



Speech by

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SUGAR INDUSTRY AMENDMENT BILL

Dr LESLEY CLARK (Barron River—ALP) (6.04 p.m.): I rise to support the Sugar Industry Reform Bill 2004, which is vital for the future viability of the Queensland sugar industry. The minister in his second reading speech referred to a number of reports commissioned by this government, the federal government and the industry which pointed to problems which have become apparent with the current sugar legislation. The consistent message from the Hildebrand report, the CIE report and the Boston report is that the sugar industry must achieve significant productivity increases if it is to be viable in the long term and that opportunities for such productivity improvements definitely exist and must be seized. Failure to reform the industry at current world prices will have disastrous results for all regions.

I want to quote from the CIE report as it relates to my particular region of far-north Queensland. It estimates that income and employment in the north would fall by \$132 million, which is 3.8 per cent of regional output, and 2,794 jobs, which is 2.8 per cent of regional employment. The gross value of sugar output would fall by some \$332 million with flow-on impacts of up to \$564 million lost in output for the region and a maximum loss of jobs of up to 7,264—that is, 10 per cent. I give these figures just to show how serious the situation is and how the case for reform is so compelling. Canefarmers in the Barron Delta must embrace this change, because they do not actually have the option of selling their land for residential development, for example, because they are in a delta and the kind of flooding that occurs there means that that land will be retained for its present use for agricultural purposes. Obviously, they also will be dependent on the continuing function of the Mulgrave mill, which is where they take their cane. So for the industry as it relates to my electorate, these reforms are absolutely compelling.

The industry itself has recognised the need for these changes, and that is why it is so disappointing to hear the opposition failing to recognise what the industry leaders themselves have acknowledged and embraced as shown by the heads of agreement with the government which was signed off by the Premier, Canegrowers and the milling industry. It is clear then that the Sugar Industry Act 1999 is holding back innovative thinking and opportunities for widespread productivity gains in a number of ways. The current act provides for four main components that restrict the industry's development, and these are the cane production area system, the statutory bargaining system, the system of compulsory dispute arbitration, known as final offer arbitration, and the compulsory vesting of sugar without exemptions.

The current cane production areas are statutory licences that assign growers to a particular mill and prevent the transfer of cane supplied between mills. This arrangement has been very restrictive and has not assisted those growers who have wanted to pursue opportunities with other mills. The reform bill removes the cane production areas from the act from 1 January 2005 and stipulates that from this time all growers must have a written contract to supply cane to a sugar mill. The current statutory bargaining system provides for a negotiating team to negotiate a collective cane supply and processing agreement with a mill. Currently, this agreement binds all holders of cane production areas. While it is not possible to have an individual agreement outside the collective arrangement, they are difficult to achieve and have limited confidentiality.

The reality is that there is little incentive for growers to pursue this type of flexibility and, as a result, very few individual agreements exist in the industry. This prevents changes to the terms and conditions of the cane delivery and sustains inefficient harvesting group sizes, scheduling and transport. The reform bill removes this archaic system from 1 January 2005 and gives growers more commercial

options. Growers will be able to choose to collectively bargain or develop a suitable contract for themselves or enter into multiple supply contracts.

With regard to marketing, the current act provides that all sugar produced in Queensland, regardless of whether it is destined for the domestic or export markets, is vested in Queensland Sugar Ltd, a single desk marketing arrangement. This creates inflexibilities for potential investors and others wishing to innovate in areas which could assist industry but not necessarily detract from the performance of the single desk in bulk raw sugar marketing. Therefore, under the reform bill, raw sugar will be able to be exempted from the single desk arrangement if it is to be used for the manufacture of alternative products.

We had a long debate about that in this particular discussion on the bill, and it is quite clear that the support exists. I do commend the member for Kurwongbah for her most recent contribution pointing out from research that has been carried out at the CRC for sugar biotechnology the kinds of innovations that are possible and the kinds of alternative products that are possible. There are some 75 products produced just in Cuba, and here in Queensland we are only just really beginning this process which we should have commenced years ago.

It certainly has exciting possibilities, but it is essential that we embrace this particular move because the alternatives are simply not sustainable. I am very pleased to say that in far-north Queensland, our mills have certainly looked to those alternative products such as ethanol and bioplastics. The Arriga mill, the most modern mill in Queensland on the Tablelands, is certainly designed in such a way that it could in fact be added to in terms of its actual physical capability to adapt to these sorts of alternative products. I certainly hope to see them going down that track.

The Sugar Authority, the independent third party, will have the authority to grant these exemptions from vesting. Under the bill and in accordance with the agreement with the industry under the heads of agreement, bulk raw sugar will remain tied to the single desk arrangement. However, the arrangement is to be reassessed as part of the national competition policy review which is required to commence in 2006.

The primary direct pressure on industry participants that will result from regulatory change will be the need to operate their businesses in a more commercial environment. That is a reality that just cannot be avoided. The regulatory system has served to shield industry participants from normal commercial decisions and they may lack the necessary skills to survive in the new environment. The change management program, the Sugar Innovation Fund of the state government, together with programs run by the Commonwealth and industry bodies will address this outcome of regulatory change. These programs will serve to greatly improve the ability of industry participants to deal with change.

The \$30 million state sugar package has already been approved and is in place. On 20 April 2004 the minister announced a further enhancement of this program and the state's package is scheduled to become available on the passing of this reform bill. We all obviously hope that the federal government's announcement this week will actually deliver what is also needed.

In conclusion, this reform package of legislation and funding will significantly assist the industry to adopt a culture of change and to build its capacity for increasing competitiveness to meet the continuing challenges of the world market. I commend the bill to the House.