supplementary summer water.

A well managed tomato crop in northern Victoria or southern NSW requires about 6 mega litres (ML) of irrigation water per hectare (Ha), produces about 100Mt of tomatoes per Ha, with a farm-gate value of A\$100/Mt. This is world's best practice.



Tomatoes grown at **KAGOME Australia**, Echuca using world's best practice

Paddocks are located in areas south, east and north of the Echuca plant delivering increased flexibility for varietal performance and reduced exposure to unseasonal local weather events that could adversely impact on crops. The processing plant also operates at world's best practice.

To capitalise on its advanced production and processing systems, **KAGOME Australia** forward-writes contracts with reliable and long-term purchasers. But to do this the company must be able to assure reliability and consistency of supply. The alternative is to take whatever the spot market offers from time to time, greatly reducing financial return to Australia.

The capacity of **KAGOME Australia** to be highly competitive in the international marketplace depends on the reliability and consistency of production, and this in turn relies almost totally on an assured reliable supply of irrigation water.

Water reform and management of water resources is complex, and management of Australia's water resources for irrigation has advanced greatly over the past two decades, largely on the basis of tradeable water rights. But major difficulties still remain.

The Australian Government is the largest owner of water in the Murray-Darling Basin, and too often, irrigators are left guessing as to what will be the Australian Governments action in the water market. Even with water trading providing the mechanism to move water to the highest value users, there is still no assurance that the required amount of water will be available at all or from year-to-year. Information on the amount of environmental water to be released, if available, needs to be announced early so that agribusinesses can plan and plant crops accordingly.

**KAGOME Australia** is not able to rationally forward plan stock-flows and adequately manage production and business risk without such information. As a result, the company is forced to take a more conservative approach to supply-chain management, sacrificing opportunity and losing international competitiveness.

One of the original principles for water trading is that the trade should be governed by an understanding of its agricultural value as well as its environment one. River systems in temperate Australia are well equipped to accommodate highly fluctuating seasonal river flows and extended dry

periods. They make best advantage of winter flows, but water is still withheld from high-value summer agricultural use to supply summer environmental flows. The Murray-Darling Basin Plan ensures that 970 GL of water flows through the lower lakes. This year there has been a natural flow well in excess of this, but there has been no complementary release or storage allocation for irrigators.

Progressively over the past eight years, the Government has bought back 0.5 million ML of the 1.5 million ML of the water previously available in the Goulburn Valley for irrigation. **KAGOME Australia** proposes that this buy back of water in itself, does not create a major impediment for the competitiveness of the high-value agriculture in the international market place, provided there are sufficiently sophisticated and effective systems in place to manage the water and its release. However, the systems used by water authorities to manage the water storage and to manage the release of water for irrigation are sadly inadequate.

### **Recommendations to Government:**

- 1.1 Regulate and manage the Environmental Water Holder to communicate transparently and consistently agreed guidelines on the release of environmental water
- 1.2 Regulate and manage the Institutional Water Holders to communicate transparently and consistently decisions on when they are going to trade in temporary water

## ISSUE 2. COMPETITIVE ENERGY PRICING

Food processing and value adding along any agricultural supply chain always requires high energy input.

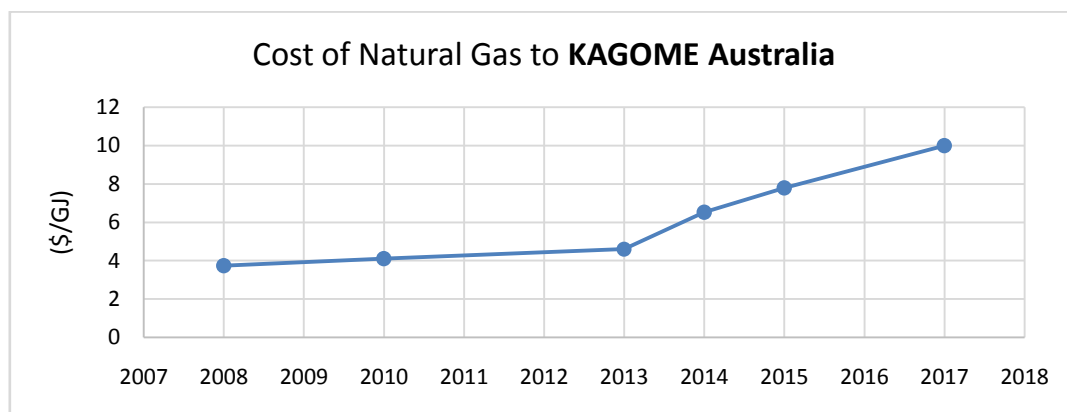
Energy costs are the second highest input cost across all of **KAGOME Australia's** farming and processing operations. High levels of energy are required especially in the processing lines for cooking and dehydration of product.



Tomato processing has high energy requirements

### 1. Natural Gas

Natural Gas is the dominant form of energy use for the processing plant at **KAGOME Australia**. The cost of this Natural Gas, however, has risen steeply over the last few years, and it is continuing to rise.



**Note:** 2015 price is contracted; 2017 price as notified by gas supplier

This is a staggering three-fold increase over ten years. The company can find no evidence of anything like the magnitude of the Australian price rise in any competitor country.

**Price of Natural Gas in California, Australia's main competitor for processing tomatoes:**

2000	A\$ 4.40/GJ)
2013	A\$ 4.40/GJ
2020	A\$ 4.60/GJ (projected)

In real terms this is a decrease in gas costs to the Californian processing tomato industry over 20 years (US Energy Information Administration, Annual Energy Outlook 2013).

Australia is on track to become the world's largest exporter of Natural Gas, but in so doing is creating a Natural Gas shortage domestically that is increasing energy costs to Australian industry. There does not appear to be a mechanism, as in America for instance, whereby Natural Gas is not exported unless domestic demands are met first.

The extraordinary increase in Natural Gas prices in Regional Australia both in real terms and relative to competitors severely hinders the international competitiveness of Australian agriculture and food processing

At the same time Australia is providing cheap energy to the advantage of competitor countries

**KAGOME Australia** is continuing to invest heavily in modifications to the processing plant to increase energy efficiencies – in an attempt to offset the rise in energy costs to whatever extent it can. But there is no way that any of the new technologies that are currently available can increase energy efficiencies to the magnitude required for the company to continue to operate on an ‘even playing field’ with its main international competitors.

Furthermore, as **KAGOME Australia** continues to try to expand its operations, the company discovered that regional gas infrastructure could not accommodate any additional supply of Natural Gas to the processing plant. In 2013, the company was forced to spend \$600,000 (+GST) to build an additional spur line between the main Natural Gas live valve and the processing plant entrance to ensure reliability of Natural Gas supply and avoid breaching peak volume limits.

## 2. Fuel for heavy vehicles

**KAGOME Australia** and indeed most manufacturing industries in Regional Australia are totally dependent on road transport for (1) inward delivery of supplies, (2) internal movement of product (e.g. paddock to processing plant) and (3) outward delivery of the processed product.

Distance is the tyranny. Energy costs for transport are directly related to distance from the site of manufacture to city centres or export facilities. Rarely are the fuel costs for heavy vehicle freight as high for our main international competitors – due to shorter distances and cheaper fuel. As with other energy costs, the high cost of truck transport in Regional Australia has a severe negative impact on our industrial competitiveness.

Trucking movement of freight is 10% of **KAGOME Australia**’s total cost structure

Highway cost of diesel (at time of writing)

Echuca: A\$ 1.59 per litre

California, Australia’s main competitor: A\$ 1.05 per litre (65% Echuca price)

The fuel tax credit rates for taxable liquid fuels (diesel and petrol) for heavy vehicles travelling on any public road in Australia is 12c per litre, independent of the distance travelled and independent of the proximity to city centres. The fuel tax credit rate for off-road activities in agriculture is over 3 times this amount – at 38c per litre. **KAGOME Australia** cannot even claim the higher fuel tax credit rate for transport of tomatoes by truck from its paddock to its processing plant.

There appear to be abundant opportunities to extend the higher fuel tax credit rate to certain trucking operations in Regional Australia, in particular where those operations are an integral part of Australia’s agricultural industries.

### 3. Electricity

In many ways, electrical energy and energy from Natural Gas are interchangeable in the processing operation at **KAGOME Australia**. However, at the moment there is no cost advantage to a switch to electricity. In any case, the regional infrastructure for delivery of electrical power to **KAGOME Australia** is not adequate for any expansion of supply.

There are precedents in Regional Australia where an industry may be provided with electricity at a price that allows it to increase or at least maintain its international competitiveness. The Alcoa aluminium smelter at Portland (Vic) is provided with electricity at a price that is linked to the world price of aluminium. The Alcoa smelter uses about 10% of the total energy generated in Victoria, and electricity is delivered and available to Alcoa at a price of A\$14/MWh. In contrast, electricity is being delivered and available to **KAGOME Australia**, a company that likewise is attempting to increase or at least maintain its international competitiveness at a price of A\$100/MWh.

Independently of its efforts to decrease the costs of grid power, **KAGOME Australia** also sees much advantage in a greater focus in Regional Australia on renewable energy. Because of the high capital costs of establishing renewable power generation, **KAGOME Australia** sees that Government assistance is required for the building of generation facilities for renewable energy across Regional Australia, and then for the setting of cost structures for renewable power that substantially reduces the energy costs to manufacturing industries in Regional Australia.

#### Recommendations to Government:

- 2.1 Regulate and manage Natural Gas distribution so that domestic demands are met first with the remainder available for export
- 2.2 Invest in Natural Gas delivery mechanisms for effective supply of Natural Gas to key commercial centres within Regional Australia with equal pricing across Australia
- 2.3 Extend the fuel tax credit rate for taxable liquid fuels (currently applicable only for off-road activities in agriculture) to heavy truck haulage where the haulage is an integral part of the logistics of agricultural production
- 2.4 Legislate for government matching (dollar for dollar) of private capital expenditure for renewable energy generation in Regional Australia

### ISSUE 3. CONSISTENCY IN TRANSPORT REGULATIONS BETWEEN STATES

Fast, efficient and effective transport is a cornerstone of profitable operations for manufacturing industries in Regional Australia.

Essentially all of the transport operations are by road – i.e. supply of inbound materials, internal movement of product from the paddocks to the processing plant, and outward delivery of the processed product.

**KAGOME Australia** sources tomatoes from both northern Victoria and southern NSW. The factory is only 5 kms on the Victorian side of the border. Inconsistencies in trucking regulations between Victoria and NSW increase our transport costs.

‘B-double’ trucks are allowed in both Victoria and NSW, but ‘A-doubles’ are allowed only on NSW roads. ‘B-doubles’ can carry 42Mt/load, ‘A-doubles’ 54Mt/ load, a 30% increase.



Heavy haulage of tomatoes from the paddock to the processing factory

Obviously there are increased efficiencies to **KAGOME Australia’s** operations with the use of larger trucks. However, when tomatoes are transferred from NSW using ‘A-doubles’, the trucks need to be uncoupled on the NSW side of the border, and re-coupled as a smaller truck for a shuttle-service of product movement for the last 5 kms.

**KAGOME Australia** would much prefer to have more options for transport generally, so to be able to better match transport functions with the most efficient and cost-effective means of delivering that transport. The company does not have the option of rail freight transport servicing the Echuca area.

**KAGOME Australia** does not believe that rail freight need necessarily be slow and inefficient. Most businesses in Australian manufacturing are developing tighter ‘just-in-time’ delivery systems that appear easier with less risk to be serviced by road freight. The company believes that development of effective rail transport, coupled with modern systems of logistic control and communication could provide just as effective and timely transport of materials as road – and probably in the longer term, increased efficiencies.

There would be obvious advantages for Australia’s industry and business competitiveness should there be a modern national rail freight service especially considering vast distances for freight across Australia. There would be savings to costs of fuel, labour, and operations through load volume. But in addition, fast and efficient systems rail freight provides the means of shifting costs to a user-pay principle without any net increase in transport costs to Australian business while at the same time reducing road cost subsidies currently borne by residents in regional communities and by all three tiers of government.

But Australia’s rail infrastructure is well below international standards. Tracks are antiquated restricting loads, speed, and train logistics. Aluminium freight trucks are now commonplace in

efficient rail systems worldwide, allowing an extra eight Mt of freight per truck to be carried. The only place that aluminium rail trucks are used in Australia is in the mining industry.

Importantly, there is still a lack of compatibility in rail lines and rolling stock between states.

**KAGOME Australia** recognises that there are major difficulties for governments to upgrade train tracks in Australia, or to facilitate the upgrade. Most of the tracks are now owned privately by a single company within any one region in Australia. There is minimal (if any) market competition for train freight in any one region, and little incentive for the owners to invest to standardise rail systems between states.

<b>Australia's rail infrastructure is well below world's standards</b>	
Standard for train freight in Canada:	10,000 Mt/train 40 tonne axle load weight \$20/Mt farm to port (wheat)
Standard for train freight in Australia:	2,000 Mt/train 16 tonnes axle load weight \$70/Mt farm to port (wheat)
(Source: Australian Export Grains Innovation Centre 2014)	

For international competitiveness of Australian industry there have to be substantial upgrades and redesign of Australia's rail freight to create a number of highly efficient inland container terminals with radiating feeder lines, and fast transport from the inland terminals to the export ports. Transport from the inland terminals would be matched with shipping availability and/or timetables reducing the expensive storage bottlenecks at the port facilities.

### **Recommendations to Government:**

- 3.1 Standardise road transport regulations between states
- 3.2 Issue a commitment and timeline to (re)building fast and efficient roll-on/roll-off freight rail networks particularly in key commercial centres within Regional Australia

## ISSUE 4. CONSISTENCY IN FOOD QUALITY STANDARDS AND ‘COUNTRY OF ORIGIN’ LABELLING AT POINT OF SALE

Standards in the *Australian New Zealand Food Standards Code* are legislative implements applicable to all food products manufactured in Australia. They are administrated and monitored by state and territory departments and food agencies. Australian food manufacturers must demonstrate that a food product adheres to the standards for the product to be able to be sold in commercial outlets in Australia.

The food standards cover a wide range of quality parameters including quantities, labelling and information requirements, substances added to the food, contaminants and residues, any requirements for pre-market clearance, and microbiological limits. The standards, the code, and its implementation and regulation work well for Australian-produced food, and this provides the Australian consumer with assurance and confidence related to the quality, authenticity, and safety of the product.

However, imported foodstuffs are not subject to the same regulatory requirement, providing easier access to the Australian market with far less scrutiny of the product quality, authenticity, and safety; and far less assurance and confidence for the Australian consumer. Indeed, customers aren't even made aware that different standards may apply. Hence, Australian customers are not in a position to make an informed choice relating to quality between the Australian product and the imported one placed alongside one another on supermarket shelves. Standards for imported food stuffs are administered and monitored by the Australian Quarantine Inspection Service.

*Country of Origin* labelling of food products in commercial food outlets is also vague, ambiguous, and often misleading. There is the ubiquitous catch-all of *manufactured from Australian and imported product* with no legislative requirement to state the breakdown of product source. Loopholes and vagaries abound.

### Recommendations to Government:

- 4.1 Increase resources to AQIS so that the FSANZ code and standards for food production and safety are applied equally and consistently to both domestic food producers and overseas food producers importing food products into Australia
- 4.2 Legislate and regulate precise definitions of *origin* of food products to allow informed consumer choice at point of sale

## ISSUE 5. CONSISTENCY IN REGULATION ALONG AUSTRALIAN INDUSTRY VALUE-CHAINS

Since white settlement, Australian industry has continued to develop and expand on the basis of the manufacturing sector being able to produce and sell what it can produce well.

Australian agriculture is a case-in-point. As an example, the Australian wheat industry has reached the strengths of today due to the wide-spread success of Australian Standard White (ASW) delivered to large regional receival sites with very little, if any, product segregation at those sites. It was then the role of the Australian Wheat Board (or its predecessors) to float the product it received onto world markets, often with product mixing to create wheat of acceptable market quality, and to obtain the best price it could. Mostly this worked well, although this meant that the Australian wheat industry was always a **price-taker** in this market place.

The same can be said for many, if not most, aspects of Australian industry. Australian manufacturing industries are generally price-takers in the global market place. With the advent of modern technologies, instant communication, and rapid product intelligence, the days of just hoping that whatever Australian industry could produce could be sold for a good price on world markets has become an increasingly risky approach to marketing and remaining competitive.

Buyers world-wide are now much more discerning, and they can source product from anywhere instantly to match their requirements.

Knowledge of the value-chain allows Australian industry to target successfully high value markets for building national competitiveness, with each component contributing effectively to the success of the whole chain.

To maintain and build competitiveness, Australian industries have to understand how to 'reverse-engineer' the value-chain, so to know:

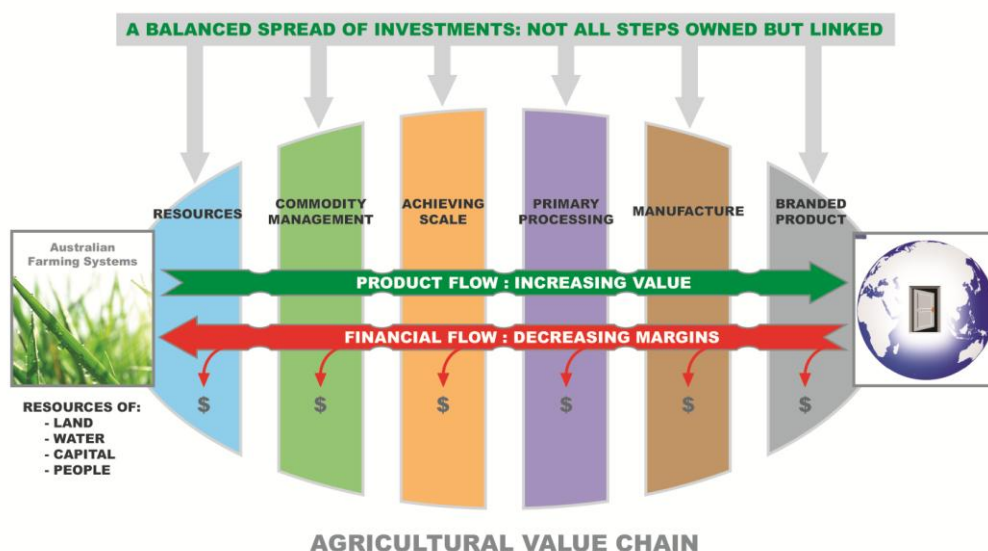
- what is the high value product buyers want
- what are the quality standards to command the premium price
- what are the assurance standards that the buyers need before they will buy.

The whole value-chain needs to know how to produce that product, and how to play its role collaboratively in delivering the product to the market place cost-effectively.

Value-chain knowledge also provides entrepreneurs and business with sufficient understanding to meet the due diligence requirements of investors. While finance institutions are vitally interested in the performance of each component along a value-chain, they are increasingly analysing the nature of the functions that lie between the components. This involves mechanisms relating to the continuity of product flow, the continuity of finance flow, continuity of knowledge, and shared responsibility by all sectors in the value-chain to ensure that the value-chain as a whole builds competitiveness.

Financial reform for Australian industry, including access to capital and access to cash-flow finance is increasingly becoming inextricably linked to value-chain knowledge, value-chain operations, value-chain management, and possibly value-chain control.

A conceptual model of an agricultural manufacturing value chain is shown below.



In making decisions relating to industry manufacturing in Australia, and the regulatory framework for Australian industry, all Governments must consider the impact of policy decisions on Australia's capacity to target high-value global markets and the flow-back effects throughout the value-chain. Examples would be decisions relating to Free Trade Agreements, foreign investments, resource and infrastructure ownership, regional development, and biosecurity.

**KAGOME Australia** believes that this is such a poorly understood area of government responsibility that it is essential and timely for a Centre of Excellence (or equivalent) as a think-tank to build increased understanding of the operation and regulatory framework for manufacturing value-chains in Australia as a means for Australian industry to be more competitive in the both the domestic and export markets.

### Recommendations to Government:

- 5.1 All Government decisions relating to Australian manufacturing industries be made through the prism of impact on the product value-chain
- 5.2 Establish mechanisms to increase our understanding of industry value-chains in Australia particularly the management of product and financial flows
- 5.3 Strengthen legislation to protect all components of Australian industry value-chains against discriminatory behaviour by one component acting on others

## ISSUE 6. MODIFY TAXATION STRUCTURES FOR R&D INVESTMENT

The capacity of **KAGOME Australia** to be competitive in the international market place is heavily dependent on its abilities to implement world-best practice at all levels of its operations.

This does not mean that Australian industry can just copy the best practices from elsewhere, but rather competitive advantage relies on our abilities to be innovative and to be able to tailor the best options to local conditions.



**KAGOME Australia** is strongly committed to R&D

**KAGOME Australia** is committed to research and development. It has a strong collaborative relationship with the Australian Processing Tomato Research Council, operating under Horticulture Australia Limited. It is also exploiting its southern hemisphere location to accelerate development of improved plant varieties in conjunction with northern hemisphere research partners.

**KAGOME Australia** believes that all industry research in Australia is of a higher quality, is better targeted, delivers better practical outcomes, and provides better return for the research investment when the relevant Australian industry and businesses are completely involved from the outset, and at all stages throughout the research.

**KAGOME Australia** believes that to maximise the value of research funding, the Government needs to create a more attractive environment for the private sector to contribute to the research – both financially and in-kind. In this way, stronger partnerships could be formed with industry in research leading to greater long-term benefits to Australia's competitiveness.

The current tax incentive for business investment in R&D is limited to an incremental 10% deduction.

### Recommendations to Government:

- 6.1 Change investment incentives for industry research and development from an increment to annual tax returns to a simple 50% of funding

## ISSUE 7. POLICY INITIATIVES TO INCREASE WORKFORCE SKILLS

**KAGOME Australia** is privileged to have such a highly skilled and committed workforce. Team members are the lifeblood of the company.

Access to a strong highly skilled workforce throughout Regional Australia is an essential element of Australia's industry competitiveness.

Decisions of employees to come to, or to remain in regional areas is just as much about lifestyle and opportunities to engage with communities outside of the work environment as it is about the job itself.



**KAGOME Australia's** competitiveness depends on the skills and commitment of staff

Government decisions on investments into community infrastructure are largely based on a set of demographic parameters that are applied consistently across Australia. This means that planning decisions are based on population figures within the 'catch area' for a particular service or facility (e.g. one facility per 500,000 people). **KAGOME Australia** believes that such an approach fails to adequately take into account geographic distances and accessibility of alternatives as it applies in Regional Australia.

The consequence of this approach is that **KAGOME Australia** has seen over recent decades (and are continuing to see) the progressive decline in government services and community facilities in many regions of Australia.

Opportunities for tertiary education are much more limited for students across Regional Australia. The brightest young Australians from regional areas move to city locations for high-quality university education. The idea that these people will return to Regional Australia to work in agriculture and other industries unfortunately has a very low strike rate.

Opportunities for the best university education have to be increased throughout Regional Australia by creation of a greater number of smaller centres networked through remote learning facilities and advanced communication.

There is also the opportunity to introduce an incentive to attract young people back to regional areas after their education by modifying the Higher Education Contribution Scheme (HECS) repayment structures. The HECS debt repayment could be waived for each year that a graduate works in Regional Australia in agriculture or other manufacturing industry. This may appear only small incentive on the surface, but the feedback **KAGOME Australia** has received is that the effect could be substantial.

When a trade person loses employment in regional areas, it is much harder for them to find alternative work than it is for their city-based counterparts, simply on the basis of opportunity. Often re-training in another field is necessary. **KAGOME Australia** provides trades apprenticeships, but it is much harder for the company to provide adult apprenticeships for re-training. The financial incentives we receive for adult apprenticeships are the same as for a junior apprentice, but costs are much higher.

### Recommendations to Government:

- 7.1 Increase incentives for employment of young adults in manufacturing in regional Australia, encouraging them to remain in Regional Australia with enhanced skills, long-term careers and increased community involvement
- 7.2 Increase incentives for employment of mature adults in manufacturing in Regional Australia encouraging them to relocate to regional centres, retrain, and add to local community activities
- 7.3 Waive the HECS debt repayment for the year in which a graduate is working in key commercial centres in Regional Australia, and cancel it completely if they remain for eight years or more

End