



11 October 2006

Tasmanian Freight Subsidy Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

To Whom it May Concern

As an important Tasmanian company, Cascade Brewery has a deep and abiding interest in the proposals contained in the Commission's Draft Report into Tasmanian Freight Subsidy Arrangements.

In general, the proposals remain a cause for serious concern to our business, and we continue to support and urge the maintenance of the Tasmanian Freight Equalisation Scheme (TFES). In our view, the critical function of the TFES in levelling the playing field among Australian states, and in making vigorous and fair competition possible, is not acknowledged in the Draft Report.

Without access to the TFES, our operating structure within Tasmania would need to be reviewed, putting in doubt the jobs of more than 100 employees and the \$15 million which our production activities contribute annually to the state economy. This contribution ranges across the economy, from primary industries (we buy 100% of the state's blackcurrant crop, and 95% of the state's raspberries) to \$6 million in wages and further annual disbursements to councils, utility and transport providers among others. Further downstream, our business supports many tradesmen, small businesses and community organisations across the state, and we are certainly proud of this legacy. Cascade Brewery also plays an important role in supporting the viability of rail within Tasmania, which has itself been under scrutiny in recent times and is subject to significant Commonwealth and State intervention and funding.

We compete vigorously across our product portfolio. An important part of our competitiveness rests on leveraging the whole of the Cascade production site to achieve economy of scale in terms of shared overheads and infrastructure costs. The TFES supports this strategy, allowing us to challenge imported competitor product such as Ribena with products like Cascade Ultra-C Blackcurrant Syrup. Our Tasmanian identity is also critical to the brand proposition of many of our products, such as 'Apple Isle' Sparkling Apple Juice and Mercury Cider. Again, the TFES helps to level the playing field for Tasmanian manufactured goods, making competition possible and giving companies like ours a fighting chance.

Cascade Brewery is part of a globally operating parent, the Foster's Group. While we enjoy strong support from our parent, it is self evident that our ongoing presence in Tasmania must make sense against commercial benchmarks. The TFES helps us meet these benchmarks and continue to compete, but the scrapping of the scheme would alter these metrics and make doing business at all in this state increasingly difficult.

Put quite simply, and as set out in our initial submission, our company relies on the TFES for its ongoing operations. While our earlier submission addressed technical aspects of the TFES, we aim in this submission to remind the Commission of the people, community and culture impacts of the potential loss of icon businesses which have underwritten Tasmania's way of life for decades.

In our view, TFES is an important equity mechanism which does no more than level the playing field among states. Cascade Brewery is committed to open and vigorous competition and even with the equitable impact delivered by the TFES we will need to continue to compete keenly in order to survive. The TFES has given Tasmania's dwindling manufacturing sector something of a fighting chance over the past three decades. It continues to be necessary, and Cascade Brewery urges the Commission to consider this in its deliberations and reflect it in its findings.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'M. J. Burslem', is shown on a light blue rectangular background.

Max Burslem
General Manager Operations