Speech by

Mr M. ROWELL

MEMBER FOR HINCHINBROOK

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SUGAR INDUSTRY BILL

Mr ROWELL (Hinchinbrook—NPA) (5.43 p.m.): The provisions contained in this Bill reflect in the main recommendations made by the Sugar Industry Review Working Party report, Sugar—Winning Globally, which was completed in November 1996. There is no doubt that the overwhelming focus of the Queensland industry is on the export market. To that extent, I support the inclusion of clause 3, which appropriately provides that the principal objective of the Bill is "to facilitate an internationally competitive, export orientated sugar industry based on sustainable production that benefits both those involved in the industry and the wider community". I think that is very important because it goes beyond the sugar producers; it takes into account the wider community—all those businesses around Queensland in sugar areas. We see the welding works, the people in shops—they are all part of the industry; they have an integral role to play with the industry.

More than 85% of Australia's sugar production is exported, and this proportion is even higher in Queensland. With the exception of Cuba, Australia is unique in the world of sugar producers in exporting such high proportions of its products and having so much of its revenue determined in global trading market terms. I join with my colleague the member for Crows Nest in applauding the industry, and I include in this all aspects of the industry from farm to port in achieving such an innovative, flexible and competitive industry— an industry which, as my friend pointed out, is still essentially, from a grower perspective, centred around farming enterprises, and they are family farming enterprises. That is the important issue.

There is one sentence in the working party report which I want to quote. It forms the basis of much I will say. On page 43 it states—

> "There will be continued focus on commercial decision making at the local level where investment decisions are implemented."

In other words, we are really going to focus very closely on what happens later within this Bill. It is all too easy to forget that, although investment in major infrastructure is critical to the industry—and by this I include ports, dams, railway lines and mills—the industry would not exist in the first place if it were not for producers investing their family income in planting and harvesting crops. Let us never forget that the sugar industry depends on thousands of growers, their families and people who work with them to harvest their crop.

In this State there are around 6,300 canegrowers with an average farm size of 75 hectares. The vast majority of these farms are family owned. The value of sugarcane to Queensland's rural economy is surpassed only by capital production, and this varies from time to time. It is the lifeblood of various communities from the far north of the State to the south-east of this State of Queensland. In this context, we have to look at changes to legislation regulating and promoting this successful and important industry very carefully and with due regard to the fact that, unless change is warranted and needed, it would be stupid to mandate unnecessary change. In other words, if it is not broken, why fix it?

I join with my colleague the member for Crows Nest in supporting the various amendments that are proposed. In doing so, I say briefly that the thrust of this Bill is implementing the working party report. It is to make the industry more flexible and build upon the process of lessening regulation that

was commenced by the Sugar Industry Act in 1991. While I have many reservations about interfering with arrangements at a local level where they have worked in my opinion very well over the years, I recognise that, without the very positive approach of the working party highlighting the benefits of single desk selling, we would have experienced problems with the Trade Practices Act. In fact, the sugar industry was the first cab off the rank in relation to National Competition Policy. Single desk selling is absolutely critical to our industry and it is a fact that we have to consider. As the working party said, "deregulated arrangements, including multiple sellers of raw sugar, could see currently available benefits dissipate". I agree with that. I think that it is absolutely critical that we maintain that single desk seller.

So I support this aspect of the Bill which retains the single desk selling. Likewise, I support finetuning the proposed focus of the Queensland Sugar Corporation so it is better able to concentrate on marketing our raw sugar overseas. It is often not appreciated that the corporation is quite different from many other exporters in that it sells directly to the end user rather than to the sugar traders.

My major concern with this Bill lies not with the marketing and exporting end of the industry but with how it will operate on the shop floor, if I can use the term. I am particularly concerned about how this Bill will impact on growers and particularly on their relationship with their local mills.

At the moment, the assignment system still essentially underpins the relationship between mills and growers. Growers are assured that their cane will be processed and, despite some conjecture to the contrary, mills are assured that growers will supply cane to them. It was suggested that the system of assignment resulted in a number of alleged anti-competitive elements, including a restriction of the supply of cane through regulating the expansion of cane land, a restriction of competition between growers for access to crushing capacity and a restriction of competition between mills for cane supply. Despite these suggestions, the working party recommended that the assignment system be retained through a revised approach known as the cane production area.

The Bill largely follows this model, and clause 6 sets out this principle by providing that a grower may hold an entitlement, called a cane production area, which entitles the grower to enter into supply agreements with a mill for cane grown on a specified number of hectares. Nevertheless, the legislation allows not just for collective agreements but also for individual agreements and is far less prescriptive than the 1991 Act.

Now, in a less regulated world, the coalition does not object to these changes as such but is concerned that in the process the Bill tips the bargaining power too far in favour of mills and does not contain enough protection so that growers can appropriately negotiate agreements. In essence that is my concern—not so much that there is less regulation but that there is less protection for growers matched with more regulation in other areas.

I touch now on a number of my concerns. At the moment there is no specific requirement that in negotiating a collective agreement the negotiating team actually consult with growers. In theory, under the Bill the first time growers will become aware of a collective agreement is up to 21 days later when a notice appears in the local newspaper. Clearly this is unsatisfactory and the Opposition seeks to have the Bill amended so that the negotiating team consults with growers before a collective agreement is signed off.

While a collective agreement may be in the process of being negotiated, a mill owner may be signing up individual agreements. This is quite legitimate, but there is the risk of a "divide and conquer" situation arising. At the moment, the Bill requires notification of individual agreements seven days after a collective agreement is made. This is clearly too late and, again, we seek to amend the Bill to ensure that this notification is given before the collective agreement is signed off.

The Bill provides that both individual and collective agreements must contain certain rights and obligations. One of these is the growing of cane, of course. As my colleague the member for Crows Nest has pointed out, this is opposed by growers on the basis that it gives mill owners the ability to direct growers to do any number of things on their assignment, from high density planting to the conventional manner of planting. Matters such as these are quite properly the preserve of the grower and nobody else, unless his or her farming practices impact on general land use or environmental laws. There are already adequate controls on land use, and this clause would allow extra and undesirable controls to creep in.

The insertion of this unwanted and unneeded mandatory requirement stands in stark contrast with the deletion from the Bill of any nexus between cane and sugar price. This is absolutely critical and its deletion from the Bill cannot be justified by reference to the working party report. The coalition will be moving an amendment to ensure that, unless a negotiating team agrees otherwise, a collective agreement must have a provision which maintains this nexus. We do not seek to have a similar requirement mandated for individual agreements, and in the case of collective agreements the

negotiating team can specifically determine not to have a nexus provision. This is a matter for each team, but we believe that it is a matter that each negotiating team should have to consider.

Cash flow is a critical issue for any person in private enterprise. The 1991 Act sets out quite detailed requirements to ensure that growers receive money promptly—I believe that this is both fair and necessary—yet under this Bill there is only a non-mandatory requirement that a negotiation may take into account "cane payment arrangements". That is it.

The working party did find that the current requirements were too detailed. While I do not necessarily go along with that, the Opposition is suggesting that the question of cash flow be a matter which each negotiating team for a collective agreement must consider. The only compulsion is the requirement to consider this particular item, not a requirement in each case that this or that clause must be inserted or that a 30-day time period for payment must be set in stone—just a requirement that it be considered. I think this is fair. It is a reasonable compromise and I think any negotiating team approaching a collective agreement seriously should ensure that cash flow issues are properly addressed.

One other matter I briefly mention is the ability of the corporation to direct a mill to produce a particular brand of raw sugar in a particular amount. There is nothing objectionable or wrong about this, but anyone who knows anything about the industry knows that this would increase the length of the mill's crushing season and impact on growers' costs. The coalition will be moving an amendment that seeks to ensure that before the corporation issues such a directive it considers the impact it will have on growers' costs. In other words, the crushing season may be extended because the mills are taking longer to crush the cane to make a certain brand of sugar. This will impact on growers' costs.

Other amendments that the coalition will seek to move have been outlined by the member for Crows Nest. A common theme runs through all of the amendments. They seek to ensure that, in a less regulated sugar industry, parties to agreements can negotiate fairly and that market power cannot be unfairly used. We seek to address these matters by consultation, by the proper and prompt exchange of information and by ensuring that before people and corporations armed with extensive power actually use these powers they take into account the human, social and economic effect of their actions.

This Bill is certainly important for people in my area. We have some concerns about it. Our proposed amendments are quite important.
