Speech By
Robbie Katter

MEMBER FOR MOUNT ISA

Record of Proceedings, 26 May 2016

RURAL AND REGIONAL ADJUSTMENT (DEVELOPMENT ASSISTANCE) AMENDMENT BILL

Introduction

Mr KATTER (Mount Isa—KAP) (11.34 am): I present a bill for an act to amend the Rural and Regional Adjustment Act 1994 for particular purposes. I table the bill and explanatory notes. I nominate the Agriculture and Environment Committee to consider the bill.

Tabled paper: Rural and Regional Adjustment (Development Assistance) Amendment Bill 2016 [790].

Tabled paper: Rural and Regional Adjustment (Development Assistance) Amendment Bill 2016, explanatory notes [791].

The genesis of the Rural and Regional Adjustment (Development Assistance) Amendment Bill goes back to 2012 when I was first elected to parliament. The drought had started in Western Queensland, and when I became a member of parliament I became aware of some of the issues. In 2013, when the drought had set in, the mayors of Western Queensland were in crisis mode. They had some big problems, and they talked about assistance in the form of a stimulus package worth billions of dollars in order to keep going or they would lose a substantial portion of the population. They also considered a possible discount on rates and there were other different ideas, but none of that ever came about. It is important to recognise that since that point the situation has deteriorated substantially, so what they were calling a crisis situation back in 2013 has deteriorated even further and there has been nothing substantial to turn it around during that period.

I am sure that, like myself, many others have been trying to think of ways to create structural change to reinvigorate the community, to create some hope and to stabilise the decline in rural towns so that that the situation can be turned around. The question is how we do that in a cost-effective way for taxpayers. We begin by looking at the major industries out there. In the Mount Isa electorate there is cattle and mining: mining goes up and down, but the cattle are always there. The cattle industry supports the majority of the towns in my electorate, so if the cattle industry is healthy then businesses in town are healthy. I could take all members of this House on a trip to the towns in my electorate that are not Cloncurry and Mount Isa—and they are having problems with mining at the moment—and if one walks through the supermarkets and the pharmacies they are doing 40 per cent and sometimes down to 30 per cent of what they used to. They cannot sell their shops because no-one will ever buy them. They cannot afford to leave town. They are stuck, there is despair and there is no future for them. This is creating all sorts of very dire social problems in these areas. This is a problem for the government because these economies are not living up to their potential and functioning as they should.

The good news for us as a government is that there is light at the end of the tunnel, but the issue is getting us from the position we are in now to where we can capitalise on this prosperity or blue sky down the road. To do that we need to reinvigorate the industries, and I do not think that any government has an appetite to go through all of these towns and provide a subsidy or rates allocation. If we reinvigorate industries around the town there is more money going through the tills at the pubs and other businesses, so then we start looking at the industries. In the cattle industry, the biggest cost component on their profit-and-loss statement on the aggregate is the interest they pay on their bill.

If we go through the MLA report on the northern beef cattle grazing industry it says that, before the cost of interest, these are viable industries. The interest on the debt has grown and has become a burden that is now too big for people to handle, so when we are looking at trying to fix this industry the biggest problem is rural debt. If we are trying to turn that around, the focus should be to provide structural change and a pathway to put this industry back on its feet. Make no mistake: there is a very serious rural decline happening at the moment which has no chance of turning around. If we do nothing, there is no opportunity to turn it around.

There is a cost-effective way of doing that, and that is by looking at the rural debt situation. To that end, there have been discussions with both sides of the House, and we are very grateful to the Treasurer, with bipartisan support, for resourcing a rural debt task force which I had the pleasure of chairing. I compliment the shadow agriculture minister and the member for Ipswich West for their participation. They gave up a lot of their time—and it was a lot of their time—to go out and get a feel for what is going on out there and to get a picture of what I and other rural members experience in their general day-to-day travels. We hear conversations about moving into other areas to see if there are solutions that can be applied to the cattle industry which could also be applied across other industries to broaden their effects, and I think that would be to everyone's benefit.

As part of that task force there was a strong endorsement of the fact that most people are burdened by the interest they are paying on their debt. In their businesses there are a lot of things they can do. I will put it into the context of the cattle industry. Everyone was celebrating the fact that the price had increased, but in the north in particular—I can speak with some knowledge of the north, maybe not so much of the gulf—in a large part of the Mount Isa electorate no-one has any cattle left. If people have too much rural debt, the bank is not going to lend them more money to buy cattle. The only way to improve if they do have grass and if it does rain is to buy more stock, but no-one has the ability to buy more stock.

Everything at the moment is frozen. The banks have a problem, these businesses have a problem, the businesses in the town have a problem and employment in the town is a problem because at the moment this industry is frozen. It has been seized by the rural debt burden. If we can address that, it will go a long way to reinvigorating towns and providing employment and enabling agriculture—I will also talk about the cattle industry—to do the job it can do for the economy. It can do great and wonderful things, as it always has.

We are a competitive industry now, but participants just need the tools to do the job properly. Someone can be the best grazier in the world on the best block of dirt, but if they are hit with a live-export ban and then three years of drought nothing is going to save them. That is the situation many people have found themselves in. To put some figures on that, anecdotally the average debt size in the north-west region is about $4 million. They can be paying anywhere from $200,000 to $400,000 a year in interest. There are large variances, but that pales in comparison to the drought concessional loans. They can save maybe $10,000 or $15,000 through the existing drought concessional loans. They can get the $20,000 water infrastructure subsidy. I do not mean to be ungrateful—that is taxpayers' money that goes out there—but that is almost throwing good money after bad. The water infrastructure is good, but the drought concessional loans are not doing the job they are supposed to.

The evidence is there. I refer to the DAF figures as at December 2015. Of the 265 drought concessional loans, only four went to the Mount Isa electorate. That area represents a third of Queensland and is arguably the worst drought affected area. The scheme just does not work and does not do its job. The industry out there is dying with no help at the moment. The government does not have access to cheap diesel, cheap molasses or cheap transport, but it does have access to cheap money. It is not a matter of loaning more money; it is a matter of restructuring the debt they currently have.

We have already had banks writing off a rounded figure of $24 billion of debt over the past three years. There is an appetite for the banks to do write-offs themselves. As we heard through the rural debt task force, the APRA guidelines that apply to the rural lenders make it, in some cases, impossible for them to back and carry what would otherwise be industry-leading participants. There are producers out there who are great contributors to our economy and are in no way a burden—they are paying their interest—but they do not fit the lending criteria under APRA, which banks have to operate under to be fair to their shareholders. The banks themselves will admit that their products cannot carry people over, say, a three-year period of drought or a live-export ban. They cannot accommodate those people.

Otherwise they are good, viable prospects. If we throw in the element of debt write-offs, we have a good critical mass of producers out there who, with some assistance to get through the tough times, will be there for the good times.

If we do not provide that assistance we get what we are getting now, which is the do-nothing approach of putting one's head in the sand. People are leaving the land. Their kids are not coming through under them. We are losing them for good and we are losing them out of the towns as well. It impacts the entire social fabric.

Please do not think, 'This is just cyclical. This is how the market operates and these towns will regenerate.' Towns out in the west die all the time. There is a whole string of them along the Flinders Highway. Towns do die and they are dying at the moment. It is much more expensive for government to try to prop up these towns and maintain a support network in regional areas. If we do not have auxiliary firefighters or the CWA doing jobs or running social events, we start paying public servants to do it. We can look after ourselves out there if government enables the industry. The industry will carry itself.

There are two big misconceptions about this. One is that we are carrying people who are bad operators, who are bad for the books. I can give examples of some industry best operators who just do not fit the drought concession criteria by virtue of the fact that they just got hit by drought or the live-export ban. No producer in the world could have avoided that. With the element of write-offs thrown in, they are good clients. They go straight back into AAA for any bank or lending authority. Anyone who knows anything about the industry and old style bankers would say, 'They are the best customers. They will not pay themselves a wage for two years but they will make sure the interest is paid every month.' It actually works the opposite sometimes. Some people may be in a good capital position but are poor producers. They might have poor animal husbandry and are not industry best but are just in a stronger capital position. They are called more viable. On the other hand, I might be the best producer out there—I am innovative, I have good animal husbandry and I am looking after the environment and doing everything well—but because my loan to valuation ratio was triggered I am kicked off, so I leave town, take my wife and kids and try to find work in Townsville. That is what is happening right now. We can stop that and we can enable those good producers, who have the right to be out there, through a very cost-effective scheme. The good news is that this has been done twice in Queensland's history and multiple times in the nation's history.

One of the mechanisms used previously was the QIDC. It was sold for a billion dollars. It was not a burden to the taxpayer but it was sold for a billion dollars. Far from being a burden, these sorts of vehicles can be of benefit. In the meantime, we are enabling industries and reinvigorating them. We are removing the need to go back into these towns and try to subsidise or reinvigorate them in other ways, through public works or public servants' jobs. These can be helpful too, but there is a cost-effective way to do this through industries that already exist and keep them there.

Another misconception is that everyone is doing it well out there. I had a really fruitful meeting with the agriculture minister, who came out to Julia Creek the other week. I think it is very relevant to the discussion we are having. There were seven to 10 families in the room. I thought all of them were doing pretty well in the McKinlay district. To a T, every one of them was in big trouble. That does not ground-truth at all with what is being said by policymakers at the state and federal levels to this point, that the problem is not as bad as we think and there are a lot of people still going okay out there.

I go back to this scenario in Julia Creek. One of the pertinent statements made by one family, who I thought were actually doing quite well, was, 'We have worked very hard all our lives. We wanted to retire and set up the kids so that they could come on the place. We did not need much money to retire. It was not going to be a lavish retirement. We were going to set up the kids so we could stop working as hard, perhaps even still live out on the place and hand over and get the debt down. Following the live-export ban and the drought, the interest just keeps ballooning out now.' Part of it was that they had to buy a place to keep their cattle alive, to keep themselves solvent. It was not that they are just really wealthy and they had to expand; they had to expand to try to keep cattle alive as part of their business.

One of those people said to me, 'I'm in my 70s. I want to retire. I can't afford to. I've got more debt than I've ever had in my life. There's not enough income off this place to employ my kids here, so I'm working harder than I ever have, I've got more debt and my kids have got no chance of coming home.' That is something we have to turn around. Many people seem to be comfortable that we should just say, 'Let the market take its course and this is just how things happen.'

Charleville is a good example of a town that seems to be having this issue in that institutional buyers and absentee landlords buy places in the district that used to be family farms. Those families did a lot of things in the town such as running the auxiliary fire brigade, fetes and races. They help prop that town up. If two or three families leave and either an institutional buyer or a foreign owner or someone else comes in and buys that farm that reduces that critical mass in those districts. Everyone seems to think that that scenario is okay because if the cost structure is still the same, which I would say it is—they do not have some magic formula that makes it run a lot more efficiently—people say, ‘They'll go broke anyway in 10 or 20 years. It doesn't matter if we've got foreign owners buying it. They'll go broke and you can buy it back in 20 years.’

Firstly, it is such an irresponsible thing for a government to stand by and say, ‘That's all right. We don't mind if the property runs down and that town falls apart because we can buy it back and try to pick things up again in 20 years time.’ I do not think that is an option that anyone would be comfortable with if we really think about it. Secondly, if Rob Katter is a good producer who has his family in a western area and is doing a good job, why should it be that someone with a capital advantage—and let us pick on foreign investors or foreign buyers that get access to cheap capital to come in and buy it—competes with me? If people want to be purists and say that we should not prop things up, they are propping that foreign investor up because that foreign investor can use subsidised capital from overseas and compete with me. I would have to leave town with the kids and then we have an absentee owner and we will have kids doing their gap year managing it.

I do not want to be disparaging about employed management because there are some good managers out there, but a lot of the time it is getting harder and harder so we are getting 457 or backpacker workers or kids doing their gap year managing these places that do not do the same job as someone who has lived and breathed the place for the last 50 years. Again, that does not pass the fairness test. Why should that foreign investor be able to compete with me because he can access subsidised capital? I am not saying that I need to be subsidised to the same extent as him, but I should at least be given the ability to stay in that market. Everyone seems to think, ‘It's fine. This'll resolve itself because we'll just replace this all with capital.’ There is an economic component to this but there is also a very big social component. Many members in this House know exactly what I am talking about when I say that the very fabric of the towns that people live in out there is being entirely compromised. If we do nothing, it will not be a very nice future out there.

Central to this discussion is the rural debt that we need to address. We can all equivocate and debate and say, ‘It's not a big problem. I know a lot of producers out there doing it well and some parts of agriculture are doing fine,’ but no-one can argue with this graph that I have. This graph shows rural debt versus net farm profitability. There have been anomalies and changes in years, and this is not all about people just buying more farms, albeit that there have been low interest rates and property inflation and banks getting behind people that allowed them to do that. That did contribute, but a lot of this is just people borrowing more to cover their costs to get through next year. There is a big issue here that we need to address.

An honourable member interjected.

Mr KATTER: That is over a 20- or 30-year period. That does not cover the live-export ban and drought; that covers 20 to 30 years. There are many profitability issues that we need to address, and smarter people than me can address that. Discussion of a reconstruction board is the start of stabilisation, but before we start addressing all of these things there are many cost factors. I am sure other people have ideas on how to address this in its entirety, but something needs to stop the trend shown on that graph and at the moment it is not only an economic problem but a social problem, and I table that graph.

Tabled paper: Graph, undated, titled ‘Rural Debt & NVFP’ [792].

With regard to the solution, the KAP is very open to modifying how this is enabled. However, there needs to be a mechanism that acknowledges that there are some viable businesses in this industry, and let us not just focus on the cattle industry; this is about saving rural towns, because the cash through the tills comes from the businesses around them. There are a lot of viable businesses out there and the banks themselves admit that they do not have the products that properly match seasonal variations and market shocks from political influence like live-export bans. Banks do not have the products under the APRA guidelines to fit that, so until we get around that we are never going to address that problem properly and we will be tinkering at the edges. There are many eloquent ways that that can be designed, but there needs to be somewhere for these people who are good producers and who will be fantastic contributors for the next 30 or 50 years to the Queensland economy to go—always have, always will be. These people have hit hard times and they need to get through this period. Drought concessional loans are not doing the job. As I said, four out of 265 have gone out for one-third of Queensland in the Mount Isa electorate. They are not doing the job and there needs to be a mechanism or a place for these people to go that gives them viability. That is the start of reconstructing agriculture.

There have been discussions on both sides of the House and I know that there is some in-principle support for addressing this issue. This bill proposes setting up a mechanism where the banks have a strong appetite to deal with this problem—I am sure there could be statements made in support of that as well—and resolve this issue and understand that we are also dealing with the threat of asset deflation here. Everyone understands a spiralling decline in values in any property market. If banks have viability issues at the moment on their books, I am dead sure there is a strong appetite for banks to fix this problem as well. They are screaming out to government to have this conversation to create a home for viable producers to go into a scheme like the QIDC that was sold for $1 billion profit back to the Queensland taxpayer, so it made money for the taxpayer. It did not cost the taxpayer in the end; it made money for them.

As a country we agreed in principle with the Clean Energy Finance Corporation, and people might agree on or argue about the virtues of whether that is a profit-making industry. Certainly there is a lot of merit in pushing sustainable energy products, but I would say that in comparison agriculture has a lot more opportunity to be profitable and viable with a lot less support in terms of a lending facility like the Clean Energy Finance Corporation that, I think, originally kicked off with $10 million. A minute fraction of that amount can help stabilise agriculture in Queensland and the same principle applies. If people in the public think that it is important that we have an appropriate lending mechanism to stimulate clean energy development and industry in that area, why not do the same for agriculture? Why is that less important than clean energy finance? That is a very valid point in that space.

The basis of this issue is that we are talking about a mechanism that stimulates an industry, and I just need to make it clear that it is essentially about enabling this industry as a cost-effective way to stimulate business in these towns. That is paramount to this discussion—that is, how else do we stop this haemorrhaging in rural areas, because all of the other solutions are very expensive? This is a very cost-effective way to do that for the taxpayer. It has been done before. Sir Leo Hielscher developed the model last time it was done in Queensland and it did its job. He did a wonderful job and we have been able to pay for hospitals and many other services in the state because we have been able to stabilise agriculture through those tough periods. Everyone says that it is terrible that we cannot support agriculture and we cannot prop up industries that are unviable. We have to ask the question: what is unviable and what is uncompetitive? If we look at OECD figures, the last time I checked the average subsidy and OECD donations for agriculture were 38 per cent.

The last time I checked, in Australia it was about five per cent. It is silly having that discussion until we are providing 20 per cent or 30 per cent in subsidies. At the moment we are heavily hamstrung. We are at an enormously unfair disadvantage, which is why I say that we are efficient already. I challenge anyone to tell me how you can run a cattle grazing property in Queensland any cheaper or smarter than the people up there are doing already. We have a good, strong industry that will always be there. The people who run these grazing properties run off the smell of an oily rag and can deliver for the economy. Without them, it is a bleak landscape. There is a lack of hope. That is why the December unemployment figures for Western Queensland were 14 per cent, which was double the state average at that time. The youth unemployment rate is much worse. Dare I say it, in rural areas the suicide rate is also terrible.

I am very attuned to this issue, because I grew up in these areas. I went to school with kids from those towns who would look forward to going home and working in a tyre shop, or working as a shearer, or getting work on a cattle station and doing contract fencing. Those opportunities are no longer there. At the moment, there is no money out there. Everyone is cash strapped because all of that available money is going back into paying off the interest on loans. People are paying five per cent or six per cent interest when they could be paying a discounted rate to get them through this period. Instead, that cash is tied up and going to banks.

When the GFC hit and we had the same situation with the residential housing industry and banking, the government came in with a $16 billion guarantee. This proposal is based upon the same principle: to step in to stabilise the industry through a tough time, then pull out. That is what I am advocating in this bill for the rural industry for a fraction of that amount. There are precedents everywhere for what is proposed in this bill. No purists can say, ‘We don’t believe in any intervention to prop up non-viable operators.’ It has been done in all other areas of the economy. There needs to be an acknowledgement that it needs to occur in agriculture.

I believe that this bill would be acceptable to people who, philosophically, would not agree with that view. There is a legitimate argument that this bill is not just about an industry package; it is about reinvigorating these rural towns. Like I said, anyone from these areas knows quite well how tough it is out there at the moment. When I say ‘tough’, I am talking about people saving up for two or three weeks to be able to afford to fill up the tank to get to Townsville for the weekend or something. I am talking about business owners doing that.

This bill is very important. I know that there is a lot of goodwill on both sides to address the situation and I think that this bill is the most cost-effective way to do it. I would like to take this opportunity to thank the member for Ipswich West and the member for Nanango, who were part of the rural debt task force, which was very much a part of trying to explore how to address these problems. We look forward to further debate on this issue.

There needs to be some acknowledgement that this problem has been around for four years. It has not cropped up overnight. We needed a solution yesterday. We needed a solution maybe 12 months ago, maybe two years ago. I believe that there is a real risk that banks will hit the red button on places. The banks are waiting to see what we are doing in parliament and what we can provide as a solution. I think that this bill is a very viable solution that is very sympathetic to the Queensland taxpayer, and could be very beneficial to the Queensland taxpayer.

I appeal to the House to work through this bill to make sure that something comes out of it that can address this problem in a meaningful way—not tinker at the edges, not just play around with what we have now, but go to the heart of the problem and address it so that there is a structural change. Other issues that arose out of the rural debt task force that were put forward by people throughout Queensland do not relate to this bill, but relate to the same problem. I will not go into those.

First Reading

Mr KATTER (Mount Isa—KAP) (12.04 pm): I move—

That the bill be now read a first time.

Question put—That the bill be now read a first time.

Motion agreed to.

Bill read a first time.

Referral to the Agriculture and Environment Committee

Mr DEPUTY SPEAKER (Mr Crawford): Order! In accordance with standing order 131, the bill is now referred to the Agriculture and Environment Committee.