



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PRIMARY INDUSTRIES (CUSTOMS) CHARGES AMENDMENT REGULATIONS 2002 (NO. 6)

PRIMARY INDUSTRIES (EXCISE) LEVIES AMENDMENT REGULATIONS 2002 (NO. 10)

PRIMARY INDUSTRIES LEVIES AND CHARGES COLLECTION AMENDMENT REGULATIONS 2002 (NO. 7)

Motions for Disallowance

SPEECH

Wednesday, 11 December 2002

BY AUTHORITY OF THE SENATE

SPEECH

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Speaker Cherry, Sen John	Question No.

Senator CHERRY (Queensland) (4.50 pm)—The Democrats will be opposing Senator O'Brien's disallowance motion this afternoon, although we acknowledge the spirit in which it has been moved by the Labor Party. It is very difficult to decide at what point to support a new tax, particularly one that affects food products. In this particular case the government has made it quite clear that without this levy going forward there will be no assistance to the sugar industry in Australia. That would obviously be of concern to a number of Queenslanders, including me. It would also be of concern to the Premier of Queensland, Mr Peter Beattie, who on the release of the \$120 million sugar package said:

I congratulate the Federal Government for its commitment to the future of the industry ... I said that we would work with the Federal Government on the changes that the Federal Government views as necessary in Queensland's legislation and we have done so.

Mr Truss, the Minister for Agriculture, Fisheries and Forestry, said:

The Commonwealth and Queensland Governments agree that securing a long-term viable future for the sugar industry is a priority because of the industry's importance to regional economies and communities.

Mr Tom Barton, the Queensland Minister for State Development, said:

Both governments will work together to deliver this package at a regional level, with the close involvement of local industry and community representatives.

I acknowledge that there has been an enormous amount of debate about this sugar package over the last six months in my home state of Queensland and also here in Canberra. The debate has coalesced around the components of the package itself. There is concern among quite large sectors of the cane industry that the package has been inappropriately structured and that it should contain more of an element of income support rather than restructuring and regional development assistance. There has been debate over whether the sugar levy itself is an appropriate taxing mechanism, about its impact on the food sector and so forth.

I will give the Senate a bit of a history of agricultural levies in this country, because it makes interesting reading. This particular levy will be the 48th levy in the current budget dealing with agricultural produce. These levies currently raise \$536 million a year. It is fascinating, when you read through the list, to see that almost every conceivable agricultural commodity has a tax on it. One that leapt out at me is the deer slaughter levy—\$209,000 a year—introduced by Simon Crean as Minister for Primary Industries and Energy back in 1992, I believe. There are other levies on dairy, as we well know, and on fish products and wheat. There is a \$4.3 million sugar cane research levy in place at the moment. As a matter of interest, that levy was increased by 50 per cent by Simon Crean in 1992. There is a meat chicken levy, there is a market milk levy, there is a rice levy, there is a pig slaughter levy, and so on.

There is plenty of precedent in this country for the principle that the beneficiaries of Australia's low agricultural food prices and free trade—essentially Australian consumers—should contribute to the costs of restructuring industries. This principle has been supported by all parties in this place for a very long time. In fact, the act under which we are implementing this levy is a Labor government act that took effect on 1 July 1994, one month after Simon Crean became Minister for Primary Industries and Energy. So there is plenty of precedent for what we are doing.

I am interested to hear that Labor are concerned about the tax on food and the fact that this particular levy will impact on sugar manufactured products. It is a pity that concern did not exist in the 1980s when they imposed a wholesale sales tax on confectionary products and soft drinks for the first time, or in 1993 when they increased the tax on confectionary products and soft drinks from 10 per cent to 12 per cent. I remember it well. From a tax point of view I can understand the concern, but there is a countervailing argument to the arguments which Senator

O'Brien has raised. The real question is: is the package worth supporting? If the package is worth supporting, the funding mechanism the government has put up for it has to be supported as well.

The Democrats went back and looked at the Hildebrand report. We acknowledge that the Hildebrand report recognised that the industry needed fundamental change if it was going to have an environmentally and economically sustainable future. That is the context within which we started discussing our concerns with government, starting with the package but also looking at the collection of the levy. I note that Senator McLucas is in the chamber today and I acknowledge the work both Senator McLucas and my colleague Senator Bartlett have done on trying to highlight the very important issues relating to the protection of the Great Barrier Reef.

The Hildebrand report itself highlights a continuing concern that sugar cane production, as a very intensive farming practice, continues to impact on water quality in the Great Barrier Reef lagoon. I briefly quote from the Hildebrand report about the importance of wetlands, one of the issues I will be addressing later in my statement. The Hildebrand report notes that 30 per cent of the land brought into sugar cane production between 1993 and 1996 was environmentally unsuitable for such production and that 60 to 80 per cent of coastal wetlands in the Great Barrier Reef catchment have been lost. The report notes:

Wetland clearing and drainage reduces the filtering and buffering effect of a catchment, allowing sediments, pesticides and nutrients to enter freshwater, coastal and marine ecosystems, and contributing to aquatic habitat degradation and loss of biodiversity. The draining of wetlands also affects the local hydrology, affecting irrigation works, groundwater levels and aquatic organisms.

That is very important, because that is what we are really talking about here. We are talking about the economic and environmental sustainability of one of the key industries in Queensland.

I acknowledge that the Queensland and federal governments have started doing some serious work on that. On 13 August the Prime Minister and the Premier of Queensland signed a memorandum of understanding on the Great Barrier Reef. One of the components which it touched on was the importance of wetlands. The two governments agreed that, as a first stage in the protection of the reef, a major goal is 'stabilising and reversing the decline in water quality entering the lagoon as soon as practicable'. This highlights the interaction happening in Queensland between two reform processes that are going on at the same time—the need to ensure that we get water quality targets up in the Great Barrier Reef lagoon and the need to ensure that the sugar industry is restructured—and the fact that these two processes are to a large degree interrelated. That was one of the issues the Democrats took into our discussion with the government today.

We were also concerned about the criteria under which the \$60 million worth of regional projects grants were going to be allocated. We wanted to make sure that there was an appropriate balance of economic, regional and environmental components. We also wanted to make sure that they were tight and that they would not turn into a political pork barrel. I note that there will be extensive industry and community involvement, and at least there are two governments of two different flavours involved with the grants system. But we also ensured that the minister agreed to a more rigorous prioritisation process for grants when the recommendations come from the industry guidance and regional guidance groups. So we will at least have a process we can audit with a paper trail we can follow to make sure that the grants are going where they are actually needed.

Today the government and the Democrats have agreed to further enhancements of the measures dealing with the sugar industry and the Great Barrier Reef in North Queensland. I will take the Senate through some of those. The Democrats have secured a \$16 million commitment for a Great Barrier Reef coastal wetlands protection program to work in conjunction with the reef water quality protection plan, which is currently being negotiated between Queensland and the Commonwealth. The program will extend over five years and will include acquisition, restoration, binding conservation agreements on private land and ongoing management of coastal wetlands. The government has agreed to fund an inventory assessment and prioritisation of coastal wetlands, which will form the basis of the wetland program. Program design will be refined in consultation with the Democrats. Ongoing management will focus on control and eradication of aquatic weeds, fencing, protection and restoration of natural hydrology, improved water quality and the protection, restoration and revegetation of buffer zones. The Commonwealth has also offered an additional \$7.5 million in NHT2 funds to Queensland for wetland conservation. This will be subject to the Queensland government providing matching funds and subject to the negotiation of appropriate criteria.

Senator McLucas—Has that been ticked off?

Senator CHERRY—Queensland is still thinking about that. Let us hope that Queensland comes through, because I am sure the Queensland government recognises the importance of wetlands preservation. The Democrats have also secured funding for a significant CRC research project that will develop and implement improved indicators for long-term water quality monitoring. The Democrats have additionally secured changes to the \$60 million sugar industry reform program regional projects grants criteria to ensure that ecological requirements are incorporated into planning and projects. Some of those changes include: ecological sustainability matters will be included in the industry reform plan; environmental representatives will be included on the regional guidance groups; a requirement that the regional business plans be ecologically sustainable; a framework in those plans that will deliver improved environmental performance and outcomes consistent with continual improvement of water quality; achieving on-farm best practices so that agricultural run-off is substantially reduced and riparian areas and native vegetation are protected; project grants will require a substantial reduction in on-farm sediment nutrient and pesticide run-off and compliance with the industry's Compass program for best practice; and the accountability for merits assessments will be improved by requiring the industry guidance group to prioritise projects recommended for approval, thereby minimising the scope for ministerial intervention and discretion.

The government will provide additional flexibility in the collection of the sugar levy by giving refiners up to 60 days to finalise the first two months payments, allowing more time to get new administrative systems in place. The export rebate, which I suppose is a new initiative in levy collection, will be based on a simple self-assessment form to minimise compliance costs. The government has also said it will now consult very urgently with industry to nail down some boundary issues about the definition of sugar and also provide advice to industry as a matter of priority through the Food and Grocery Council on methods involved with the collection process. The government has also agreed to amend the sugar levy regulation to provide for a maximum five-year life to this regulation, preventing the possibility of special pleadings leading to its continuation. The Democrats give a commitment that we will agree to extend the levy but only if it is necessary to meet a shortfall in the funding for the package and only as long as is necessary for that shortfall to be met. The government has again committed that, if the levy does collect more than the cost of the package, the levy will be finished earlier than in five years.

For the Democrats, this is a lineball issue because we do not like new taxes. By the same token, we believe that when the government decides to do something, it should by and large try to pay its way. I think it is an important principle that has been in every Democrat policy ever put out during an election campaign. We have always included the costings and the revenue that will actually pay for the initiative. I wish the government had adopted the principle of paying its way a bit earlier on, particularly before it brought up its \$6½ billion of unfunded election promises since the last federal election. Certainly, on this particular occasion, the Democrats will be opposing the disallowance of these regulations because they are an essential part of funding what is a very important package. We believe the package will deliver economic reform to the industry, it will help to broaden the economic base of the sugar dependent regions of North Queensland and it will provide a very significant incentive to get some preservation and rehabilitation in some of our key wetlands, which will in turn improve the water quality in the Great Barrier Reef lagoon. Overall, it is a package worth supporting and I commend the package and its funding mechanism, which we are currently discussing, to the Senate.