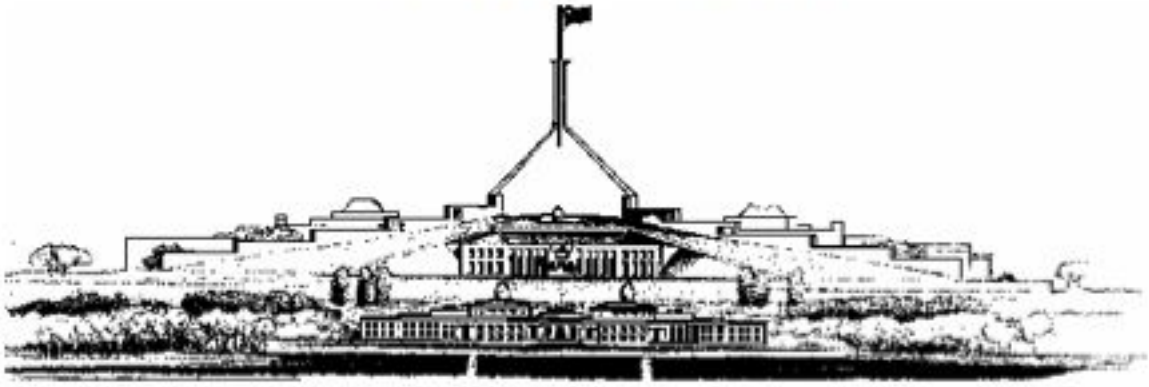
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013

First Reading

SPEECH

Monday, 17 June 2013

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 17 June 2013	**Source**	House
Page	5751	**Proof**	No
Questioner		**Responder**	
Speaker	Katter, Bob, MP	**Question No.**	

Mr KATTER (Kennedy) (10:52): In presenting the Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013 I pay great tribute to the work of Rowell Walton and all his team, many of whom are down here today—prominent people such as the economist Mark McGovern—and commend them for the first serious movements in recent Australian history to provide a return to a mechanism which is absolutely vital for the survival of agriculture in Australia. This bill proposes a revolving fund and $420 million has been provided. But what we desperately want is for that money to be a revolving fund, so that when it is paid back by the farmers it can then be loaned out again. The bill also provides the board with the power to borrow money.

I speak with very great authority in this area, as I was the minister responsible for a number of years in the formative years, in the late eighties, of the State Bank of Queensland, the QIDC—the Queensland Industry Development Corporation being the technical name. In that period of time we were not supine; we were proactive. The head of the bank indicated to me personally in fairly strong and unequivocal terms that 30 per cent of the sugar industry of Queensland should go. It was the biggest industry and the biggest employer in the state of Queensland at the time and to hear someone seriously propose that we should close 30 per cent of it down was extraordinary. It was a most extraordinary assertion. After discussions, which went for two weeks, the person concerned did the honourable thing and stood down and left the bank. We then loaned out to the sugar producers pretty close to $300 million in terms of today's money. I do not mean to be critical of the federal government—I have praised the federal government for its $420 million for Australia—but this was $300 million in Queensland, just for one industry. That will put into perspective how decent government seriously appreciates the rural industries of Australia and how no governments in Australia, state or federal, in the last 20 years have made any expression of interest in the survival of the rural sector.

What we are setting up here is a banking-type corporation. Let us not beat around the bush—that is exactly what is occurring here. We have done our homework on the sugar industry. If I had to make this decision six months ago I would not have made that decision for the sugar industry. That would not have been a responsible decision to make because the underpinnings of that industry were not there. But in the last five months China has announced that it is moving to 15 per cent ethanol. As they really cannot produce ethanol locally, I think we will be one source for that ethanol so, once again, I would very strongly back the sugar industry.

The wheat industry is in a state of crisis; the cattle industry is in a state of crisis; and the sugar industry is far from out of the woods—we have had a brief three or five years of good prices but before that were a disastrous 15 years. All we need is the ability to get through this period of crisis until the orders roll in from China, where petrol consumption is almost doubling every two years and where they are going to move to 15 per cent ethanol. So we know the markets are there.

On the American experience, when ethanol was introduced it drove grain prices up 15 per cent. With the cattle industry, it provided nearly 100 million tonnes of distillers grain—three times more nutritious than ordinary grain with the same calorific value, and then at about half the price. It has gone up since then. That gives our cattlemen some sort of level playing field. And I am not going to talk about the Reserve Bank and the interest rates today; I have spoken many times on this in this House.

The work done by the debt crisis summit group in Australia has outlined and brought forward the fact that we have gone from, in Western Australia, a situation where 78 farmers had 78 per cent equity in 2009 but by 2013 that equity had fallen to 61 per cent, which means that the banks are now looking at foreclosing on the average farm in Western Australia. It is not my proposition. I paid for development by Bankwest. But they are saying that the farm position in Western Australia has deteriorated from 78 per cent equity, which is an acceptable level, down to 61 per cent equity which, of course, is disaster level when the banks will have to move.

Rural Australia is struggling under an insurmountable debt burden, characterised by low farm income occasioned by a dollar which was driven from 52c to 90c by the Howard-Costello government and then driven by this

government up another 20c. Debt on gross value farm production was at 32 per cent in 1980. This has escalated to historically high levels of debt reaching 135.4 per cent in 2012. So we have gone from debt to gross value of farm production of 32 per cent to 135.4 per cent.

With escalating debts, many farmers and producers are facing forced closures and with forced sales widening loan value ratios causing a widening of loan devaluations. It would seem almost inevitable that we will move, unless there is serious government action, into a period of fire sales.

I had two telephone calls on two consecutive nights last week and I was informed that three station properties in the Charters Towers areas were to be sold up. In the second telephone conversation with a Hughenden cattleman, I was informed that three of his neighbours had already gone—sold up. That was just over two nights last week.

In Queensland, the Queensland Rural Reconstruction Authority—QRRA, as it is known—had a debt level some two or three years ago of $0.7 million per farm. That escalated to $1.4 million in October last year and in March this year, it has gone to $1.7 million, so it is breaking away at an ever-increasing rate.

To try and stop this situation from further deterioration, there is an absolute necessity to put in place and to quote Rowell Walton again and the debt crisis summit group, they believe that the farm debt at risk in Australia is around $5,000 million. Whilst we deeply appreciate the initiative taken by the federal government with that $400 million in loans—concessional rates of interest; sure it would be nice if the Queensland government lent some of it out—it falls far short of what is required. But if you give us this mechanism as the debt crisis summit group has requested, we can overcome and get through this period and move on to supplying that ethanol to China and bringing— *(Time expired)*

Bill read a first time.

The DEPUTY SPEAKER (Ms Grierson): In accordance with standing order 41, the second reading will be made an order of the day for the next sitting.