



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

TONY WINDSOR MP
INDEPENDENT
FEDERAL MEMBER FOR NEW ENGLAND

Shop 5
259 Peel Street
TAMWORTH NSW 2340

All Mail: PO Box 963
TAMWORTH NSW 2340

Ph: (02) 6761 3080
Toll Free: 1300 301 839
Fax: (02) 6761 3380
e-mail: Tony.Windsor.MP@aph.gov.au
Web Page: www.tonywindsor.com.au

MEDIA RELEASE

21 June 2005

Drought does have its Exceptional Circumstances

The following is the speech by Mr Windsor MP – Member for New England speaking to the “Farm Household Support Amendment (Exceptional Circumstances Relief Payment) Bill 2005 on Monday June 20, 2005.

FARM HOUSEHOLD SUPPORT AMENDMENT (EXCEPTIONAL CIRCUMSTANCES RELIEF PAYMENT) BILL 2005 Second Reading

[Mr WINDSOR](#) (New England) (6.52 p.m.)—I am pleased to speak to the [Farm Household Support Amendment \(Exceptional Circumstances Relief Payment\) Bill 2005](#). Many have spoken about the drought. There have been a number of matters of public importance and other debates and there has been much in the press. Like many members in this House I also am pleased to say that large sections of my electorate have received relatively good rain in the last week. But I, and I am sure other members from country areas, would hate urban dwellers to assume that the drought was effectively broken by that rain. Obviously it was not. There are many areas—I think some are within the electorate of the member for Riverina—that have not received substantial rain at all. So it has been a patchy start to the winter season.

I would like to raise a number of issues, some directly related to the bill and some indirectly. Firstly, I believe that the National Rural Advisory Council will be travelling to parts of New South Wales over this week to look at areas that were included in the exceptional circumstances arrangements but have been out of that arrangement for some time, varying in months of course. I would encourage the council to have a very close look at those areas they will be considering within the New England electorate. In doing so I encourage them to look closely—and I think the minister hinted at this the other day, and others have talked about it—at the micro areas that may be impacted far more than the broader areas that the drought policy criteria tends to look at.

That is one of the concerns that many people have, and it is related to the weather stations and to rainfall over a particular period of time. As we know, not everybody gets the same amount of rain within a particular region. There can be other impacting forces on the determination of criteria, and a farmer, even though he may be in the same in the region as another farmer, could have different criteria related to his drought circumstances. One of the things we have to look at very closely in the future is the way in which we measure rainfall. If rainfall is to be a part determinant of drought policy we have to come up with better ways of recognising the micro differences that occur within a region, rather than trying to blanket a total region as being in drought or out of drought. Obviously there are areas of grey that do need recognition. I think the minister is well aware of that. I hope that in discussions with the states, the NFF and others they will come up with better criteria for the future.

For further information contact Tony Windsor, Ph (02) 6761 3080 or 0427 668868

There have been a number of publications, articles and opinion pieces on the drought over the last year or so, particularly in relation to drought policy. I was singled out for some degree of criticism, I think by the Minister for Agriculture, Fisheries and Forestry, about some of my comments on the announcement by the Prime Minister of another \$250 million in expenditure for drought funding. Most people welcomed that funding. I welcomed it, but I did have some critical comments on the way in which the drought funding has been sold. I would like to go back through some of those issues again.

This has been the worst drought in 100 years. One of the things that happens to farmers during a drought is that they run out of cash. Most of them have some sort of debt arrangement to meet—for instance, they will have interest rates plus the capital to meet. One of the comments I have made from time to time is that the ambition of drought policy, if there is a one in 100-years drought, should be to attempt to freeze the financial position of those farmers involved so that, when this natural disaster ends, the agricultural sector is in a financial position to move forward productively. I do not think the existing drought criteria do that at all. In fact in many senses they do the reverse.

When you analyse the figures, you find that the interest rate subsidy component of exceptional circumstances expenditure over the last three years was \$237 million. There has been a lot of talk, over the last two years at least, that the government has expended a billion dollars on drought. That is not the case; in fact the minister has admitted that. What the government has done is assist the financial predicament in relation to the interest rate component of the farm sector with \$237 million. That is \$79 million a year in the worst drought in recorded history for one of the major industries in Australia. But we hear the cry that this is a major subsidy to agriculture, that this is a major subsidy to the farming sector. We hear some of the economic pundits saying that it should not be occurring and that it is a misuse of public moneys et cetera.

I take you back, Mr Deputy Speaker McMullan, to a period of time in which you would have been very involved, when there was a major change in public policy in this place. The government was looking at introducing the goods and services tax. That was a significant change. It was not a climatically driven change but it was a significant change in public policy, and in fact it was one with which I agreed. I was not a member of this parliament at that time. Part of the political reaction to the goods and services tax was from the building industry, which is another very important industry to Australia. The building industry said, 'The introduction of this new tax will mean that the price of a house, all building construction, will go up by 10 per cent.'

Coming into the 2001 election, the government listened to what those people were saying and put in place an assistance package for the building industry called the First Home Owners Scheme. That provided \$14,000 for people attempting to buy or build their first home and was an indirect incentive to the building industry. I am pleased Minister Truss has entered the chamber. The \$79 million per year provided over the last three years for what we all agree is the worst drought in living history has been matched by the assistance to the building industry for a year longer—over four years—of \$5.2 billion by way of the First Home Owners Scheme. I am not whinging about that, and I do not hear anybody in here whinging about it either. They see it as a means of not only assisting young people into homes but also assisting the industry to survive the movement towards a goods and service tax arrangement.

I noticed Alan Mitchell in the *Australian Financial Review* on 1 June making a range of comments on the viability of farmers and the dreadful drought package that had been given to them. I remind Alan Mitchell and other commentators that, effectively, \$237 million has been spent in three years on government assistance to farmers. Most of the other money—and the minister will agree with me: he will get up and say it is \$680 million; it is now probably over \$720 million—has been for household support, which this bill is about. Anybody who is unemployed in Australia is entitled to household support. For the economic commentators and, on some occasions, the minister and the government to construe that as singling out farmers for assistance and including it as assistance is, I think, misrepresenting the facts. The real assistance that has gone to agriculture over the last three years is around \$237 million.

Alan Mitchell, the economics editor of the *Financial Review*, makes another comment:

The interest rate subsidy is an abomination. It subsidises most generously the farmers who are most heavily in debt.

It does not do that at all—and I hope the minister supports me here because I am supporting him. In fact, the criteria that are established mean that those who are very heavily in debt are non-viable. The minister made mention of this on the day of the announcement of the extra \$250 million. Those people are not considered viable. And if you are not viable you are not entitled to exceptional circumstances assistance. If people need proof of that, I refer them—listeners and members—to a very interesting article written by Michael Duffy, published in the *Sydney Morning Herald* last Saturday, 18 June, headed: ‘Farmers are pushed beyond limit’.

Michael Duffy quite rightly makes an attack on the New South Wales Carr government for the way in which they have pushed farmers to the wall through environmental policy without compensation. His arguments are very valid. Using Peter Spencer’s situation as an example, Michael Duffy describes how changes in environmental policy have forced Peter Spencer’s property into becoming a non-viable arrangement. When he needed help because of the drought, the Commonwealth government could not or would not assist him because his farm was considered non-viable. So I suggest that Alan Mitchell refer to Michael’s Duffy’s article and get his facts right before he starts suggesting that the farmers who are the most indebted are the most assisted. The criteria do not work that way.

In conclusion, I want to make a couple of points. As I have said, I am pleased the minister is here. I and others have suggested that, rather than the piecemeal arrangement that we have now with the states and the Commonwealth arguing from time to time about who is right and who is wrong, we should in the future move towards establishing a national natural disaster fund. To show how easy it is to raise large amounts of money and have such a fund in place so that you can remove from the political process access to a disaster fund, it takes only one dollar per week from every Australian to raise a billion dollars in a year. That is oversimplifying it—I am well aware of that—but it shows how very few dollars from many people can raise a lot of money.

When you analyse the disasters that have occurred in Australia since 1974, there has been only one natural disaster that has cost over \$1 billion in a year—that is, the Newcastle earthquake. Natural disasters in Australia are costing the nation about \$200 million per annum. Twenty cents a week from every Australian would cover, on average, the disasters that occur within Australia. Wouldn’t that be a better way of addressing not only natural disasters such as this one, which is a drought, but also the Wollongong mudslide where the people who were impacted by that mudslide lived in great uncertainty? Arguments went on between the insurance companies, the government and others about who was wrong, who was right and who should pay. A fund should be there for all disasters: cyclones, earthquakes, mudslides, major hail storms—if they are deemed to be a natural disaster—and a whole range of other events in between.

The point I am making is that this parliament should take the lead and establish a national natural disaster fund and the criteria that determine a natural disaster—and that should not be every dry spell. I am a farmer; we should not be compensated for every dry spell we have. But when we enter a zone such as the one we are in now there should be criteria that are recognised in a special way to preserve the integrity of agriculture so that when the event is over the industry can come out the other end and be productive for the nation.

There are a couple of other points I would like to make. One is in support of the member for Mallee, who has from time to time raised the issue of climate. Drought is about climate. This nation does not do enough work by way of research on the ways and means of improving the climate. I suggest that issues such as drought seeding, which the member for Mallee has looked at very closely and argued for strongly in this place, be reconsidered in any long-term drought assistance package. I note that the New South Wales government is doing some work of this kind in the Kosciusko area at this very moment and, I am told, has had good results so far. A lot of similar work has been done in Tasmania in past years.

In my view, assistance to find ways of managing the micro climate of agriculture has not been pushed hard enough. I am not saying there has not been any assistance; there has been. I have been involved in no-till agriculture—the minister would know all about that—which some people call zero till and others call conservation tillage. It is a practice where you reduce the cultivation, the active disturbance of the soil which drives soil out, and replace it essentially with chemical farming and that maintains the residues on top of your soil. Both the humus and the infiltration rates are increased so that you get more water into the soil rather than the water running off causing erosion and all those sorts of micro issues. I would possibly be one of the longest serving farmers using that initiative. We have land that has not been cultivated but that has been cropped continuously since 1977. This land has been continuously analysed for the micro flora and fauna, soil structure, soil texture, infiltration rates and those sorts of things. The flora and fauna have essentially been in good soil, I must admit, but there are a lot of good soils particularly in New South Wales and southern Queensland. That in itself is drought control because you are storing moisture in the subsoil for when the crop needs it. I would urge the minister and the parliament to look at it. There are similar measures that can be used to try to encourage farmers to adopt measures that do more for the micro climate in which they are actually farming.

The problems that farmers are facing now are seen by many as drought, but in a lot of cases it is lack of profitability and the farmers' incapacity to fund their way through a very difficult time. Australia has to look at what it can do in its domestic agricultural sector to assist those people become more profitable. I know that I am starting to sound like a cracked record in this place, but I cannot understand why, given the price of oil—the Treasurer was on his feet today talking about the price of oil—and given the circumstances of greenhouse gases with the Kyoto arrangements where we as a nation and as a globe have to move to more renewable energies, we are not encouraging our farm sector to move into some of these renewable energy areas such as ethanol. I have a bill before the house at the moment to mandate 10 per cent ethanol use. That in one fell swoop could save the sugar industry and could utilise many millions of tonnes of grain that we currently export on to corrupt markets and then go and buy oil with the money on another corrupt market. Our governments should be looking at real policy such as that to increase the price of the products they sell so that, once a dry spell or a drought comes along, the farm sector is in a more profitable position to face that adversity. I do not see any of those sorts of things that I, and others, have mentioned in drought policy as it is at the moment.

All I see—and I was involved with farm organisations before coming into the New South Wales parliament—is a continuation of the same old argument by misguided commentators in an economic sense who are trying to create the old country-urban division over subsidy to agriculture. Australia has to make some decisions: do we need agriculture in this land; do we need an inland Australia? This Australian parliament has to start putting in place policy that actually drives that, rather than the reverse that has occurred through some aspects of competition policy and economic rationalist thought.