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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

APPROPRIATION BILL (NO. 3) 2010-2011

APPROPRIATION BILL (NO. 4) 2010-2011

Second Reading

SPEECH

Wednesday, 23 February 2011

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Marino, Nola, MP

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Ms MARINO (Forrest) (11.15 am)—I am very pleased to speak on the Appropriation Bill (No. 3) 2010-2011, which is an actual appropriation bill—as opposed to the youth allowance bill, which we know was not an appropriation bill, despite the government’s attempts to label it as such for the sole purpose of maintaining their discrimination against regional students across Australia, like those in my electorate. In an action that reinforces the absolute contempt this government has for regional areas, the spurious arguments put forward by the Labor Party sacrifice democracy and fairness, a fair go, for students in my electorate simply for political expediency.

Thousands of students arbitrarily classified as ‘inner regional’ by this government have no certainty and no guarantee of being treated equally. What they do have is the promise of another of Labor’s famous reviews that do not deliver. Students who finished year 12 in 2009 and 2010 in particular are in absolute limbo. They are contacting my office on a regular basis. They do not know where they stand and they do not know where they are going to stand after this review or where they will stand in the future. Even under the Rural Tertiary Hardship Fund Scheme, nothing at all has been delivered.

Those who framed the Australian Constitution—including Sir John Forrest, after whom the seat of Forrest is named—envisaged a nation where there was no discrimination against people based on their location. This is seen, for example, in section 51. It states that the Commonwealth has the power to make laws with regard to taxation but, as it says under part (ii), it must do so ‘so as not to discriminate between states or parts of states’. That is exactly what this government has done in relation to youth allowance and it is continuing to do. Our forefathers decried discrimination based on locality—the sort of discrimination the Labor Party has entrenched in legislation.

The government’s handling of the economy is an absolute disgrace, and it will go down as one of the worst in this nation’s history. According to the Mid-Year Economic and Fiscal Outlook, the government will run a deficit of \$41.5 billion this financial year and a deficit of \$12.3 billion next year. Spending by the Gillard government will result in an expected net debt level of \$94 billion by 2013—\$94 billion. The interest on that will reach nearly \$6 billion a year. It is an obscene number, even for this government. Of course, this does not include the government’s NBN investment, which, through an astounding accounting deception, does not actually appear in the forward estimates. There is no doubt, however, that the NBN will have a significant impact on the debt level of the Australian government in the next decade, probably well beyond the \$43 billion price tag being bandied about, and that is certainly open to discussion. The ultimate net debt level of \$140 billion is the legacy that the Gillard Labor government will leave the people of Australia, long after the stimulus spending is gone and forgotten.

Once again, it will not be a Labor government that repays its own debts; it will no doubt fall to a coalition government to pick up Labor’s financial pieces. This will happen because a coalition government will end the waste, and this is a historically wasteful government. Irresponsibility continues to mark the performance of this Labor government. What about the waste with the BER? No-one can question the waste under the BER or the debacle that was the pink batts program. But, beyond paying back Labor’s debt, a coalition government will need to end Labor’s waste in order to provide the investment needed in regional areas like the south-west of WA. We have seen a neglect of infrastructure in my region, as in a lot of others, and it is an indictment of this government that, four years in, nothing has happened.

Regional Development Australia in my electorate basically has no funds attached to it. It is a toothless tiger, trying with its gums to nut away at the infrastructure needs of the country. It has no capacity to invest. It can only go cap in hand to the government, and unfortunately it seems to be told that the cupboard is bare. The south-west of WA has infrastructure requirements that could have been funded by just one of the billions wasted by this government—and there have been multiple billions of dollars of waste by this government. Just one of those wasted billions could have funded all the infrastructure needs in my electorate. Some of these would be extending the AusLink program to include road and rail transport south of Bunbury; finishing the Bunbury ring road,

the port access road and the Preston River realignment; and upgrading the South Western Highway, providing 12 additional overtaking lanes from Yarloop to Waterloo, two from Waterloo to Picton and six from Bunbury to Manjimup. This is what I know needs doing. There is also upgrading of the Coalfields Highway from the Wellington Weir turnoff to Collie, providing additional overtaking lanes between Roelands and Collie, upgrading the Bussell Highway to dual lanes from Bunbury to Margaret River and the construction of the Margaret River perimeter road. Just one billion of this government's waste would have done all this and more. Some things that could be done is to expand the capacity of the Collie-Brunswick Junction-Port of Bunbury rail network; to upgrade the Vasse Highway; to use the disused rail lines, perhaps south of Bunbury, to expand freight capacity when it becomes feasible; and to upgrade the Busselton airport and its runway. These are some of the things that could have been done with just \$1 billion of the waste.

I also bring to the attention of the House the plight of the dairy industry in Australia—and I ask the member opposite to listen to this because I am sure that this is something he may not be aware of. The Australian dairy industry has a long and proud history. When the first fleet landed in 1788 it brought with it one bull, four dairy cows and one calf to supply milk to the new colony. This little herd was the foundation of the original Australian dairy herd. The pioneers, however, were not great stockmen. They managed to lose their cattle. The herd wandered off and was not discovered for seven years—but it had grown to 40 cows, so someone had done their job. Despite the industry now having a couple of million dairy cows, like the early settlers we have lost touch with our dairy herd, our dairy farmers and our dairy industry. The dairy industry in Australia has grown into a significant contributor to the Australian economy, and there is no doubt that Australian dairy farmers are amongst the most efficient in the world. We have the second lowest cost of production anywhere in the world and some of the highest quality milk.

The question I put to this Australian parliament today is: do we actually want to maintain our dairy industry into the future, particularly in a state like Western Australia? Do we want to? What I am hearing is that we do not. According to the Australian Department of Agriculture, Fisheries and Forestry food stats, Australian milk production in 2007-08 accounted for 13 per cent of all food production and had a gross value of \$4.9 billion. Of this, \$2.8 billion worth of milk products were exported. But when you scratch beneath the surface there is pain and heartache being felt by dairy farmers, their families and their communities right across Australia. This industry, these families and their communities are hurting. Many are struggling to stay viable, with their incapacity to drive commercial returns. Many dairy farmers have left the industry that has sustained their families and their communities, often for generations. Most of those remaining are using their capital to subsidise their lack of income.

According to ABARES, the proportion of Australian farms with a negative farm business profit hit a peak in 2004-05 of 61 per cent. Of those making a profit, many in the farm sector have incomes equivalent to welfare. In short, many Australian dairy farmers are losing money and many others are making the equivalent of the dole—and we are expecting people to work under these conditions and provide us with a staple food that is the best in the world. The only way many dairy farmers can afford to keep farming is to simply go further into debt or eat into their capital, or both. According to ABARES, in the six years prior to 2008 average farm debt increased from \$237,000 to \$494,000. At the same time, incomes for dairy farmers have stagnated, averaging over the same period a two per cent return on investment. Who is going to invest for a two per cent return and do the work that is required? Yet we expect them to; we demand that they do.

The return for dairy farmers only reaches levels acceptable to most businesses in Australia by including capital growth in their net return. That is if the price of their land has increased; and when this increase is written in as a cash return annually, the overall return to dairy farmers is 8.2 per cent. However, this level of return requires the farmer to sell their land to access the money. That is what you have to do. Nice if you are ready to sell your farm and retire, but useless if you are not, and hopeless should one of your family want to carry on farming after you. And what about the new farmers who want to start? Where do they start? It costs money to produce milk, and in this debate we must be prepared to acknowledge this. It is an indictment when water in the supermarkets is priced higher than milk. That is just an abomination.

We also have to acknowledge that the farm gate price—the price the farmer actually receives for their product—is impacted, particularly in the liquid milk states, directly by the retail price consumers pay for their milk. Dairy producers are absolute price takers. The negotiations they have with their processors and, by default, supermarkets in a state like WA are extremely one-sided affairs. The processor, via the supermarket or the major retailer, will tell them the price they are going to receive. That is the price that the supermarkets have dictated. In a state like Western Australia, which is a majority liquid milk state, this has a direct impact on the price that

is paid to farmers. The price that the supermarkets dictate will govern the price the processor can afford to pay to the grower.

The poor old farmer has just one choice. He has this marvellous product but it is perishable. What does he do with it if he cannot sell it that day? It has to be picked up, it has to be processed and it has to be delivered to the market every day. It is not something we can store. That in itself creates a vulnerability that I do not think many, if any, in this place really understand, but it is one that the supermarkets understand because they certainly take advantage of it. It is 'take it or leave it' for the dairy farmer.

It is in this setting that the supermarket chains, led by Coles, have decided to engage in a milk-marketing war using deep discounting to steal market share from each other. The supermarkets have said they will absorb the cost and that farm gate prices will not be affected. Well, if this is true it will be a groundbreaking event because it does not reflect the history of milk pricing since deregulation in 2000. When asked by members of the Senate Economics References Committee in their investigation into the milk industry in May last year, the major supermarket chains denied using milk as a loss leader. However, that is clearly not the case now. I notice, too, that the Minister for Agriculture, Fisheries and Forestry, Joe Ludwig, is coming out in support of Coles in its bid for market dominance. Unfortunately, this demonstrates that the minister does not understand the impact that this type of activity in the market will have on dairy farmers in liquid milk states like Western Australia.

The Senate has instigated another inquiry because it appears that the supermarkets are in fact using milk as a loss leader in the war for a greater share of the market. So how much faith can we put in the responses of those supermarkets in 2010—or was that previous inquiry misled? I hope this next inquiry will look at this, and I would ask how much faith we can have in the answers that will be given by the supermarkets. We will not get to the truth behind this because of the market power and dominance of the supermarkets and because those who could give evidence will be too afraid to do so. They will not do so because they will be out of business if they do and because they are dependent on the supermarkets to sell their products.

The market share and market power of the major supermarkets, their collective buying and selling capacity, also mean that their profits are probably far greater than they will claim. They have the capacity to dictate and dominate. The barrage of lawyers and consultants they employ will ensure that, in spite of all the inquiries that we might have, we will never get to the truth about the contractual issues and product pricing of the supermarkets. I would say to Wesfarmers, who own Coles: change your name. Your genesis was in the rural sector. Your genesis was in farmers. So change your name because your behaviour in this instance does not reflect your history.

In Western Australia since deregulation we have gone from 400-odd farmers down to around 160. We have recently seen a processor go out of business in our state. How are our farmers going to hold on when all of the chains have to meet that same price to be able to sell milk and all those who sell milk have to meet that particular price? It will come back to the dairy farmer. Coles knows this well. They know very well that this will happen but they will say, 'We will not put the price down but we know the rest of the market will have to react to meet that price,' and by default that price will come back to the dairy farmer. That is how it will work.

I say once again that the milk price war now threatens the viability of the farmers, their communities and their future. I ask this parliament: 'Do we actually want a dairy industry in those liquid milk states?'