



Speech by

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PRIMARY INDUSTRY BODIES REFORM AMENDMENT BILL

Mr ROWELL (Hinchinbrook—NPA) (5.01 p.m.): I rise to speak on this bill. This is quite a significant bill for the sugar industry and certainly for the assets of canegrowers, because over a period of time these assets have been built up because of a service that the industry has had from the Canegrowers Organisation. Since the repeal of the Primary Producers' Organisation and Marketing Act, Canegrowers had to make a decision on how it would deal with its assets as a result of that repeal. At that time statutory organisations such as the Canegrowers organisation, the Queensland Dairyfarmers Organisation, the Queensland Fruit and Vegetable Growers organisation, Queensland Pork Producers organisation, the Queensland Commercial Fisherman's Organisation plus the BSES and cane protection and productivity boards had their assets incorporated into the Primary Industry Bodies Reform Act.

I want to speak a little bit about the BSES, because it was probably very inopportune at the time that it was done. The industry was facing a whole range of difficulties. We had poor crops. We had orange rust. We had a need to breed varieties. Unfortunately, what happened at that time was that we saw the likes of the BSES people running around trying to drum up support. They were successful in getting support. I have to commend them for the great effort that they carried out in ensuring that the BSES kept on track because it would have been so easy for that organisation to have dropped the ball at a very critical time for the industry. I am disappointed that such an inopportune time was picked for this type of thing to occur. Of course, governments just roll on. They do not take any notice of the problems that are out there. I think the minister would be aware that the industry did face some particularly difficult times. Anyway, BSES is back on track. They have had to form their own corporate type organisation. Currently they are continuing on with a lot of good work that they have done over a long period of time.

The Brisbane assets of the Queensland Canegrowers Council were placed into a public company, which is the QCG Organisation Ltd. The Primary Industry Bodies Reform Amendment Bill 2004 introduced in the state parliament on 5 October 2004 was designed to aid the transfer of local sugar industry assets plus the others that we have been talking about and the liabilities currently held in trust, such as local buildings and financial reserves, into the locally owned companies.

In 1999 the Queensland government decided that it did not want to retain the statutory control over farmer organisations. As I said, we saw the Primary Industry Bodies Reform Amendment Bill introduced to abolish the compulsory levies of the five statutory primary producer representative bodies which required each to convert into a voluntary corporation type organisation. The Beattie government and the Goss era have been concerned with corporatisation. We have seen what has happened with the electricity industry with Energex. It is not a glowing success story.

I referred to some issues involving Queensland Rail in debate on the previous bill, where we saw the likes of canefarmers who were told that if they wanted to stay in business when times were tough and prices were low they had to look at producing some other crops. Many of them did that. In the Hinchinbrook electorate, particularly in the Ingham district, they decided to plant the likes of cucurbits. Traditionally rail, over a long period of time, has very successfully carried these goods down to the markets in the south. Because of the winter situation in north Queensland, they are able to produce these crops. It has been a good source of income. It was particularly important that they had this income during this period of time.

Unfortunately, we have what I have called, and described to the minister as, a slow boat to China rail service which is not conducive to getting those crops to market in their best state. Instead of taking something like 34 hours, it is taking three or four days.

It is unfortunate that we are now in a position where people have spent money to produce these crops to subsidise their income and now we are caught with a situation where rail transport is not as good as it should be and we have to try to find semis. Of course, that will increase the number of trucks that are on the road. There are some 7,000 tonnes of produce involved, so it is quite a considerable amount of product that is coming out of Ingham. I know there are other areas, such as the Burdekin, which have had similar problems.

We have another corporation here, Queensland Rail, which has had to do something because of Pacific National and the pressure which has been put on it. Something like \$334 million has been spent on the track and we are at a point where there is a great deal of uncertainty as to how we are going to get those crops to market. There has been some good cooperation with the Minister for Transport's department, but, once again, where change is continually occurring, uncertainty prevails and that is what has happened.

Until this act was introduced, the Queensland Canegrowers State Council—Canegrowers—was a statutory body to which all canefarmers had to belong. The council held certain assets on behalf of the local mill suppliers committees and district executive groups elected by farmers. This was because these local bodies were not legally incorporated. That is what actually had to happen with this process: they had to hold them in trust. All Queensland cane farmers contributed to these assets through their compulsory levies paid to Canegrowers. However, no farmer has a direct personal interest or a share in any of these assets. That is quite significant. A lot of people in the sugar industry took a long period of time to recognise the value of the statutory organisation and the work that it does organising agreements and that sort of thing.

The local and district assets are valued, in total, at some \$25 million but vary from region to region. They include cash reserves, investments, office equipment, cars and real estate, such as the local Canegrowers office buildings. It is important to note that liabilities, such as staff superannuation, are also included. It is significant that the minister has moved an amendment to cover those liabilities. It recognises not only that they have assets but also that they have a range of liabilities, including superannuation and other responsibilities. The situation is better now as far as the complexity of what the organisation had created over a period of time. We would not want a situation where money was owing to people in the local district. I am sure that the amendment that the minister is moving will certainly aid that particular situation.

Since January 2000 and the repeal of the PPO & Marketing Act 1924, the right has existed for each local area with assets held in trust to make a decision on the future direction of the trust if 75 per cent or more of local district members voted on what they would do with that asset. Under this bill, only two-thirds will be required for a separate district entity, which will be a more achievable outcome. It is heartening to see that that has been recognised. Of course, some organisations are not particularly happy about that. For example, the ACFA wants a 50 per cent acceptance. The minister is sticking with 66 per cent.

Over a period of time, there has been an evolution of the sugar industry. In the early nineties, governments made decisions about the industry, new growers came into it and expansion was taking place. Of course, contributions were being made to assets such as the \$350 million worth of terminals. At the time—if memory serves me correctly—to accommodate those people who were expanding the industry, a 12 per cent differential between No. 1 and No. 2 pool growers was determined. On an annual basis, a two per cent reduction occurred. As I recall, the last amount got the full 100 per cent of the actual price for the No. 2 pool and I think there was four per cent removed in one year. Basically, growers had not really contributed to the assets. The sugar terminals were still able to use them, but they had to accept the fact that there would be a reduction in the price of the cane in the No. 2 pool. All of the cane produced by those growers was put into the pool at a reduced price. To some extent, it offset the assets that had been created by the older growers in the industry.

We saw what happened with STL shares. They were based on the history of production. I suppose one could say that growers who had recently come into the industry and accepted a lower price for the cane in the No. 2 pool were also, in some ways, contributing to the sugar terminals. There are considerable differences of opinion as to whether they contributed too much in relation to the reduction in the price. Some people believe that those involved during the long history of the development of the terminals had contributed significantly and, of course, disproportionately compared to the new growers. That was a contentious issue at the time.

As I say, there has been an evolution of how the assets of the industry are dealt with. In fact, this is probably one of the best organised industries that I have come across, as far as agricultural industries are concerned, in the way that it actually grows the crop. Over a period of time, growers developed a relationship with mills and there is an interdependence between growers and millers. Then there was the need to remove the crop, so harvesting evolved over a period of time. Then there was the necessity to

build terminals that would allow us to export this commodity we are producing in Australia. As far as the contributions of growers around the world are concerned, we would contribute 85 per cent, which is as high as any industry contributes to world markets. As members know, world markets are particularly corrupt and it is very, very difficult for growers, unless they are particularly competitive, to ensure that they have a future. The industry has done that and we must recognise its contribution and organisation and the fact that it was prepared to chip in and put assets together, wherever necessary, to ensure that it was competitive.

As I understand it, the Minister for Primary Industries and Fisheries had to be notified of the relevant outcomes of these polls. If this legislation is successful, the assets are to revert to the district if there is greater than two-thirds of the vote in support of the transfer. The decision as to the final outcome will be solely dependent on the local district. Currently, these things are held in trust by the Queensland Canegrowers Organisation Ltd.

Of course, there was an opportunity to do something about transferring those assets to local organisations. In 2000 Kalamia growers exercised their right and were successful in taking control of the mill suppliers' committee's assets. With the demise of the Moreton mill, growers in that area voted to terminate the trust and the assets were distributed in a number of ways. It is a complex situation and I do not want to go into it in detail. It was interesting to visit the mill the other day and see them making cane candy.

That is a typical example of a need arising and people have had a difficult period of uncertainty. Of course, with the mill closing there was no future as far as producing sugar was concerned, so they looked for some other options. It does look quite attractive. Of course, they are chasing finances at the present time to ensure that the sugar industry has a future. From all that we can see, as far as the product is concerned, it looks particularly promising.

Since the demise of the compulsory levy, the QCGO has raised the issue that some growers have not paid the voluntary membership, but on a range of issues the QCG organisation has continued to work on behalf of these growers, which represents something like seven per cent of the growers. Despite this fact, over the last four or so years that we have had this situation as far as the Primary Industry Bodies Reform Act is concerned, the canegrowers have continued on to ensure the stability of the industry. I suppose that is one of the issues that has been raised with us as far as their efforts are concerned—they just cannot continue doing that. The QCGO has approximately 93 per cent support through the non-compulsory membership it prescribes for payment. It is only those growers who pay the levy who will be entitled to the services provided by the district office. However, all growers will be entitled to vote on changes to the current trust.

That is the situation that has developed. I think the same thing will apply as far as BSES is concerned, because if people do not contribute to the organisation—where it was a compulsory levy before—then they may not be able to get access to varieties and technology and all of the things that are so important to farming organisations. Because of the belief that we can do better by forming these corporations—yes, there are some prospects as far as arrangements between companies, and all that sort of thing, with being a corporation, such as they are—the intent of them generally is not for profit and I believe that in the future we can only hope that they will be successful because we stay dependent on both QCGO and the BSES. In the event that growers have to speak to government, it will be carried out through an umbrella organisation with the input of the various district organisations.

There is a range of issues that I will go into very briefly. There is always contention relating to issues surrounding the environment. I know that over time canefarmers have been blamed for the water quality on the reef and so on. The QCGO has come up with some good proposals as far as how growers should go about their businesses. The organisation has been particularly active. When crisis support is necessary we need an organisation that has the capacity to talk to the government about how to get through the crisis. Every 10 to 12 years we see this type of crisis occur in the industry. It is an industry that is very dependent on export income. If we get the right sequence of events, canegrowers can do well. If the conditions are adverse, it is very difficult for the industry to carry on. The last six to eight years have seen some particularly difficult times for the industry. Water is a big issue given the dry conditions we have had in many areas. We have had the issue of where dams might be built and where we might be able to get access to water for those areas that are on the edge in terms of drought.

The issue of workplace health and safety is always going to be with us. How we carry out our business in a safe and proper way is always an issue. Transport is another issue. The industry is very dependent on road transport to get the cane to the mill. In using the highways we have to adopt measures to ensure that there are no accidents and people are safe. There is a need for unity in the industry to face the challenges in the future. There is little question about that. We need a good organisation to ensure that.

A perceived loss of autonomy has been raised by the ACFA for the district offices of the mill supplier committees due to the involvement of the overarching organisation in Brisbane. That is something that we

are going to have to deal with in the future. The district entities will have a wide range of responsibilities to deal with on behalf of their members.

Negotiation of the supply agreement for the mill in the area is a task that will require great expertise. That is very much as a result of the legislation passed over the last year. There is no real requirement as regards growing the cane in a particular area. At the end of the day, one has to be able to negotiate with the mill about how to crush the crop.

The new legislation introduced by the minister along with the revised Sugar Industry Act means that the right to grow cane has been replaced by the need to negotiate with the only mill that can crush the cane in a particular district. It is ridiculous to suggest supplying another mill which may be over 100 kilometres away. Some of the people who put this information out live in fairyland. We have seen this happen in some areas already. If the low prices continue, I believe that in the future there will be some major problems regarding the growing of cane and the transporting of cane. Some people have based production on long hauls. I do not think we will see long hauls in the future—that is, people going from one mill to another. They will be pretty much locked in to the mill that is close.

The bill makes a number of amendments including removal of the present requirement that assets transferred to local ownership must be administered for the benefit of all growers regardless of whether they are members of Canegrowers or not. The amendment was introduced at the behest of the Canegrowers organisation which agrees that, if it sets up a local canegrowers company with these assets, it should be required to provide services to farmers who choose not to be a member and pay levies.

However, importantly, all growers will continue to be allowed a vote on the proposed changes to the trust arrangements. I think that is quite important. Over a period of time many of them have made a conscious decision that they want to continue on. Others have decided that they have not got the finances or they do not think that the Canegrowers organisation is doing a sufficiently good job. In many cases, those are the people who have created the assets of the Canegrowers organisation. They should have a vote on the future direction of the organisation.

The bill provides flexibility for the splitting of district trust assets where the district body is to be dissolved and its assets transferred to two or more replacement bodies—as is being considered by the Cairns district—rather than to one replacement organisation. I suppose the organisation and growers themselves will make a decision on that.

There is also a provision that if the growers do not make a decision by 30 June 2005 then the trusts become the property of the Canegrowers organisation—that is, the statewide body based in Brisbane. However, as stated in the explanatory notes, the government believes that by lowering the voting threshold the likelihood of local growers taking control of trust assets prior to 30 June 2005 is enhanced and hence the likelihood of trust assets defaulting to the Canegrowers organisation is lessened. Under the legislation, Canegrowers is required to inform all growers by 31 December 2004 of how it intends to use the assets to be transferred. I understand the Canegrowers board resolved in March 2003—

That in the event that growers within a district or area make no determination in respect to the future disposition of relevant assets, Canegrowers will move to immediately secure those assets in a trust operated for the specific benefit of members within that district or area and acting in accord with the express direction of the elected members of that district or area.

The transfer of assets and creation of local companies has been an issue hotly contested and disputed by two grower organisations—Canegrowers and the Australian Cane Farmers Association. ACFA argues that local farmer companies need to be owned and controlled by all local farmers independent of outside influences. However, Canegrowers points out that it is up to each and every local area to decide how their local companies and their local structure are formed and whether or not they want to have linking constitutions. For example, some areas are forming incorporated bodies whereas others such as Proserpine are looking at cooperative structures. That may be an option that they pursue. If local growers decide they do not want their local company to be linked with the overarching Canegrowers organisation, that is up to them. I would urge every grower to have their say in the structure of their local companies.

An issue I would like the minister to clarify is what will happen in relation to stamp duty arising from the transfer of these trust assets. I understand from the explanatory notes—we may talk about this when considering the clauses; I would like the minister to mention it—that stamp duty has to be paid. There are some mechanisms that we can talk about. When we changed from the Primary Producers' Organisation and Marketing Act to the Primary Industry Bodies Reform Act we actually determined that people have to pay stamp duty but ex gratia payments are made.

I do not know whether the government is prepared to do that—and I do not think it has been spelt out clearly. I would certainly like some comment on that. I note that in his second reading speech the minister stated that the Department of Primary Industries would support the transfer of assets and would provide information on the web site to assist with the decision-making process.

This will be particularly important. There will be a lot of conjecture. There are a couple of grower organisations that have a particular position on this. I think it would be good for the minister to write to

Canegrowers on this issue in view of the fact that this whole process started after a decision of government to do away with statutory bodies.

We are seeing the culmination of a number of things that have happened to date to bring us to this point where growers have to start making some decisions on the way the asset is going to be split up and whether the local groups will go their own way or join up with Canegrowers or ACFA or whatever, and this legislation gives them the right to do that. It would be good if some information was provided, not just on a web site, but in written form so that they have a clear understanding. If the minister concedes that at the present time, owing to costs, it is not opportune for the organisations to carry out the necessary detail and the intent of the legislation, it would be appropriate for the minister to inform growers to ensure that they are well conversant with the intention of this legislation and what their future obligations might be.