



WAVERLEY STATION

Premium Grass Fed Angus Beef

October 2019

Ms Helen Thomas
Growth & Strategy Manager
King Island Council

We have been requested to provide a commentary in relation to the current Productivity Commission review into remote area tax concessions and payments.

One comment in the report reads *“For those looking to settle in remote communities, issues of liveability and lifestyle also play an important part, with remote living largely a matter of choice”*. It seems a little naïve to think that without incentives, there is an unlimited supply of workers who are willing to make the choice to live in remote locations. Farming is a low margin, hard labour intensive, high capital commitment (rural land) business with an extended timeline before sales can eventuate on a sustainable commercial basis i.e. cattle need to be impregnated, progeny need to be grown out and herds need to be of a self-sustaining size for the carrying capacity of the land. Primary production is a risky business as can be seen by the current extended drought forcing the destocking of farms. When the drought breaks there will be a period of rebuilding of herds which will take time, and supply and demand will most likely dictate that the restocking will be expensive.

King Island is located 80km off the coast of Tasmania in Bass Strait and is approximately 64km long by 15km wide (1,098 km²). The main township is Currie and the population of the Island is approximately 1,700. While there are facilities in Currie including an IGA, a bakery and a hotel, due to the remote location, the cost of living is more expensive as it is necessary to freight everything in.

Cattle production is an important contributor to export sales with a major impact on Australia’s balance of trade. Waverley Station (“WS”) is a large, privately owned cattle breeding operation with properties in regional NSW (Scone & Gunnedah) and King Island, Tasmania. The comments below are mainly in relation to King Island.

To consider the various tax concessions as stand alone, in isolation and independent reflects a misconception of the effect of the incentives as an overall package. The current incentives form a critical part of our terms of employment and cost subsidisation necessary to attract experienced competent farm managers. The company has difficulty attracting and retaining experienced managers and workers due to the remote location of King Island.



WAVERLEY STATION

Premium Grass Fed Angus Beef

The managers of the various farms are virtually on call 24/7 and it is essential that they are located on site. This is particularly true during calving but also due to the nature of farming which requires both cattle tending and farm management (pasture improvement, fertiliser spreading, water facility installation etc). In order to facilitate this, it is necessary to provide a manager's cottage on each farm cluster. It is not as if the managers can run down to the corner store. There are also no accommodation options which would allow managers (and their families) to rent or to be billeted, such as arrangements for FIFO miners.

The removal of the full FBT concession in relation to provision of accommodation will be an additional financial burden which will make the business less viable.

Other issues for living on King Island include:

1. Communication – due to the remoteness of King Island, telecommunications are sometimes intermittent at best. Expectations nowadays in relation to access and speed of delivery are much higher than in days-gone-by. King Island does not enjoy the same level of delivery that can be enjoyed in a suburban environment or less remote location. As with many other relatively isolated locations, only Telstra's mobile service is available.
2. Medical facilities – there is only one small hospital on the island. The cost of any serious health matters (not covered by private health or workers compensation) require transport to, and medical attention on, Tasmania or the Mainland. Also, there are no birthing facilities on the Island so expectant mothers need to travel to either Tasmania or the Mainland to give birth. This is another cost impost in relation to the cost of living on King Island.
3. Education – King Island District High School is the most isolated school in Tasmania. It offers an education from Kindergarten to Grade 10, with Year 11 and 12 students being left no option but to leave the Island for a full complement of subjects or to attend College. This is another cost impost in relation to the cost of living on King Island.
4. Transportation – there is no public transport on the Island – it is necessary to have your own vehicle, an employer provided vehicle or pay for taxi service which would be quite cost prohibitive. The cost of fuel is more expensive due to it being freighted in. This is another cost impost in relation to the cost of living on King Island.
5. Social interaction – there are limited opportunities for young single adults to engage in what would be regarded as normal social interaction in an urban environment.

King Island can be inhospitable, cold and wet and is remote by any definition. The facilities consist of only one Police Station, one school and one hospital for all the Island's 1,700 residents. The cost of living is higher than other remote locations. WS needs to offer its



WAVERLEY STATION

Premium Grass Fed Angus Beef

employees an incentive to live on the island. The Zone Tax Offset and Remote Area Allowance are small concessions/assistance in relation to these extra cost imposts.

The consequences of the removal of the above incentives will be:

- force an increase the sale price of the beef produced – beef prices are already very competitive given the international nature of the industry and while Australia enjoys a competitive advantage due to its quality product and reliability of supply, it is not exempt from international pressure
- reduce an already slim margin
- reduce the remuneration that can be paid to employees or indeed reduce the number of employees engaged – the company already runs its operations on a very tight labour force