Speech by

Mr SANTO SANTORO

MEMBER FOR CLAYFIELD

Hansard 15 September 1999

SUGAR INDUSTRY BILL

Mr SANTORO (Clayfield—LP) (4.56 p.m.): Recently, I was in north Queensland, and I visited a number of centres that are in the heart of sugar growing areas. I make particular mention of Ingham—a town near and dear to the heart of my friend the member for Hinchinbrook—where I spoke to the Mayor, Pino Giandomenico. I mention that because the development of the sugar industry in far-north Queensland is due in no small part to the very many Italian families who settled there and were, and remain, hardworking men and women who gave their all for their families, the sugar industry and this State. So I just would like to pay my respects to the many people who have contributed to our great sugar industry. And for the purposes of this speech, I make special mention of the very many people of Italian descent who still play a critical role in so many centres in the far north of our State.

I rise to support the Bill, but I do so with a few reservations. Many of these have already been very eloquently expressed by my good friend and colleague the member for Crows Nest. I join with my colleagues in recognising that our sugar industry, despite its strength and international competitiveness, is going through a very difficult time. World sugar prices are still depressed and have dropped dramatically over the past 18 months. The Asian economic downturn is hitting hard in some of our export markets, with sugar consumption dropping in some countries. We face an expanding Thai sugar industry and ongoing tough competition from Brazil. The fluctuations in the Australian dollar have also made things very difficult.

The irony is that we have had record raw sugar production at a time when the world is moving into a sugar surplus and at the very same time as the economic crisis in Asia and Russia begins to bite. So it is important that all levels of government and people in all political parties appreciate that our sugar industry is facing some very tough times and needs to be assisted in any reasonable way possible.

In that regard, I was very sympathetic to the application by Canegrowers for an exemption from an across-the-board $12 a week wages increase. It is a measure of the difficulties that the industry is grappling with at the moment that an application has had to be made to the Full Bench of the Queensland Industrial Relations Commission that there is an incapacity to pay.

Ian Ballantyne, the General Manager of Canegrowers, recently said—

> "Canegrowers successfully sought leave from the Commission to argue the case for exemption on the basis of a dramatic cut in industry income over the last two crop seasons plus bleak prospects for a turnaround in their financial situation. This year growers and sugar millers face a drop in combined income which will be in the vicinity of $600 million compared with two years ago.
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> And this is not just a one year downturn. There is clear evidence that low prices will continue into the 2000 season and beyond.
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> The current bleak situation of the sugar industry is in stark contrast with the rest of the Australian economy which is enjoying a period of relative prosperity. Although the sugar industry continues to have a sound long-term outlook, producers are currently struggling to remain viable."

These are very powerful words and I hope that the Minister and his Government are trying to do everything possible to assist.

One practical means of helping, of course, would be to improve this Bill. Other speakers—and I particularly acknowledge the contribution of the honourable member for Crows

Nest—have paid credit to the Federal coalition Government, which ensured that the Trade Practices Act was amended last year so that there could be no challenge to the Queensland Sugar Corporation's vesting powers. I join with those members in giving credit to John Anderson in particular for that important reform.

I also support the retention of single-desk selling under the Bill because, as the Sugar Industry Review Working Party report made absolutely clear, it is essential for the industry's growth and produces enormous benefits not just for the industry but for all sections of the community.

It is sometimes not appreciated by people who have criticised single-desk selling and compulsory acquisition that it is simply a conduit through which growers put their product to receive the current world price. It is totally different from some other central selling organisations which attempt to interfere with market forces by setting a floor price and stockpiling what they cannot sell.

But on top of that, the corporation is able to enforce quality control, both in terms of sugar quality as well as hygienic handling and shipping, plus negotiate with strength on the world's market to get the best price for the industry. So this aspect of the Bill is most welcome.

I also want to mention the historic decision of the last coalition Government in May 1998, on the recommendation of my friend and colleague the member for Hinchinbrook when he was Minister for Primary Industries, to hand over ownership of the bulk sugar terminals to the sugar industry. This decision, involving seven sugar terminals—worth at that stage $350m—had been long overdue. It was recommended to the Goss Government back in 1993 but by the time that the member for Hinchinbrook brought it to fruition not much progress had been made. Having said that, I commend this Government for having the sense to reconfirm the decision in August last year. But since that time, progress, as the honourable member for Crows Nest has indicated, has been very slow. It is a difficult matter but I would have thought that a supposedly can-do Government would have given this most desirable initiative a bit more priority and assistance.

Mr Palaszczuk: Don't you worry about that.

Mr SANTORO: I will take the comment from the old—from the Honourable the Minister not to worry about that.

Mr Fouras: He's not old; he just has grey hair.

Mr SANTORO: We will see at some future time just how much real credit is contained within the Minister's "Don't you worry about that."

Mr Palaszczuk: It's almost there.

Mr SANTORO: I accept the assurance from the Honourable the Minister. In some respects, this Bill continues the process that was started by the coalition in 1996 when it ensured the passage of legislation that implemented local area negotiation and dispute resolution procedures for millers and growers to determine on a commercial basis the distribution of the proceeds of vested sugar and other contractual matters relating to sugarcane.

In conformity with the recommendations of the working party, this Bill will allow the negotiation of both individual and collective agreements. As a strong believer in the right of people to opt out of collective arrangements, this is a very desirable development. So I have no problems with the fundamental philosophy underlying this Bill which is to allow more individual choice both with respect to growers dealing with a mill individually as distinct from collectively, and also with respect to growers negotiating with various mills if their local mill cannot deliver in given circumstances.

But, as with all things, the devil is always in the detail. It must always be recognised and appreciated by people dealing with this industry that there are various factors and laws in place which, quite properly, limit pure competition but which are designed to maximise production, profitability, returns and sugar quality. Whenever one tries to liberalise one facet of the industry's operations, one must have regard to all of the various commercial intersections.

This is where this Bill runs into problems. The philosophy is good, but, as honourable members on this side of the House have said, the application is often uneven and, I believe, unfair. I will now go through a few of the areas with which I have some concern. Under this Bill, a negotiating team can negotiate a collective agreement for an unlimited period of time. It does not take much imagination to work out how unfair this could be in practice in some areas and for some farmers.

It is very rare that we ever see in legislation an ability for parties to negotiate without some sensible guidelines being put in place. This should be even more so under this Bill where a collective agreement is deemed to apply to farmers who do not make an election. One of the few rights that growers have in these circumstances is to give notice of a change of entitlement under clause 46 where an agreement is in excess of four years. Yet the ability of a grower to make an election is limited to a time before the agreement is made. I respectfully suggest to honourable members that it is ridiculous to require a farmer to make an election when the farmer would not even know for how long the collective agreement will run.

The Bill fails to require the negotiating team to consult with growers before the agreement is made. Instead, it seems to outline the process for growers to complain after the event. Again, the Bill needs to be recast so that there is a positive obligation on the negotiating team to obtain the

views of stakeholders before attempting to conclude an agreement on their behalf.

The Bill sets out at length the general considerations that a negotiating team may consider and I recognise that these are based on the recommendations of the working party. Nevertheless, there is a real concern amongst many growers that the reforms in this Bill, which do away with a requirement for monthly payments, may impact adversely on cash flow. It is no use requiring a negotiating team to look at profitability when many growers feel that without regular and consistent payments they may go broke.

So I join with the member for Crows Nest in highlighting the need for the Bill to be amended to refer to the critical issue of cash flow. There is no doubt that the biggest and most consistent concern being expressed by people in the industry is the absence of any mention in the Bill of the need for mill owners to link the cane price to the sugar price. This nexus, which is currently in place, was commented upon favourably by the working party. There is absolutely nothing in the working party's report that I have read which would justify its omission from this Bill. The Opposition will be moving an amendment that will ensure that the nexus is re-inserted in this Bill—although it will be done in a way which does not bind the hands of negotiating teams.

Another matter that is causing adverse comment within the industry is the requirement in clause 49 that a supply agreement—that includes both individual and collective agreements—must deal with the growing of cane. Other members who have spoken on the Bill have highlighted just how this could result in mills interfering in farm activities that properly should remain the preserve of growers. It is not as if this Bill does not contain enough provisions that deal with environmental and land use issues. Even if there were not, simply requiring that agreements must deal with the growing of cane opens up a whole area of possible problems without in any way giving guidance or preventing inappropriate and intrusive provisions being inserted.

This could be a particular problem for growers who are attempting to negotiate an individual agreement. While the growers' representatives on a negotiating team discussing a collective agreement may have the leverage to resist the insertion of inappropriate terms, this may not be the case for some individual growers in certain circumstances. In researching the Bill, I read with considerable interest issue No. 14 of the Australian Sugar Digest and noted the concerns raised at page 6 about this matter. I share the ACFA's view that this provision is excessive, and I also personally believe that it is so vague that it could be misused.

On top of all of that, I do not know what it is intended to achieve. I think the Minister needs to fully explain why it is in the Bill and how the sorts of problems that the ACFA has raised can be avoided. As I said, I strongly support the ability of growers to negotiate individual agreements, but the fact remains that the vast bulk of growers, for very many good reasons, will want to continue to have their rights fixed by a collective agreement. It is essential that in an industry where mills have greater negotiating power and market strength individual agreements not be misused in order to undermine collective rights and entitlements.

In clause 48, this Bill attempts to give effect to this concern and uses the term "significant adverse effect" in describing the rights of a mill suppliers committee to challenge an individual agreement. This term is taken directly from the working party's report but, in itself, is very vague. My friend the member for Crows Nest will be moving an amendment to explain what is meant by that term. I believe that that will help to overcome potential litigation in the future. I warmly commend the support of the Government for that amendment.

I read in the Australian Sugar Digest a complaint that, under this Bill, individual agreements were limited for a term that could not exceed that of a collective agreement for a particular mill. Personally, I do not share this concern. As I said earlier, a collective agreement could run for an indefinite period. No reasonable time period is fixed in this Bill. In this legislative climate, to allow an individual agreement to run for longer than a collective agreement is, in my opinion, just asking for trouble and could result in many individual agreements being tied up for far too long.

Another area where the intersection of collective and individual agreements cause me some concern is in clause 47. A mill owner has seven days after a collective agreement is made to notify the mill suppliers committee of individual agreements. It would be far better for the mill to be required to inform the mill suppliers committee of what individual agreement it proposes to enter into before—I stress before—a collective agreement is finalised. Rather than challenges to individual agreements being made under clause 48 and growers complaining that key information has been withheld after a collective agreement has been concluded, it would be sensible to encourage and facilitate the free exchange of information. Again, the Opposition will be moving an amendment to give effect to this principle.

The working party was rightly critical of the overly prescriptive legislation that is currently in place governing sugar mill closures. It is an anti-competitive measure and far too intrusive. However, we see in this Bill the exact opposite of the problem: next to no regulation and next to no protection for growers. Clause 75, which deals with mill closures, is one of the briefest and least useful provisions that one could come across. It simply provides that the owner of a mill must give notice of the day that a mill is to close and unless

the Minister makes a declaration of a closure day, the day nominated by the mill owner becomes the closure day.

This Bill is full of provisions that set out the obligations that growers have to mills for the supply of cane. As clause 43 makes clear, a collective agreement is binding and enforceable in any court of competent jurisdiction and clause 49 makes it clear that each collective agreement must provide that growers must grow cane on a stated minimum percentage of the number of hectares included in their cane production areas. Yet looked at from the other side, when it comes to the obligations that mills owe to the growers, particularly in the event of mill closures, this Bill is very light on. Again, my colleague the member for Crows Nest will be moving amendments to deal with this problem. I believe that, for the sake of fairness and equity, the Minister should seriously consider supporting the coalition's proposal.

Although I am not in agreement with all of the concerns raised by the ACFA in the Australian Sugar Digest, to which I referred earlier—

Mr Lucas: You didn't disappoint us—the full 20 minutes.

Mr SANTORO: It should be a matter of some serious introspection by the Minister that the ACFA made the following comments on the Bill-

> "If reduced controls by Government or Government regulation is what is meant by deregulation, it is difficult to substantiate the claim the industry is more deregulated under the new legislation.
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> With the exception of the negotiating team, all the industry institutions, both old and new, are now subject to the direction of the Minister. Controls over CPAs are also increased. The deregulation of the industry that was intended by the SIRWP has probably produced more regulation and control of the farmer while reducing the protection mechanisms."

Whether the Minister likes that or not, that is a concern that I have heard raised again and again: too much political control, too little protection and not enough even-handedness. The Opposition amendments, if accepted, go a long way towards dealing with these concerns and I hope sincerely that the Minister and his Government take them on board.

Finally, I note that the Competition Policy Reform (Queensland—Sugar Industry Exemptions) Regulation 1998, which specifically authorises for the purposes of the competition code various key provisions of the existing Act, is due to expire on 31 December this year. It is essential that this Bill be put in place by that time. It is a shame that, like a lot of other primary production legislation, whether that be in relation to the dairy industry or barley marketing, so little priority has been given to this legislation. It has been introduced late in the piece and rushed through without proper parliamentary debate or industry consultation. The coalition is keen to see this Bill enacted. However, we want to have it debated properly and we want to see it improved so that the type of problems that we have raised will be addressed adequately.

Although I still have another two minutes to go before my allotted time concludes, I will conclude by suggesting that the honourable member for Lytton may take those few minutes to recognise the achievements in the sugar industry of the many fine Italian families who live in his electorate. With that air of generous disposition towards the rights of the honourable member to speak to this very important Bill, which is undoubtedly of great sentimental value to many of his constituents, I invite him to fill up the time left to me.

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