



Speech by

**Hon. HENRY PALASZCZUK**

**MEMBER FOR INALA**

Hansard 21 July 1999

### **SUGAR INDUSTRY BILL**

**Hon. H. PALASZCZUK** (Inala—ALP) (Minister for Primary Industries) (12.22 p.m.): I move—

"That the Bill be now read a second time."

This is important legislation, as sugar contributes about \$4.7 billion into the economy of Queensland each year. The industry, located along 2,100 kilometres of coastline, is the linchpin to the viability of many Queensland regional economies. Sugarcane is produced on 500,000 hectares by 6,500 growers, the vast majority being family farms. It is crushed by 26 Queensland sugarmills. The industry directly employs 19,000 people and indirectly creates a further 26,000 jobs.

The Sugar Industry Bill 1999 is to take effect from 1 January 2000. It replaces the Sugar Industry Act 1991 and the Sugar Milling Rationalisation Act 1991. This Bill introduces significant changes to the regulatory framework of the Queensland sugar industry that will have a net positive impact on rural communities.

**A Blueprint of, by and for the Sugar Industry**

This Bill is the product of the findings of the sugar industry review working party which was commissioned by the Queensland and Commonwealth Governments to undertake a major review of the regulation of the sugar industry in 1995 and 1996. The membership of the working party represented the various sectors of the sugar industry and the Queensland and Commonwealth Governments. It is worth noting the contribution of representatives of key industry bodies—Mr Harry Bonanno of Canegrowers, Mr Graham Davies of the Australian Sugar Milling Council and Mr Ron Verri of the Australian Canefarmers Association. These men and their organisations were central to developing the ideas that underpin this Bill.

Wide-ranging consultation was undertaken with industry, Governments and the community during the review, and the report was endorsed by both Queensland and Commonwealth Governments before being made public. The working party made 74 recommendations for reforms to the sugar industry. These recommendations formed an integrated set of measures or a package designed to maximise the future viability of the Queensland sugar industry. These recommendations are implemented in this Bill. Hence, this legislation is a comprehensive reflection of the conclusions of one of the most wide-ranging and consultative reviews ever undertaken in this State. This is something to be proud of, and not to forget.

The Government has ensured that the industry focus of the recommendations has not been lost in the drafting of the Bill. At all stages, representatives of Canegrowers, the Australian Sugar Milling Council and the Australian Cane Farmers Association have been involved in the process of drafting the Bill, and it bears the stamp of their influence. I thank them for their contribution.

**The Flexibility to meet the Challenges of the Future**

This Bill sets a framework for the future of the sugar industry in Queensland. This industry faces many challenges, and it is only by becoming more flexible and competitive that these challenges can be overcome. This means being more commercially focused and breaking down the entrenched distrust between growers and millers that has historically occurred in the industry. The working party concluded that these objectives could be achieved through legislative change.

The Bill enhances industry flexibility in three ways. Firstly, the Bill retains what is the cornerstone of Queensland's raw sugar industry, namely single desk selling. The sugar industry review in 1996 proved that single desk is in the public interest. The new Bill incorporates the required Trade Practices Act authorisations into Queensland legislation in order to preserve those important activities associated with single desk which underpin the production and marketing of raw sugar in Queensland.

Secondly, the Bill frees up the Queensland Sugar Corporation to get on with the main business of marketing Queensland's raw sugar. The Bill releases the corporation from having to manage all aspects of industry regulation and gives it a highly commercial focus. This is essential to ensure that the proceeds from raw sugar marketing are maximised to underpin the growth of the sugar industry. A growing, viable sugar industry provides employment stability and employment growth for Queensland's coastal communities.

Industry has already embraced the essence of this commercial policy. It is in the process of establishing an industry owned company, Sugar Terminals Limited, which will own Queensland's bulk sugar terminal assets. Recently, the sugar industry organisations have reached an agreed basis to proceed towards developing their own industry owned marketing company that will ultimately replace the corporation. I will shortly seek approval of the Government to prepare appropriate legislation in support of these proposed companies.

Thirdly, the Bill formally recognises that, in recent years, the raw sugar industry in Queensland has been moving from one characterised by highly centralised arrangements to one where decision making is being devolved increasingly to the local mill area. The Bill does this by retaining the strengths of the current system of grower/miller relationships while providing greater flexibility, commercial relevance and opportunity for productivity gains for both the mill area and the individual industry participant.

The principal objective of the Bill is to facilitate an internationally competitive, export oriented sugar industry based on sustainable production that benefits both industry participants and the wider community, and by "sustainable" I mean in both an economic as well as an environmental context.

I would like to refer to several key areas of the Bill in more detail.

#### Cane Supply and Processing Arrangements

The Bill devolves responsibility to the local mill area for all matters with respect to cane supply and processing arrangements. It retains the strengths of the present assignment and local board system by introducing mill-related cane production areas and cane production boards. The Bill increases the responsibility of the industry to manage its affairs locally and in accordance with local needs and demands.

It was suggested by the sugar review industry working party and agreed to by industry that it was desirable to change the names of those elements of the existing regulatory arrangements that have become associated with the previous, highly centralised methods of resolving cane grower-mill owner financial relationships. In the Bill, the term "assignment" has been replaced by "cane production area" and the system of cane grower-mill owner financial relationships has been called "cane supply and processing agreements".

The proposed legislation improves the existing framework for cane supply negotiations with a focus on enhancing mill area net income. The annual award system is to be replaced with the provision for collective supply and income distribution agreements to be negotiated locally. The Bill also allows for individual growers or groups of growers to enter into individual agreements with a mill with respect to the supply of cane but provides that such agreements cannot be detrimental to the collective agreement. All cane supply and processing agreements may be entered into for more than one year.

The Bill retains the balance of negotiating power between millers and growers by requiring consultation by a process of negotiation, mediation and final offer arbitration. Local mill areas will be able to determine all matters relating to the expansion of local cane lands including the development of strategic expansion agreements between growers and millers, covering an agreed number of years.

The Bill also strengthens existing environmental and land use requirements in the approval of new cane land to help ensure the industry's long term sustainable development, and establishes a process to address transport and local authority matters when cane expansion is being considered.

The Bill contains new ways in which growers who wish to expand may, under certain conditions, move their cane supply to another mill if they are unable to gain expansion at their own mill. The procedures were agreed with the peak industry bodies and have been requested by them as the best means of allowing growers to achieve their expansion goals without threatening mill viability.

The development of these provisions ensures that movement of cane supply between mills by growers is managed at a local level through the involvement of cane production boards. The new approach seeks to facilitate the maintenance of the viability of both holders of cane production area entitlements and the mills to which the entitlements relate.

Cane production boards should not tolerate attempts to effect movement of cane supply outside of the process established under this Bill. Unfortunately, attempts have been made in the past to avoid processes established under the Sugar Industry Act 1991. Cane production boards now have a greater involvement in the process than had previously existed.

The Bill details the objectives and functions of cane production boards, which is the new name for local boards. Their role is primarily to administer all matters relating to cane production areas in the mill area for which they are established. Cane production boards will implement the decisions of negotiating teams, administer the processes of movement of cane supply between mills and make guidelines about land use, environment and transport issues and anything else relevant to cane growing on land included in the cane production areas for a mill. The detail of the granting process with respect to cane production areas is to be incorporated in a model guideline for cane production boards that is to be made by regulation. The Bill provides a mechanism to allow innovation by growers and millers and the achievement of productivity gains, both individually and collectively.

#### Marketing

The proposed legislation retains two marketing related arrangements for Queensland raw sugar. It retains the Queensland Sugar Corporation's compulsory acquisition and single desk selling powers with respect to Queensland raw sugar for the export and domestic markets. The single desk delivers closer customer relationships and enables coordinated and integrated management of storage, handling and transport logistics.

The Bill also retains the pooling of raw sugar sales revenues and marketing expenses by the corporation. The outdated and arbitrarily based pool price differential has already been phased out in line with the sugar industry review recommendation on this issue.

The Bill enables innovative marketing. For example, it provides a legislative power which will enable producer-pricing arrangements to be implemented. This mechanism is to allow millers and growers to manage their own price risk if they wish to do so. The corporation will also be able to operate different payment schemes for those involved with early season production. These mechanisms will result in improvements in the quality of production decision making by individuals and lead to improved efficiencies across the whole industry.

The Bill redefines the objectives and functions of the corporation to provide it with the major commercial focus necessary for it to maintain and improve its renowned status as a leading marketer of raw sugar in the world sugar economy. The corporation will retain its marketing based regulatory role with respect to sugar quality. This provides an essential marketing tool to guarantee the responsiveness of the Queensland raw sugar industry to the ever increasing quality demands of its discerning international clientele.

#### Institutions

The current functions of the corporation related to production regulation have been devolved, in the main, to cane production boards. The few remaining centralised regulatory functions will be administered by the new Office of the Sugar Industry Commissioner, established under the Bill to take effect from 1 October 1999. This will allow the office of the commissioner to be set up and be ready for when the remainder of the Bill comes into effect from 1 January 2000.

The Sugar Industry Commissioner will grant and register access rights, maintain a central register of cane production areas, facilitate and approve cane analysis programs, assist cane production boards and mediate in negotiations within the sugar industry as requested. The Bill abolishes the Sugar Industry Tribunal. In future, disputes will be resolved by a mediation process or referred to the Magistrates Court or the Land Court, as appropriate.

In addition to the Queensland Sugar Corporation, the Bill retains the Bureau of Sugar Experiment Stations and the Cane Protection and Productivity Boards as statutory authorities and details their functions. The research, development and extension roles of the bureau and the productivity boards have been modified to reflect their more independent roles.

#### Conclusion

This Bill has been developed with industry for industry. It provides the opportunity for Queensland's raw sugar industry to move forward to meet the challenges of the next century in a more productive, efficient and sustainable manner that will maintain its position as a valued and reliable supplier of quality raw sugar on the world market. I commend the Bill to the House.