Speech by

Mr DOUG SLACK

MEMBER FOR BURNETT

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SUGAR INDUSTRY BILL

Mr SLACK (Burnett—NPA) (3.02 p.m.): Although I rise to speak in favour of this Bill, I do so with a number of reservations. It is clear that, although the Bill adopts in the main the recommendations contained in the 1996 report of the Sugar Industry Review Working Party, there are quite a few areas where the Government has seen fit to move away from the working party's recommendations. In addition, nothing is ever set in stone. It is the role of any Government to develop legislation that reflects the economic and social circumstances confronting an industry at any given point of time.

Currently, the sugar industry is going through a very difficult period. Other speakers have highlighted these problems and I will not repeat them at length. However, the Minister and his advisers know full well that sugar prices have collapsed over the past 18 months. There is a surplus of sugar. Brazil, one of our main competitors, devalued its currency by 40% earlier this year. On top of that, climatic conditions have also been very unfavourable. So the industry has been confronted with declining prices and declining production at the very time when some of our competitors are increasing production and devaluing their currencies. It is not just the growers and the millers who are caught in this cycle of bad news, but machinery, chemical and fertiliser suppliers as well. Then there are the retailers, suppliers and workers in the many small and medium-sized towns up and down the coast who rely on the sugar industry for their survival. Many of these communities are also doing it tough at the moment.

In this context the decision of the Queensland Industrial Relations Commission last month to reject an application by Canegrowers to defer a general wage increase was extremely disappointing. The General Manager of Canegrowers, Ian Ballantyne, said that the decision was—

> "... another financial setback for cane growers struggling to keep their heads above water in the face of low sugar prices and poor yields resulting from adverse weather conditions."

I could not agree more. Yet, at a time when some canegrowers' financial viability is now being called into question, from 1 September they have to pay their employees under the field sector award an extra $12 a week up to and including $510 per week and $10 a week extra for those paid more than $510 per week. On top of that, the weekly superannuation contribution for each worker increased to $34.90.

The Canegrowers' submission was in no way anti-worker—I stress: it was in no way anti-worker—but a reflection of the desperate conditions that sugar producers are facing, many of whom are just keeping their heads above the water. The fact that Canegrowers was the only body given permission by the commission to argue for exclusion from the flow-on of the national wage decision on the basis of economic incapacity to pay is a good indication of just how serious the situation is.

In fairness, since this Bill was last debated the Minister has announced publicly his intention to introduce a series of amendments to the Bill at the Committee stage. It would seem from the Minister's press statement that at least those will go some way towards addressing the legitimate concerns of sugar growers. Without a doubt, the fact that the Minister has accepted the arguments that the coalition and the industry put forward about linking the price of cane to the price of sugar unless local areas otherwise decide is a very important and very welcome move. Reinserting that nexus in the Bill will go a long way towards reassuring growers and make this Bill a fairer legislative vehicle for regulating the industry. When this Bill was last debated, the member for Crows Nest set out at length just why the

nexus needed to be in the Bill and highlighted the thrust of the coalition's amendment. In that regard I note that, in a press release of 16 September, the Australian Cane Farmers Association said that it was commendable that the linking of the price of cane and sugar will proceed even though the Minister's amendment did not go entirely in the way that the ACFA had suggested. I join with the ACFA in these sentiments.

Also, I welcome the amendment to clause 49, which will delete the mandatory requirement for all supply agreements, both individual and collective, to have provisions dealing with the growing of cane. The type of problems that this would have resulted in were explained very clearly by my colleague the member for Crows Nest. The Opposition has an amendment along those same lines. The Minister's recognition in his press release that "matters relating to management and growing of sugarcane will be for growers to decide" is a very positive move and one that I endorse and welcome.

Another amendment that goes some way towards meeting the legitimate submissions of the industry is the requirement for the Queensland Sugar Corporation to notify the local mill suppliers' committee when it makes a direction to a mill on a specific raw sugar brand. I deliberately said "goes some way" as I do not believe that the amendment goes far enough. The Opposition has circulated an amendment to clause 94 that places an obligation on the Queensland Sugar Corporation, before issuing a direction to a mill to produce a particular brand of raw sugar, to have regard to the impact that that direction will have on growers' costs including, for example, an increase in the length of the mill's crushing season.

The amendment the Minister has foreshadowed places on the corporation only a notification obligation of a decision already made. As I said, that is a step forward; however, there is still no positive obligation placed on the corporation before a decision is made to take into account the impact that it may have on growers. This is a matter that will be debated further at the Committee stage. For my own part, I do not think the amendment focuses on the real problem but simply requires possibly a bad and poorly made decision to be circulated in a better fashion.

Another amendment the Minister has foreshadowed which goes some, but not all, of the way towards meeting the concerns of growers relates to nonacceptance by a mill of cane supplied for crushing. On 15 September, the Minister announced an amendment to the effect that notification to a grower by a mill of nonacceptance of cane may be included in supply agreements. The key word is "may". As I understand what the Minister is suggesting, the issue of notification of nonacceptance will not be obligatory, and it will be up to the parties to agree to such a clause being inserted. In comparison, the amendment the coalition has circulated provides clearly that every supply agreement is taken to include a provision that if cane is not accepted by a mill for crushing, the owner must notify the grower as soon as possible.

The coalition's amendment makes notification mandatory in all supply agreements. It does not leave the matter up in the air and subject to negotiations, which may, in some cases, prove fruitless. Although the Minister's amendment according to his release of 15 September does improve the Bill, in my opinion it does not go far enough. Surely it would be better to recognise that notification of nonacceptance is a basic right of growers and to reflect that basic right clearly and unambiguously in the Bill. On that note, I saw another release dated 21 September in which the word "may" was omitted. Although it is hard to comment further until we see exactly what the Minister has proposed in his amendments, I nevertheless reiterate the point that it is the grower's basic right that he must be notified by the owner of nonacceptance of cane as soon as possible. I trust the Minister's amendment reflects that.

So much for the positive or near-positive elements of the amendments foreshadowed by the Minister! As Harry Bonanno of the Canegrowers group said at the time, the amendments fell far short of what is required. Canegrowers criticised the Government for giving sugarmill owners the right to crush sugar grown on their own cane production areas ahead of cane grown by growers who have entered into supply agreements in good faith. Canegrowers believed that this would allow mill owners to maximise their own profitability at the expense of farmers. A press release from Canegrowers, dated 16 September, stated—

> "This is extremely disappointing and many growers will see it as a sell-out by the Government to multinational sugar milling groups at the expense of the family farm.
>
> This approach was never contemplated by the Sugar Industry Review Working Party report which is supposed to provide a blueprint for our industry's future operations. A further departure from SIRWP report restricts the ability of cane growers to seek to improve their situation by transferring from one sugar mill to another. The provisions within the Bill which do allow growers to transfer cane between mills are very restrictive and certainly do not offset the advantages gained by the mill owners by being able to determine when they can crush their own cane. It seems that growers' concerns have fallen on deaf ears on these important issues."

I have quoted Canegrowers at length, not because I endorse each and every point made but to highlight that the Bill contains a number of provisions that are strongly opposed by various elements in the industry and which, from my point of view, are flawed because they do not provide equality of treatment for all the major players in the sugar industry.

Despite the Bill being introduced into Parliament on 21 July, more than a year after the Beattie Government was sworn in and with only a few months to spare before key regulations expired, it is now becoming all too clear that this Bill contains major problems as a result of inadequate consultation with both sugar growers and other non-mill participants. I will turn to those in a moment.

Again, if the Minister had listened to the member for Crows Nest when he outlined the Opposition's approach to the Bill, he would have learnt that we intend to move an amendment to clause 6 which, amongst other things, will allow a mill owner to supply its own cane to the mill for crushing. The Minister would have learnt that we have an amendment that will enable this to continue, but only if the supply does not detrimentally impact on growers who have entered into a collective agreement with the mill.

Mr Palaszczuk: It's already been done.

Mr SLACK: I thank the Minister for that. The very concerns raised by canegrowers are succinctly and directly dealt with in the amendment foreshadowed by the member for Crows Nest. I understand that further discussions have been held between Canegrowers and the Australian Sugar Milling Council and that agreement was reached on provisions for the supply of mill-owned cane to the mill for crushing. The coalition will reserve judgment on whether the amendment now proposed by the Minister goes far enough.

Other Opposition speakers have highlighted various issues of concern with the Bill and I join with them in placing on the record my concern about those matters. However, I intend to use the remaining time to deal with other issues of concern that need to be recorded.

One group that is often overlooked in these debates is the cane harvesters. Cane harvesting stakeholders have a $1 billion investment in the sugar industry, yet their role is totally ignored in the Bill. This is potentially a serious omission because the sugar industry is reliant on significant capital investment by this sector. A new fulltrack harvester costs around $500,000 and haul outs cost about $200,000, with the total cost of a modern harvesting outfit sometimes reaching almost $1m. Despite this, neither the 1991 Act nor this Bill reflects the critical role that the cane harvesting sector plays and the need for this sector to continue to inject essential capital to ensure that our sugar industry maintains its leading edge when it comes to harvesting technology.

I draw the attention of honourable members to the following comments that appear at page 210 of the report of the Sugar Industry Review Working Party. These comments were made in the context of savings from dealings from harvesting and transport inefficiencies. The report states—

> "... evidence was also presented that significant harvesting and transport efficiencies had been achieved in recent years.
>
> One group which contributes to the achievement of such gains, considered that they would play a more effective role if formally involved in cane grower-mill negotiations. The Queensland Caneharvesters Association sought a formal consultative, but not decision-making, role when cane-harvesting matters were being negotiated between a mill and its cane growers. Because of the potential benefits involved, the Working Party encourages the cane growers and mill owners for each mill area to consult with the operators of each mill area's cane harvesters on such matters."

As the Minister knows, cane harvesters have sought an amendment to the Bill to give them such a role—not a deliberative role but a recognition of the importance of cane harvesters and the positive impact that their involvement will bring. Correspondence from cane harvesters makes the following important point—

> "If (World's) Best Practice is to take place, the caneharvesting stakeholders must be involved on harvesting matters at the local level where decisions are made which can severely impact on their investment."

I would be pleased if the Minister would deal with the submissions of the cane harvesters in his response and inform the House what action the Government has taken or proposes to take to ensure that the recommendation of the working party that I quoted is reflected in this legislation.

The other matter that I wish to raise is the Minister's intention to scrap the current compulsory levies that are used to fund Canegrowers, the Bureau of Sugar Experimental Stations and other farm organisations. The industry's understanding is that the Government is proposing to retain the compulsory levies for three years and then phase them out. As I understand it, the Government is looking at legislation to change the structure of Canegrowers to provide for transitional membership and to facilitate the transfer of assets.

The Mackay Daily Mercury of 7 October quotes the Chairman of Canegrowers Mackay, Paul Schembri, who stated—

> "The principal point we're saying is that the timing is horrendous in the context of the new Sugar Bill to be proclaimed and the worst downturn in the sugar industry for 15 to 20 years. It has created a great deal of uncertainty and apprehension amongst growers at a time when the industry can't afford it.
>
> Obviously a lot of people look to Canegrowers to provide leadership and the government is trying to reduce our capacity to represent growers when they most need it."

I do not intend to go into the legalities of the current compulsory arrangements or what may or may not eventuate from the Government. I do intend to deal with the potential impact that altering the current arrangements may have on the Bill and the various procedures that it mandates. It is obvious that the very foundations of this Bill are based on the compulsory levy. I say that because very few aspects of this legislation are actually funded from consolidated revenue. The various parties in the industry have to fund the negotiation, mediation and review functions. I refer to negotiations teams.

As the Minister knows, a negotiating team is established for each mill. Two of the four members of each negotiating team are appointed by the relevant mill suppliers' committee. Each negotiating team is to make a collective agreement for a mill, decide all matters about the expansion of hectares included in cane production areas, develop and propose to the Sugar Industry Commissioner a cane analysis program, make a cane analysis program for each mill and perform any other function provided for under this Bill or any other legislation. The Bill requires each negotiating team to agree on a dispute resolution process and then, under clause 185, "employ the persons, and engage the consultants and service providers, it considers necessary". Does the Minister understand?

From the perspective of Canegrowers, all of those various duties have to be funded and the Minister knows that the compulsory levy is the bedrock in this regard. If the levy goes, who pays from the viewpoint of Canegrowers— the consultants or the service providers engaged to mediate the disputes?

If the Government takes away the levy and this Bill is left in its current state, the capacity for growers to be represented properly and for their interests other than at an individual level to be looked after will be degraded. It is no use setting out a fairly complicated legislative scheme which is designed to ensure that the market power of mills is not used to force harsh agreements on growers when the legislation gives no cash to growers to back this up and when the Government announces moves which will actually undercut the capacity for growers' interests to be looked after in collective arrangements. We can have all of the protections in the world written into the Bill—and I might add that this Bill is far from that—but if those protections are based on a funding source which will be abolished or marginalised, those protections will be of very little value. That is my concern with this Bill—its sustainability and its capacity to provide ongoing justice to all sectors of the industry when there is so much uncertainty about how the Government will proceed on the question of compulsory levies.

On a number of occasions the Minister has evaded explaining to the Parliament and to his Estimates committee exactly how funding streams to the BSES will be maintained following the removal of the statutory levy collection. The Minister will appreciate the importance of research and development to all primary industries and particularly in the competitive sugar industry. It is certainly not in the interests of the sugar industry to threaten funding streams for research and development, which the Minister obviously agrees with. On that basis, once again I ask the Minister to explain how he will ensure that funding to the BSES is maintained.

In conclusion, I support the Bill with the amendments the Minister has foreshadowed. It will be improved, especially in the area of the nexus between cane and sugar prices. However, there are still many areas that need to be improved. I hope the Minister gives favourable consideration to the amendments that my friend the member for Crows Nest has indicated that the Opposition will be moving.

Mr Palaszczuk: He is also my friend.

Mr SLACK: I thank the Minister.

I ask the Minister to deal specifically with the future of compulsory levies, not from the viewpoint of the legality or desirability of them but from the viewpoint of how any tinkering with them will affect the operation of this Bill.