

## **RURAL BUSINESS DEVELOPMENT CORPORATION BILL**

### *Second Reading*

Resumed from 7 September.

**MR GRILL** (Eyre) [8.47 pm]: The Opposition supports this Bill. I understand that the Bill commenced life as an amendment to the Rural Adjustment and Finance Corporation Act. However, during its life it became a full-blown Act in its own right. I also understand that the original rural adjustment scheme Act was passed in 1973, with the advent of the rural reconstruction joint state-federal schemes implemented by the Federal Government. A number of them have been in place for almost three decades, and they have had much success over the years. The last significant amendment to this Bill was in 1993.

One of the problems with the legislation is that it makes unwieldy the administration of the various agreements entered into between the State and Federal Governments. In fact, it becomes particularly unwieldy because every time a new agreement is made, the Act needs to be amended. A more flexible Act was needed. This legislation is much more flexible and a better vehicle than its predecessor from a legislative and administrative point of view. The new Act will establish a new body called the Rural Business Development Corporation, which will replace the Rural Adjustment and Finance Corporation, which is well known to members of Parliament and certainly to farmers throughout the State. The new Rural Business Development Corporation will have a new board, the members of which will reduce from the seven members on the RAFCOR Board to five. The functions and power of the new Rural Business Development Corporation, however, will remain the same as those of RAFCOR.

The key justification for the Bill is to bring RAFCOR into line with the way in which the commonwealth-state assistance schemes operate. An emphasis with the commonwealth-state agreements is for assistance to be provided on a regional and group basis, but the current Act makes it very hard for the regional and group schemes to operate and be administered. In fact, it is dubious whether some of the schemes can be administered under the present Act. Another problem is that assistance can only be provided to primary producers and individual companies, and the Bill will not apply that limitation.

Another problem is that the eligibility requirements are set out in the Act even though they vary from scheme to scheme. The RAFCOR eligibility provisions differ on occasions from the provisions within the various schemes or agreements. A very good case can be made to extend the types of persons to be assisted under the legislation. In that sense, the Labor Party supports the Bill. Many business people in the rural sector are just as susceptible to downturns in the rural industry as are farmers. This is even more the case with many rural businesses because they provide goods and services exclusively to the farm sector and in many instances the goods and services can be deferred; that is, they are not predictable purchases and can be put off, and are put off, in a downturn.

The new legislation will apply virtually no eligibility criteria. My understanding is that eligibility criteria will not be applied in the Act, but will be in the agreement or scheme itself. An approved assistance scheme and agreement will contain the criteria, and the schemes will be approved jointly by the Minister for Primary Industry and the Treasurer. Therefore, the problem with the eligibility criteria experienced with past legislation will not be experienced in future. It is a streamlined and flexible way of dealing with the legislation.

I understand that the new board will take over RAFCOR's obligations, and the Bill will allow for some transition of those obligations. A new provision will allow the Rural Business Development Corporation to direct funds to other agencies for approved assistance schemes. Presently, RAFCOR funds can be applied only to schemes administered by the corporation. To borrow a few words from the minister's second reading speech, the new legislation "will allow cross-agency participation" and allow a wider focus in respect of those groups of people which are eligible for assistance. A range of ancillary and supporting provisions are in the legislation, which I will not cover now.

The legislation is superior legislation to the previous Act. In that sense, it is supported by the Opposition. Having said that, I indicate to the minister that some issues need consideration concerning the operations of RAFCOR. As the minister knows, in the past many farmers would have been put out of production and, in some cases, would have gone bankrupt if not for the operation of various rural adjustment schemes. At various times entire areas of the State would have been hard pressed to carry on production without some assistance from the State and Federal Governments. Over the years a huge number of farmers have had access to drought loans, carry-on finance, interest assistance and monetary grants under the various schemes. Most of those mechanisms are not available under the current scheme. I wonder whether in many ways this was not a retrograde step. I know the focus of the schemes changed some years ago. This State is running into a range of problems with the rural economy, as question time made clear. One need only look at the wool industry, which has been in a downturn for 10 years or longer. One need only look at the dairy industry which appears to be in a heap of trouble, largely brought about by legislative intervention in the eastern States, and largely at the behest of the

Victorian dairy farmers. However, it was somewhat in our hands as this Parliament passed legislation that saw dairy commodity prices drop at the market. A dairy farmer with a contract with a producer may get a price close to 30¢ a litre, but farmers without contracts may receive only 17¢ a litre when the cost of production is well above 17¢.

They are finding it very hard indeed. The grain farmers of this State have done reasonably well over the past decade or so, but have found it very hard in the past year or so. They have experienced a soft market, and the market appears to be softening all the time. They went through a couple of frosts last year. They are now experiencing a drought, and they have a locust plague on their hands. We do not know how they will finish up this year. As the Premier pointed out today, significant parts of the rural sector are finding it very hard indeed.

What do we have in place to help them in the event that they do need help? I do not believe we have the tools at hand. I am not sure that we have much in the way of helping this group. In 1997-98 the Rural Adjustment and Finance Corporation had \$36.994m on hand. A few years prior to that, in 1993-94 it had nearly \$43m on hand. In 1998-99 it had \$31m on hand. In 1999-2000 it had nearly \$22m on hand. For the current year, 2000-01, it has \$8.66m. In 2001-02 it will have \$2.452m. On the basis of the forward estimates, in 2002-03 RAFCOR will have zero reserves in its account. The Opposition asked how we would ensure the welfare of those industries and other industries in the event that there is no turnaround in their predicament. I do not know that we have the ability to do much about those industries. The criteria for additional commonwealth money under most of the schemes or agreements into which we enter are triggered by the exceptional circumstances provisions. The truth is that that trigger has never been met in Western Australia. We have applied for funds under the exceptional circumstances provisions, but they have never been met with the cyclones or the frosts. One wonders whether we have the tools on hand to cater for a situation in which there is a prolonged downturn in any of the sectors that I have already mentioned. For instance, in the 1999 floods, when cyclone Steve came down the coast and extensive damage was done to the Gascoyne horticulturists, they received no help or aid. One would have thought that the horticulturists in that circumstance would have received some help or aid from the Government. If we run down our reserves to such an extent that we have nothing in reserve next year or the year after, what will we do to help these people?

The \$43m that was there in 1993-94 has gone on a number of schemes that one could say were desirable but not critical, such as the rural leadership program, the women in agriculture program and Progress Rural Western Australia. One could say that all of those schemes had merit and were desirable, but were they really critical for the welfare of the rural sectors? One would have to say that they were not. Currently, \$8.5m is being expended on the Gascoyne-Murchison strategy for restructuring the pastoral industry in the Gascoyne and Murchison. It was said that this would be a pilot scheme in many ways and that if it were successful in that area, it would be applied to the rest of the State. However, a lot of people are questioning the expenditure of money in that area. Certainly, if one looks at the reserves, one would have to come to the conclusion that even if the scheme were successful in that part of the State - that is, the Gascoyne and Murchison areas - where are the funds to carry it through in other parts of the State that might need similar treatment?

In summary, this is good legislation. It is a superior model and, as such, we support it. However, we are concerned about the run-down in funds for RAFCOR. We are concerned about the severe downturn in the industry, especially in the three essential parts of the industry that I have already mentioned. We question whether the current focus on assistance to the rural sector is correct and whether, by adopting the sorts of policies that we have adopted over the past few years, we are simply precluding ourselves from helping producers in pending or future rural downturns. We support the legislation. It is superior to the legislation that came before it. However, we have some grave concerns about the future of the rural sector in this State. We are concerned about the run-down in funding and the trend in aid to the industry. We are concerned about the trigger mechanisms for aid from the Federal Government. We do not seem to have met them at all in the past, and we are fearful that we will not be able to discharge our obligations towards rural industries in the forthcoming downturn.

**MR BROWN** (Bassendean) [9.07 pm]: I will raise a couple of matters that have been touched on by the member for Eyre, given that we are talking about a Bill that will provide assistance at times of need. I have raised one of these matters before, but without much success in receiving a reply. That matter relates to the circumstance in which some growers in Carnarvon found themselves during the last cyclone. As the minister will be aware, since the early or mid 1990s, levee banks have been constructed around Carnarvon to protect the town site in the event of cyclones and flooding. According to the locals, there is no doubt that the construction of those levee banks were beneficial on the last occasion that a cyclone went through; they stopped significant damage being done to the town of Carnarvon. That is fine for the people on the inside of the levee banks, but it is not so fine for the people on the outside. Previously, some plantations and a caravan park, which are just outside the levee banks, were flooded, but those flood waters receded relatively quickly. During the last cyclone,

as a result of the construction of the levee banks, the flood waters did not recede and inundated the caravan park and one plantation in particular, causing massive losses to both the caravan park and the plantation owner.

After the floods in Exmouth and Moora, the Government made available assistance schemes, providing grants of up to \$10 000 for businesses that had suffered damage or interruption. For some reason, after the cyclone in Carnarvon, that same level of assistance was not provided. On the plantation I am referring to, the house was completely destroyed by the flooding. The waters remained in the house for three to four days, and since they receded the floors and the walls have, over time, become buckled and twisted, and the house is not livable any more. That plantation owner has been forced to borrow through the country housing loans arrangement to construct a new house. He and his family have suffered the loss of the house, substantial damage resulting from crop losses and soil damage. It is true that the Government moved quickly to provide soil rehabilitation services on this and other properties, but it is also true that, despite these substantial losses, the Government did not make available the same assistance to businesses in Carnarvon as was offered to businesses in Exmouth and Moora. That is a major concern for Carnarvon business people, such as the plantation owner and caravan park operator, and they cannot comprehend why they are being treated this way. I raised this matter as a question without notice to the Premier earlier this year, and got words but no real explanation. I am sure the minister is aware of the situation in Carnarvon and the damage that was caused, particularly to those plantations just beyond the levee banks where the water was retained. The owners of those businesses feel they are being treated like second-class citizens. The minister must explain this treatment.

The other matter that I have raised here with the minister's cabinet colleague concerns damage to property in Onslow, as a result of a cyclone. The seawall, or a bund connected to the seawall, was overrun by seawater, which ran through the town destroying gardens. The cost of living in the north of Western Australia is high, and establishing and re-establishing gardens is an expensive business. The Water Corporation contractor did some work on the bund, and the local population firmly believe that, after this work was done, instead of restoring the bund to its former condition, the contractor simply moved earth in to cover the area. A surge resulting from the cyclone washed away all of that earth, and part of the town was flooded with seawater. Flooding caused by rain might result in erosion damage, but it does not kill all the vegetation, unless it is all washed away, but this is what inundation by seawater does.

A public meeting was held in Onslow, and members of the Water Corporation attended and took minutes. A debate took place over whether the Water Corporation was culpable for the flooding. The minutes record that an independent assessment was to be carried out to determine whether the Water Corporation was culpable, and that the information would be released to the residents of Onslow. The Water Corporation did instruct an engineer to prepare a report, which was provided, but the endeavours of the Onslow community to obtain copies of it have not been successful. That matter has now gone before the Information Commissioner, and litigation is ongoing. The people of Onslow may now be forced to engage their own independent expert to provide them with a report. The Minister for Water Resources has said that two inquiries took place, the first being into the failure of the seawall and the bund, and the second a more general inquiry by the local authority into the storm surge. The second report was the only one intended to be made available. That second study never examined the failure of the seawall or the bund, and it was never intended to do that. The whole reason for the original meeting between the townspeople and the Water Corporation personnel was that information about the cause of the flooding would be made available.

I raise this matter again, as I have on a number of occasions, by way of grievance and questions. I raise it again in the hope that there will be a change of heart on this matter. I raise it because although the Minister for Water Resources has previously claimed that this is a confidential report for the Water Corporation, it does not overcome the issue that undertakings were given by the Government through the Water Corporation that such a report would be done and would be released to the community. The Government has reneged on that undertaking. As much as members want to try to invent other reasons, or to try to deflect the issue by claiming there were other reports, the fact remains that this meeting was held, undertakings were given and those undertakings have not been honoured, and that concerns the people of Onslow who have suffered this damage.

I look forward to the minister's response. If he cannot answer the second matter, I expect that he can answer the first, which deals with the matters in Carnarvon. That is a matter about which the Opposition has not been able to get an answer. Members of the Opposition have sent the various copies of *Hansard* to the people in Carnarvon to demonstrate that it has raised the issue, but has not been able to get an answer on the matter. Hopefully, as a result of my raising it once against this evening, the minister will provide us with an answer about the Carnarvon matter. I appreciate that the minister may not know about the Onslow matter, but maybe he can once again talk to his ministerial colleague with a view to whether the Government will finally honour the commitment it made.

**MR HOUSE** (Stirling - Minister for Primary Industry) [9.21 pm]: I thank the Opposition for its support of this legislation and indicate that, as the member for Eyre pointed out, four changes in this Bill will change the

legislation to allow what is now known as the Rural Adjustment and Finance Corporation to operate in a way that is more suitable for the times that are faced in the bush. Although the name change is significant, and it indicates that, the focus is on business, business education and the provision of services that assist people in rural areas to run their businesses in a more efficient manner. The main thrust of what the Government is trying to achieve is to be able to access the advice. Encompassed in that is a fundamental change that has not been the case previously; that is, to allow small rural businesses and other groups to be able to access assistance from this corporation in the future. As I say, that has not been done in the past. The former requirement to amend the legislation when we had a new commonwealth scheme will also be removed. That will allow the Government to be more efficient and respond more quickly to the needs of the farmers.

That leads me to a number of points made by the member for Eyre about what the Government may have done in the past and what it may do in the future. All of these schemes in the past have been dependent on commonwealth assistance. Fundamentally, the Commonwealth Government lays down the rules, and the legislation we have passed in this Parliament has been complementary legislation. Indeed, the member for Eyre would know that the fundamental shift from a lending corporation to the type of business orientated corporation we have now was made prior to this Government coming to office and was debated at a number of agricultural ministers' meetings when both State and Federal Labor Governments were in power. By the time this Government was formed those changes had been made.

I must be frank and say that I supported those changes at the time because I believed, as did the state and federal Labor ministers of the day, that the general thrust of what was trying to be achieved was heading in the right direction. By and large, over the past decade or so, that has been proved correct. As agriculture has adjusted to a more businesslike way of operating, the Government has been able to assist by providing a number of services that were not available in the past. I stress again that the Federal Government principally laid down the rules. This year, as the member for Eyre has rightly pointed out, we face the first year of exceptional problems in rural Western Australia in the coming decade. This year, as in the past, in order to get assistance the State Government must trigger what the Commonwealth Government calls exceptional circumstances. In the past there has always been a contribution by the State Government, whichever State that happened to be, but the major assistance came from the Federal Government once those exceptional circumstances were triggered. On a couple of occasions, the coalition Government has pleaded exceptional circumstances, but those requests have been refused by the Commonwealth Government.

That does not mean that the State Government did not do anything. The Gascoyne-Murchison scheme is probably the best example of that. Although it did not trigger exceptional circumstances, the State Government found a package of over \$40m of state and commonwealth money to assist that industry. I am sure that in any scheme that hands out \$40m-odd of taxpayers' money, a few people will be unhappy about some of it, but many people will be delighted. The State Government was able to assist a huge number of pastoralists in that region with that scheme. The Government answered the challenge when it was put to it and was able to provide those people with a degree of assistance that is continuing. The benefits of that are flowing through; indeed, the farmers have enjoyed some fairly good seasons in that region over the past few years. Cattle prices have been strong and meat prices have generally recovered in the past year or two and that has been of some assistance to keep them on their properties while they endured those previous bad seasons. The Government has been able to do what was necessary when it was needed.

The question of what to do about this season currently is being met by this Government in a number of positive ways. Although the warning signs have been there for some months, it is only in the past couple of weeks that one could say that some areas are getting to the stage where their crops are beyond recovery. Even some rain is beyond doing the pasture any good. The Government has brought together a committee of people with the relevant expertise. It has brought together the relevant government departments and is looking at all the aspects of the problems faced in order to address them, and I assure members that the Government will. As has always been the case in the past, the State Government will need commonwealth assistance. Whether that is generated by triggering exceptional circumstances or by direct assistance from the Commonwealth, I do not much care. The Federal Government has a responsibility to assist the State when the going gets a bit tough, as it has. Indeed, the Federal Government has set an example of responding. It responded a month or so ago to the sugar industry outside of exceptional circumstances with a comprehensive package of assistance to that industry. I see no good reason that the Commonwealth should not assist us in Western Australia in the same way.

Mr Grill: I do not either, but has it ever done in this State?

Mr HOUSE: Yes, the Commonwealth did it for the Gascoyne-Murchison strategy. Off the top of my head I cannot remember the mix of state and federal money that went into that, but considerably more federal money went into it than state money. The State Government put in an application for exceptional circumstances for the Gascoyne-Murchison area that was refused. It then managed to get the special assistance package.

Mr Grill: Did that come from the money already under trust?

Mr HOUSE: The State's contribution did, but the Federal Government's contribution did not. I can get the detail of that for the member. The funds in the Rural Adjustment and Financial Corporation accounts is federal money that the State Government holds in trust. The State Government is bound by rules about how and when it can use that money. The Commonwealth has set the rules for the schemes and the State Government has responded to those in the past.

Mr Grill: Essentially that was money that we had to pay back.

Mr HOUSE: Yes. However, it was not paid back. This Government did a deal with the Commonwealth to allow it to keep the money. It has an assurance from the Commonwealth that when the money is expended, there will be new funding for whatever scheme happens to be in place. That brings me to another point. The Commonwealth has carried out a comprehensive review of exceptional circumstances. I have not seen an official response; indeed, I am not certain that the minister has been provided with the review committee's report. However, this State has made its view known on that. I have spoken at length to the chairman of that review committee, who is a Victorian farmer, and I indicated that this Government believes that the rules need to be changed to give this State the opportunity to qualify for exceptional circumstances when there is a genuine need. I await that with interest. In the sense of what it might deliver, I still believe that the Commonwealth has a responsibility to come to the aid of industry when the going gets a bit tough. This gives people the chance to be there when things turn around. Agriculture in this State has a track record for being pretty resilient. Farmers have been through tough times before and they will go through them again. However, mostly, with just a bit of help, they will jump through the hoops and survive. That is what this Government will try to do this time around.

The member for Bassendean raised two issues. The first involved Carnarvon and the second involved Onslow. A cyclone caused flooding in Carnarvon. The State Government provided direct assistance to people who lost soil. As the member is aware, we called it the Carnarvon farm recovery scheme. My recollection of that - I answered a question about that for one of the member's colleagues in the other place - is that the State Government expended a couple of hundred thousand dollars or whatever was needed to make sure that the topsoil was replaced. I am not sure how that worked out per business but I imagine that it was in excess of \$10 000 for a lot of people. The \$10 000 was part of a business recovery scheme, which, as the member rightly said, does not fall under my direct responsibility. However, for that to be advanced, I accept that it must be raised with the responsible minister, and I will do that. It did not come under my direct responsibility. Agriculture Western Australia, along with the Water Corporation, has been planning for future levee banks and how they might be constructed. This Government purchased one property from an owner in the main watercourse who wanted to sell, and it made an offer to another owner who did not want to sell. I am not sure whether the incident the member for Bassendean referred to involved the guy who would not sell - not that he should sell, but an offer was made and a valuation was done. My recollection of that house was that it was dilapidated and unlivable after the flooding. That could be the guy the member referred to. His name escapes me. This House got a fair way from the Bill when we got to Onslow and talked about seawater.

Mr Brown: On that point, this situation was not only about the flooding. People incurred much greater damage than that simply because the water did not drain away. It sat in their homes for three or four days. It was not like a normal flood in that it did not just go through and cause a fair amount of mess, but chances were that the house could be saved. The water sat there and totally inundated the wood and everything else in the house. Finally, when it went, the house was stuffed.

Mr HOUSE: Were the owners insured?

Mr Brown: I guess not, because they had to borrow money to replace the house.

Mr HOUSE: Some people would have been insured. That is a personal responsibility. If people want to insure, that is their business. If they do not want to insure, they take the risk. Most people insure for a whole range of things. That is a personal decision.

Mr Brown: Except when flooding had occurred before, prior to the levee banks being built, the flooding would come and go. Because the levee banks were there, the floodwaters were retained.

Mr HOUSE: I know a little about the levee banks in Carnarvon. What I can tell the member for Bassendean about that little that I know is that there can be 50 different opinions about the levee banks and where they ought to be and whether they did good or ill, who they affected and who they did not affect. I have spoken about that to many growers along the river and many other people involved in the planning process up there, and there were a lot of different opinions. I am not saying that the member is wrong or that anybody else is right. However, I am saying that there is a lot of debate about whether the levee banks were good or otherwise for people,

depending on where a person lived on the river. That is a debatable point. People need to live there to understand how it affected them personally, or how it affected somebody else.

As I said, we got a long way from the Bill by the time we got to Onslow, because the member did not raise anything that directly related to agriculture. However, interestingly, this change to the legislation will allow the Government, in future, to help small rural businesses, which it has not been able to do in the past. I am not sure whether the flood in Onslow affected any small rural businesses. I know that a number of fishermen were affected by that situation and that the people who owned the caravan park, who are well known to me, were severely affected. They took over the caravan park only a week or so before that flood and suffered badly as a result. Once again, I will give an undertaking to raise that issue with the Minister for Water Resources. Maybe in the future, because of the changes to this legislation, the State Government will be able to assist, in some way, through the rural adjustment or what will now be called the Rural Business Development Corporation. I thank members for their general support of the legislation and assure them that this is a step in the right direction.

Question put and passed.

Bill read a second time.

*Consideration in Detail*

**Clauses 1 to 9 put and passed.**

**Clause 10: Power to acquire and dispose of property for schemes -**

Mr HOUSE: I move -

Page 6, line 23 to page 7, line 8 - To delete the lines.

Mr GRILL: Can the minister explain why this amendment is being moved and the legal reasons for it? I cannot understand it. No doubt he has some legal explanation. If he could acquaint us all, I would be pleased.

Mr HOUSE: This is the farmer explaining a legal point to the lawyer. I cannot understand the legal explanation either.

This amendment will delete subclauses (2) and (3). These provisions appeared in the original Rural Adjustment and Finance Corporation Act when the reference was to the Land Act 1933. That Act was repealed by the Land Administration Act 1997 so the reference was changed to a reference to the Land Administration Act. In fact, however, the provisions of the Land Administration Act and the Rural Business Development Corporation's powers under subclause (1) are adequate to cover all dealings with interests in crown land, and there is no need for subclauses (2) and (3).

Mr GRILL: I am pleased that we have had the explanation and I accept it.

**Amendment put and passed.**

**Clause, as amended, put and passed.**

**Clause 11: Restrictions on dealings in land applied for approved assistance schemes -**

Mr HOUSE: I move -

Page 7, line 19 - To delete “, for no fee,”.

This amendment will delete the words “for no fee” from the provision for registration of a memorial of a disposal of an estate or interest in land by the corporation under an approved assistance scheme. Again, this provision appeared in the original Rural Adjustment and Finance Corporation Act. It is the policy of the Department of Land Administration that all organisations, including government agencies and statutory authorities, must pay the prescribed fee when registering documents. There is no reason that the Rural Business Development Corporation should be exempted from this fee.

**Amendment put and passed.**

**Clause, as amended, put and passed.**

**Clauses 12 to 44 put and passed.**

**Schedules 1 to 3 put and passed.**

**Title put and passed.**