




Speech By
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MEMBER FOR SUNNYBANK

Record of Proceedings, 21 March 2017

**FARM BUSINESS DEBT MEDIATION BILL; RURAL AND REGIONAL
ADJUSTMENT (DEVELOPMENT ASSISTANCE) AMENDMENT BILL**

 **Mr RUSSO** (Sunnybank—ALP) (9.10 pm): I rise to speak in support of the Farm Business Debt Mediation Bill 2016. I recommend and support the passing of that legislation tonight. The bill also deals with unrelated legislation and makes amendments to the Biosecurity Act 2014, part 5B of the Drugs Misuse Act and the Biological Control Act. I also support the passing of those provisions.

The majority of my speech will focus on the Farm Business Debt Mediation Bill. As I stated in the report to this House on this bill and I state again, I thank my fellow committee members for the considered and bipartisan approach that was taken. I also thank all of the submitters and witnesses who gave of their time, experience and knowledge, which was an invaluable help to the committee members. I also take this opportunity to thank the committee staff.

I grew up in a farming community. My grandfather settled on a cane farm in North Queensland, in Bemerside just outside of Ingham in the Herbert River district, prior to the Second World War. My dad and my uncle worked on the land. As a teenager I also learned to work the land and, dare I say, helped clear vegetation on new farming land in the Ripple Creek area as the need came to obtain more acreage to get bigger sugar quotas, as the pressure for bigger farms grew to enable the farm to stay economically viable. I have vivid memories of walking behind the dozer at Ripple Creek picking up roots and stones and making piles on the side of the headlands so that the newly cleared land could be planted with cane. I remember the moisture of the soil building on the tips of my fingers as I went about my task.

I have some connection to the plight of the farmer and the financial stress that attaches to being a farmer. Agricultural industries form a large part of the Queensland economy. Agricultural industries support many regional communities throughout Queensland. The committee became acutely aware that agricultural industries are vulnerable to external pressures such as climate and market forces, global financial events and changes in domestic rural credit policies which can affect the economic viability of industries within the sector.

The Rural Debt and Drought Taskforce, which gathered evidence during late 2015 and early 2016, found that different banks take different approaches to primary producers considered at risk. Primary producers stated that changing valuations for land taken by some lending institutions caused them to receive default letters in situations where they had been meeting their monthly payments.

The Queensland government remains committed to assisting rural producers and communities across the state that are affected by debt and prolonged and widespread drought. The bill will reduce financial stress in rural Queensland by providing protection for farmers facing financial difficulty. The bill will assist farmers being treated unfairly by lenders.

The purpose of the bill is to establish farm business debt mediation legislation that will provide a more effective and equitable pathway for farmers and lenders to resolve matters relating to farm business debt. The previous voluntary farm debt mediation mechanism offered through the Queensland Farm Finance Strategy is to be replaced by this legislation when passed.

When coming up with the best model for legislative change it is often helpful to look to see what is happening in other states. New South Wales and Victoria have legislated farm debt mediation processes. The New South Wales Farm Debt Mediation Act has been used as a model for the development of this bill.

The bill will apply to all providers of rural credit in Queensland and is related to rural credit that is secured by a farm mortgage. The bill also provides an independent framework and certainty in the process for the resolution of rural debt matters. The bill will make it compulsory for financial institutions to offer mediation before enforcement action against a farmer can be commenced. An important feature of the bill is that farmers have an option to decline to participate in such mediation.

The bill will also provide that professional mediators seeking to participate in the process will be required to be accredited under the proposed legislation. The idea behind accreditation is to ensure that qualified mediators with an understanding of rural matters are engaged by the parties seeking to go to mediation. Accreditation also provides for quality assurance in the mediation process.

Decisions about notices required under the act and accrediting mediators will be made by the proposed Queensland Rural and Industry Development Authority, QRIDA. To achieve confidentiality and independence from QRIDA's other functions, such as its lending portfolio, internal electronic and physical information barriers will be established to provide an appropriate level of separation. The governance associated with these mechanisms will be subject to external audits.

The cost associated with mediation was a common theme and an issue that caused stress for farmers, who are often asset rich but cash poor. The bill intends to address the issue by having farmers and financial institutions share the costs of the mediation on a fifty-fifty basis. The parties must also bear their own preparation, attendance and legal costs. The previous voluntary mechanism for mediations was not subsidised by government, and the current bill makes no provision to cover costs.

I turn to the question of the need for a rural bank. The Australian Bankers' Association noted that banks have an understanding that cash flows for farms are variable and uncertain, which is not always the case with other businesses. The Australian Bankers' Association found that the majority of agricultural businesses seeking debt finance are successful in obtaining the required funding. There would be, in my view, concern about a taxpayer funded rural bank being used to support unviable agricultural businesses. I am also concerned at the uncertainty surrounding the cost to government of establishing such a bank. There also appears to be uncertainty regarding the interaction between government, distressed loans and commercial lenders.

The fact is that banking is regulated by the federal government. There are many regulatory and legal arrangements that apply to the establishment of a bank that would prescribe the creation of a new state bank. History has not been kind to state banks, and I believe the risks to the state far outweigh the advantage to distressed farmers. I recommend that the bill be passed.