



PARLIAMENT OF WESTERN AUSTRALIA

INAUGURAL SPEECH



Hon Philip Gardiner MLC
(Member for Agricultural Region)

Budget Debate

Legislative Council

Tuesday, 16 June 2009

Legislative Council

Tuesday, 16 June 2009

Inaugural Speech

Hon Philip Gardiner MLC

(Member for Agricultural Region)

ESTIMATES OF REVENUE AND EXPENDITURE

Consideration of Tabled Papers

HON PHILIP GARDINER (Agricultural) [7.32 pm]: Mr President and honourable members, I acknowledge the traditional ownership of the Nyoongah people, on whose ground I stand, and it is my privilege to have you here while I make my first address in this chamber. As I was crossing the crosswalk approaching Parliament House this morning, on the top south-west corner of the building were two kookaburras belting out the strongest laughs I could have hoped to have heard. I thought, “Is this an omen?” I am making a speech that will not be 90 per cent presentation and 10 per cent content, of which most speeches are made; this speech will be the opposite, and I request members’ indulgence.

For me politics is not an endgame in itself. Instead, like business, where, with hard work, profits fall out the bottom if the business strategy and implementation is sound, my goal in politics is to advance the interests, issue by issue, for the people of Western Australia. This was the oath that I made in the presence of the Governor and upper house colleagues. If this can be done with honesty, fairness and equity, the benefit to our state and country will similarly emerge.

I am here because of the ruthless exercise of democratic power to achieve a political balance of power that has placed me in a position in which I can assist in making a difference. Even without my physical absence, this difference has begun to be made. It will particularly benefit regional Western Australia from where the bulk, as we all know—37 per cent—of Australian exports originate. It is rewarding because I agreed to Brendon Grylls’s request to stand as No 2 on the National Party’s Agricultural Region upper house ticket on the outside possibility that the party could gain the balance of power. History records the outcome and the positive consequences to date.

The dilapidated plight of regional Western Australia became evident to me during my campaign for the federal seat of O’Connor, which encompassed most of the Agricultural Region in Western Australia, during the 2007 federal election. This region has expanded a bit now to encompass Kalbarri in the north to Albany in the south, from the Indian Ocean north of Cervantes in the west, to Mullewa, Merredin, Lake King and Hopetoun in the east. It struck me most objectively on the Friday before the federal election when I was reading *The West Australian* and I noticed the list of polling booths in O’Connor. There were two and a half columns of them. I thought that that was a lot but there would probably be more in Kalgoorlie. There were only one and a half columns of polling booths in Kalgoorlie. All the other electorates in this state had fewer. The interesting thing about polling booths is that they are located in towns and suburbs that each require basically the same social and physical infrastructure, be it primary schools, pools, sporting grounds and so on—

not all of them but most. When I got back to Moora that evening, I looked in the Australian Electoral Commission report to check the other electorate polling booths. To my surprise, O'Connor had 17.5 per cent more polling booths than any other electorate in the country. The relevance of this is that the incumbent was saying how the electorate was doing so well by getting fourth highest expenditure for this and one-tenth for that and so on, which I thought was pretty good too. This part of regional Western Australia was being underdone because we should have had 17.5 per cent more than any other electorate. This was the clearest factual base that supported the hearsay impression I had gathered as I was campaigning and doorknocking throughout the O'Connor electorate. The royalties for regions strategy to which I had already been privy was not a stunt; it was genuine and very much needed.

Being raised in a farming family in the country in a regional district such as Moora, community self-help permeates the value system that is so critical to the survival and growth of country communities. My late father, Warren Gardiner, was an ex-serviceman in World War II. He was denied a proper education following his father being unfairly hit by the effects of the Depression when the partner in his firm left him with all the debts. With the support of his wife, Lillian, nee Kingston, now called Betty, who took the brave road of leaving the city for the isolated yet strong community of the country, my parents were determined that their two children would have the education he missed. As a consequence, they commenced their sons' primary education at Moora and then at Guildford Grammar School for their secondary schooling. They did not have any material equity, yet they were able to buy Noondine, which was part of the original Gardiner land taken up as early settlers of Moora, from my father's uncle against 100 per cent vendor finance very generously given. They lived reasonably comfortably, sent two boys to board at a private school and supported one at university, all the while holding their family firmly together. Real incomes in agriculture were different then. It is very difficult to achieve that from agriculture now without further adding seriously to debt.

My father's grandfather, James Gardiner, served as a member of the Western Australian Parliament during the early 1900s, first as Colonial Treasurer in Sir Walter James's government in 1902. In 1913—I was pleased to have this confirmed tonight by Mr Del Willmott—he became the first parliamentary leader of the Country Party, the predecessor of the Nationals, anywhere in Australia. His parliamentary record included a short period as Speaker of the lower house in 1917 before resigning due to his own deteriorating health and that of his wife. I have read some of his speeches in *Hansard* recently. I trust that I can serve with the valour and honesty that he brought to the Parliament in the interests of the people of Western Australia. My brother, Colin, after a distinguished school career at Guildford Grammar School, forsook a scholarship to the University of Western Australia to return to the family farm at Moora, where he farms today.

Each of us faces different forks in the road we traverse as part of life, as we have heard from those who have already made their first speeches. Allow me to give members a little of my background. I will then briefly address five topics—the role of the upper house; the relevance of regional Western Australia; regional social infrastructure needs, rural crime and family dysfunction; agricultural governance infrastructure; and climate dynamics.

PERSONAL

After graduating from Guildford Grammar School in 1964, I was fortunate to receive scholarships to study agricultural science at the University of Western Australia. I completed agriculture economics in 1969. During this time I was also fortunate to have been a resident at St George's College with a number of current parliamentary colleagues, and a playing member of the University Football Club during a particularly distinguished period of its history. Having been educated this far, I thought that it would be a waste to return to farming forthwith. Following graduation in 1969, I obtained a trainee position as a computer programmer with the commonwealth Department of

Trade and Industry in Canberra. This path was cut short when I was awarded a Rotary graduate fellowship that allowed me to attend Harvard's European centre at the time, Institut pour les Methodes de Direction de l'Enterprise—with the acronym IMEDE—in Lausanne in French-speaking Switzerland. I completed a Master of Business Administration in 1972. It was here that I found another serious fork in the road. After three to four months of the program, a research associate at IMEDE, an Australian, asked me what I was thinking of doing after graduating. We had been doing case studies about cost—cost control and cost accounting—which I found concise, compartmentalised and important for managing a business. So I said “cost accounting”. With some dismay, he said that I should consider finance, about which I knew virtually nothing. I began investigating this subject area. As a consequence, it was there that I learned about the basics and some of the intricacies of the foreign exchange market and banking principles. I will never forget the occasion of the discovery that the calculation of forward exchange rates had nothing to do with exchange rate expectations; it was all to do with mathematical differences between interest rates of the currencies involved.

Returning home to Moora at the end of 1972, I proceeded to apply for positions in merchant banks, as non-bank organisations were then termed, after the British model. The best offer I got was from a Citibank offshoot in Sydney. The person said to me over the telephone—I was in Moora at the time—“Next time you're in Sydney, call in for an interview.” This I did, and it was my good fortune to procure a trainee marketing officer position. The real implication of telling members about this is that, while I was talking to a prospective client in Sydney in 1974, he asked about a new transaction structure for covering the foreign exchange exposure of non-trade items. The market was extremely regulated in those days. The Reserve Bank took all the net risk from the trading banks and the banks had a very easy time, but capital commitments could not be covered. My education and research about foreign exchange all came home to roost. However, this time it was frustrated by a senior executive at City National Securities who declined to spend money on senior legal opinion to clear the way through the maze of the Reserve Bank's authorisation letter, the Commonwealth of Australia's Insurance Act, the Gaming and Betting Act of New South Wales and the Stamp Duties Act of New South Wales. It was clear to me that foreign exchange was neither insurance nor gaming and betting in that defined sense. Similarly resiling from this perception were two firms that I had learned about from my English brother-in-law—GH Michell and Sons, a wool broker and top wool manufacturer in Adelaide, and Meares and Philips, a former medium-sized stockbroker in Sydney. They hired me. We found the legal way through and we developed a sustainable hedge contract document based on a mix of language and law prepared by well-known Sydney lawyer Alexo Vrisakis and his assistant, now Justice Robert McFarlane. This currency hedge market developed well in Australia between 1975 and 1978. At this time Meares, Michell, Elders—as the firm had become—and I separated over what I felt was an ethical issue. I was fortunate that merchant banks had now recognised that currency hedging was a valid instrument for corporations to manage their exchange risk.

In early 1978 I accepted an offer from Hill Samuel Australia Ltd, becoming a director in 1981. In 1985, when Hill Samuel became Macquarie Bank, I was a founding director of the main board. At Macquarie, I had the privilege of working with many fine people. I remained on the board until 1994—I had returned to farm at Moora six years earlier. It was an experience where we had taken on the large Australian commercial banks; the Australian dollar had become part of the world's foreign exchange market giving Australia's exporters and importers, foreign currency borrowers and Australian investors with overseas assets the ability to manage their foreign exchange risks; I had assisted my friend and colleague Clive Carroll build the bullion and gold arbitrage market in Australia and overseas; and played a collective part in building the Hill Samuel-Macquarie culture. It had been a career accident, but a good one. In 1988 I was back doing what I most enjoyed, the challenge of one of the most difficult professions—farming grain and sheep for wool as well as

sheep breeding. I continued my eastern states board involvement for a further 10 years with midnight flights, at times up to three times a week, but outside the system I was losing touch and, in the end, it just became too difficult.

RELEVANCE OF THE UPPER HOUSE

I turn now to the relevance of the upper house of the Western Australian Parliament. There have been times I have watched political proceedings where I have despaired at what I had identified as democratic dictatorship, where the executive has become so strong and party discipline so complete that I felt there was a political failure in the essential principles of democracy. I have also despaired with the party lines along which much of the upper houses of Parliament across the country operate. I am aware of frustration as felt by members of the lower house when the composition of upper houses cause simplistic political obstructionism and power plays rather than working to make effective, sound law from the bills submitted. Rigid party discipline applying to the upper house defeats the purpose of that chamber. I recommend all parliamentarians read the recent book published by University of Western Australia Press entitled *Restraining Elective Dictatorship: The Upper House Solution?* by Aroney, Prasser and Nethercote. One commentator, James Madison, wrote —

When the legislation is unified it wields a dominant, unbalanced power over the other branches of government.

This is too dangerous for true democracy. I am committed to the upper house being a house of review which can work openly with legislative framers in the lower house and make independent judgement to bring effective law to the people of Western Australia to enhance their lives.

RELEVANCE OF REGIONAL WESTERN AUSTRALIA

How relevant is regional Western Australia to the state and the country? Regional Western Australia contributes around 23 per cent of the state's economy but 90 per cent of the state's and 37 per cent of the country's foreign exchange earnings. Without foreign exchange earnings, the state and the country could not afford the consumer and capital imports that underpin Western Australia's and Australia's standard of living. These Western Australian foreign exchange earnings are at a level much higher per head than those in any other part of the country. The relevance of regional Western Australia to the state is more recognised, especially since the election of 7 September 2008. This economic relevance is important to Western Australia but it is just as important to Australia. Like the royalties for regions strategy, it is important to the citizens of Western Australia that the state receives a true share of the tax distribution from national revenue collections under our federal system. This has been a difficult realisation to achieve over a number of state governments, but it was gratifying when the Gallop-led state government and Eric Ripper-led Treasury negotiated with a Liberal-led federal government an additional nearly \$250 million distribution to the state. I know that there is significantly more work to be done in this area and that Treasurer Buswell is pursuing this with renewed vigour, and I shall try to give him every support. How much of this output revenue contributes to net wealth in regional Western Australia? Not a lot. Despite the mining company contributions, mining revenue mostly flows out of the regions exacerbated by fly in, fly outs and the non-regional shareholding of mining companies. Agriculture in particular is unable to compete for labour at the levels paid by the mining industry. Historically, surpluses generated by agriculture mostly leave the outlying regional areas and gravitate to Perth or coastal cities where, in general, there is less risk, and tax-free capital appreciation is much more likely. With a capital gains tax incentive for principal residences, rational economic behaviour causes the movement of capital to these places where there are generally more buoyant and more liquid property prices. Homes built on farm properties rarely add value to the property, a discouragement to make large capital investments in on-property homes. Men and women who seek to make a mainstream contribution have a much higher degree of difficulty than their city

counterparts: extra travel at all hours of the day and night, unreliable telecommunications, particularly mobile phone coverage, and limitations on health and education. Universal mobile telephone communication and internet access across regional Western Australia should now be considered a basic need. It is the first plank of a health policy. Indeed, it is the first platform of health treatment, security and information and participatory equality with city counterparts. These deficiencies also explain the huge volunteer contribution of citizens living in regional Western Australia. Some of this regional volunteer contribution would, if calculated, be material I believe to the state's gross national product.

CRIME - THE SYMPTOM OF CORE INFRASTRUCTURE DEFICIENCY

The third area is crime, the symptom of core social infrastructure deficiency. Petty yet serious crime is endemic in many towns across agricultural regional Western Australia. My experience, as a result of extensive doorknocking throughout country areas, is that the cause is the high level of family dysfunction in many of these towns among both non-Indigenous and Indigenous families. Typical of these towns are the Cities of Geraldton and Albany and the towns of Narrogin, Mt Barker, Kellerberrin and Moora and more. Crime is a symptom, not a cause. The cause is much deeper and the amazing feature of this is that we as a society and previous governments that have meant to act for society have failed to recognise the intimacy of this relationship. People are not born criminals. If it were so, we would have to believe that Indigenous people, who in Geraldton comprise something like 90 to 95 per cent of the incarcerated population, are born criminals. There is absolutely no foundation for believing this. What we can believe is that they, like their non-Indigenous brothers, do not have the same access to opportunities that many of the rest of us have as a result of the circumstances through which they have grown. We may be born equal of flesh and blood, but we are not born having equal access to opportunities. Each of us in these regional communities shares the responsibility for such dysfunction arising. The same could be said for city dysfunction. For the most part up to now, the community has not felt responsible. We have considered it to be someone else's problem and often looked too much towards government. The genesis of the solution I outline is bottoms up from information that surrounds the reality of pressures of everyday living. It will not work if it comes from the top, as it has often in the past, even with the best of intentions. The solution must feel these pressures if it is to make the difference we all believe needs to be made. Individually, we can work hard but make only a small difference. The whole community must become involved to develop a plan. Police doing very good work comprise only part of the answer. Dealing with this issue across regional Western Australia, and Perth demands different approaches in different places. In agricultural terms, it is like the problem our land has with salinity. It is deep and ingrained. One solution does not fit all. Learning continues unmitigated. Different solutions are required for different circumstances and solutions are difficult to realise. The solution to social dysfunction in the Kimberley will be quite different from the solutions in each of the towns or cities in the agricultural belt of Western Australia, which will be different again from those of Perth.

The plan I have in mind has two parts: first, an integrated, comprehensive generational plan with a time horizon of 21 years, commencing at the time the child is born. The crucial period of our character formation is zero to seven and eight years of age. Second, we need an amelioration plan to deal as best can be done with the community failure we already have and in which we are currently living. For people like me who are beyond eight years of age and closer to 65, we can only ameliorate their behaviour if it has been affected by family dysfunction or in any other way. The drivers of the plan are threefold: firstly, it must be community driven; it must be comprehensive; and it must be integrated and tailored to the community characteristics; therefore, it must be developed by the community. Secondly, it must have delegated authority for implementation to the respective local government authorities. Thirdly, funding must come from the state and Commonwealth, with the state having an audit function from prior to commencing the plan to

checking against milestones, because we want to know with the plan whether we are progressing or not. This plan will require a unique political time horizon of 21 years, yet it is crucial, I believe, to the wellbeing of our society. I am aware that there are some measures along this way that are already being implemented, but not comprehensively and not in a delegated way.

We already have people in regional Western Australia who have special expertise working with mothers who have children in their formative years. But their new social technology is fighting to be recognised for funding. I contend that such a solution has the capacity to give a high social and financial return to such government investment to improve our society, increase respect for our police services and reduce our need for the scale of jails and detention centres currently envisaged. Calculations I have made suggest that for a regional town of around 2 500 people, expenditure of \$500 000 to \$700 000 per annum under the plan will save explicit and opportunity costs exceeding \$3 million. I do not believe this one country town's experience to be unique and the model with adaptation could extend to city communities.

What are some of the implementation implications? Leadership of this strategy must come from the local government authority. Ownership of the plan will then be by the community and the local government authority. The plan will have as its foundation platform provision of social worker/psychologist resources to assist mothers to manage their homes and bring up their children during the crucial zero to eight years of age to instil into their child the sense to achieve, so that at 18 to 21 years their children will have access to the opportunities that are available to us all. But how useless would it be having resources to assist mothers from the time of their pregnancy or birth of their child to provide a secure, emotional upbringing through the crucial zero to eight years if there was not similar attention being given to alcohol control? I think all alcoholic beverages, by the way, should bear labels confirming alcohol is a health hazard. Assistance is needed to address anger management, drug dependence redirection, employment, long-term unemployment, savings incentives, and mothers becoming pregnant at a time when they are too young and do not have sufficient resources to nurture and rear their children. The former federal government's baby bonus, for example, stimulates family dysfunction in low socioeconomic areas and needs restructuring. Children born to young women are increasing in many regional towns, according to the Australian Bureau of Statistics. In the lower socioeconomic Geraldton suburbs of Rangeway and Spalding especially, but also Lockyer in Albany, when the issue arose in discussion, both Indigenous and non-Indigenous residents wanted to do away with the baby bonus in its current form. In low socioeconomic communities it leads to young 14 to 16-year-old women having children to get the baby bonus. For structural reasons, these families are most prone to becoming dysfunctional. Collectively, many of their children are like a storm cloud on the 10-year horizon as far as juvenile crime and subsequently adult crime is concerned.

What is the biggest impediment? This is highly relevant to each of us in this place. It is the silo structure, I believe, of our government-managed departments. The plan I describe is predicated on cutting across those silo boundaries, because without having an integrated, comprehensive, appropriately resourced solution it will not work. I have already seen signs that the Premier and some public servants are thinking this way.

Much of what I am explaining is encapsulated in the following story. The primary school catchment for Geraldton Senior College has about 2 000 Indigenous students. Recent chronology of Indigenous students presenting through the secondary school years was about 80 students in year 10, 50 in year 11, 32 in year 12—but that was the beginning of year 12; by the end of year 12, there were seven and none of those seven students passed the tertiary entrance examination. Does this have any linkage to the 90 to 95 per cent Indigenous rate of those incarcerated at Greenough Regional Prison? This is a classic example of future crime being the symptom and social infrastructure being the cause. Only when crime becomes sufficiently debilitating for communities

will the drive for them to become fully engaged, I believe, occur. It is a community problem and we are in a position to help solve it.

GOVERNMENT AND AGRICULTURE GOVERNANCE INFRASTRUCTURE

The fourth issue is government and its involvement in agriculture infrastructure. The major economic activity of the Agricultural Region electorate is agriculture and its supporting businesses. Of fisheries, forestry and agriculture, agriculture comprises about 92 per cent of output by value. Government has a distinct role to assist agriculture and fisheries in a catalytic way with its governance, strategic market structures and eradication of diseases and pests. Agriculture is the home of small business. Economic theory of the firm, as Paul Samuelson taught us in his text *Economics*, portrays agriculture as the closest to perfect competition of all industries—small firms, freely communicated technical information, innovation transparency, nearly always price takers, lack of market differentiation and a culture of management independence rather than corporate cooperation. No firm has the power to influence its marketing positioning in perfect competition. Individual firms are simply too small to build a sustainable competitive advantage in their markets, especially in bulk agricultural products. Where market differentiation is able to occur, it is precious. Agriculture has always talked of price making to enhance the returns to farmers but has rarely achieved it. When we do, it is often not recognised.

I have been involved in both wheat and wool where market differentiation for the producer has been achieved. The former was under a single-desk marketing system—I am sure I will experience views different from that in this place—with a bulk commodity and an integrated paddock-to-market quality assured system. The latter was with a small-sized specialist-developed product whereby the wool demonstrated superior processing performance. I have directly partaken in selling both wheat and wool directly to international markets.

The sustainable advantage captured by the marketing of our wheat was undermined when the cooperative structure of its marketing arm was dismembered, commencing in the early 1990s. As a dissenting member of the Australian Wheat Board, I opposed in writing the corporatisation model developed by investment bankers with industry leaders naive to its implications at the time. As a consequence, my appointment soon after was not renewed. Corporatisation with all its conflicts of interest was concluded in 1999, with final dismantlement in 2008. The most unfortunate part of this decision was that it was made with naiveté and ideology and in the absence of rigorous commercial analysis. Due to a lack of funding to bring together the authors of the various reports about single-desk marketing performance, nearly all of which determined it gave value to wheat growers, the differences between them and those who thought it was a disadvantage for wheat growers could not be analysed to find the reality as facts would best allow. A commercial conclusion falling either way could then have been justified. As a consequence, the dismantlement was structurally and politically driven and lacked commercial justification. A government having commercial priorities serving the industry would have acted differently.

The wool industry has languished for 40 to 50 years as a result of the vested interests of growers, auction house agents, exporters and processors. During the late 1980s and early 1990s when the floor price scheme for wool was causing a huge build-up of stock, all I could hear from ministers and senior public servants was that leadership must come from the industry. The problem was that the industry did not have the commercial and market sophistication to understand the implications of its inaction. Again, the resources were not available to fund independent, competent analysis, nor was there catalytic government leadership. I should add that the wool industry, despite being at yet another of its low points, has a future, and I declare an interest here. The solution for wool is simple with two parts—develop a fibre-specific brand strategy, especially one that focuses on next-to-skin wear; and develop a value chain quality assurance along one of the longest value chains of any industry in the world. The brand strategy will require investment; the quality assurance will be

cheap to implement and will be effective. As an aside, the industry must cease mulesing; in my view, the debate is a current market distraction to the main marketing game.

Each of the wheat and wool cases is similar, but not the same. The similarity is that rigorous independent examination was either not sought or could not be afforded. A few voices making loud rhetoric, aided by the press, had the superior impact, together with some fortunate political timing that could win the day. The critical analysis fell short; the truth was not pursued to the point that it yielded a non-ideological commercial solution. Funds to pay for independent analysis were not forthcoming. Catalytic leadership from government was absent. The agricultural constituency was rendered ill-informed. There was no plebiscite process by which the industry could elect options for action. Politics took over commercial decision-making; it is the classic case of a good scorer winning the day over a good player.

These cases exemplify the core issue facing agricultural production. Our major problem is not with production. What we are forgoing is the value-adding arising from poor strategic thinking beyond production. All the hard work of farmers is often being sold short. Even with arguably the best production technology in the world, it is governance and strategic market infrastructure that makes the productivity gap.

At the extreme contra end, governments spend enormous sums investigating the industry structure and governance of the banking system and financial industry. The banking system in the western world is made up of relatively few big players; it is quite different from agriculture. Australia has shown outstanding leadership, as distinct from the USA, in directing governance of the banking system. The Australian model needs to be followed by government for the agricultural industry; not so much in a directing role, but in a catalytic role—when I say catalytic role, I mean like a chemical reaction, in which a catalyst assists two parts to react—such that governments can assist the evolution of key decisions. Only then can the potential of agriculture be realised, and the industry made more attractive for young people to enter.

I know that governance and strategic marketing excellence in agriculture can be achieved. The US cotton industry achieved strategic marketing excellence when it restored the proportion of cotton in US apparel from around 35 per cent in 1975 to 60 per cent in 1990, as recounted in the book, *Cotton's Renaissance: A Study in Market Innovation*, by Jacobson and Smith, 2001. If the US cotton industry can turn itself around, so can Australia's wool industry and other industries. Similar remarks about deficient governance practices can be made about the two agri-political farming organisations operating in Western Australia and federally in respect of the National Farmers' Federation. This has been damaging to the state, in my view. As in the situation to which I referred earlier, industries with larger firms have been more able to get their governance together. Members should look at the Chamber of Commerce and Industry of Western Australia and the influence it has on government. None of these three agricultural organisations has the financial strength to hire or contract the resources to provide such analytical rigour for the key commercial decisions that need to be made for the industry.

Catalytic leadership from government is similarly important to assist agriculture's engagement with nature. Nature is unrelenting. It adapts at a much faster rate than we humans, especially farming humans. Tragically, much of the agricultural region has been contaminated by the introduction of pests, diseases, plants and viruses. Almost without exception, these have been introduced from environments foreign to Australia, particularly Western Australia, for which wonderful protection was provided by the Nullarbor Plain for so long. The decision to introduce these pests was largely made by the society of the day—by parliamentarians, through the measures they sanctioned, and through people's willingness to accept into Australia foreign plants and animals that were not sufficiently well researched prior to their local adoption.

Agriculture faces a similar threat from society with the potential introduction of genetically modified Roundup Ready varieties of canola. GM technology and its use in Western Australia are important. However, growing the Roundup Ready GM plants, crop plants with a glyphosate chemical that can be used to kill weeds but not the canola or other grain plants that have been bred to be resistant to the only knock-down chemical available to farmers, places grain growers at even more acute risk of weed resistance. Western Australia is already the world's capital for crop weed resistance. Once a glyphosate-resistant weed crosses into a paddock, the whole paddock will become resistant to glyphosate within around five years. Roundup Ready grain crops should not be commercially grown until we have a fallback position for glyphosate.

Controlling serious diseases and pests in Western Australian agriculture has in the past been attempted by governments with one hand tied behind their back, at expense to the taxpayer. The measures failed because they employed encouragement incentives only; this is not enough. Like nearly all policy measures, the eradication of pest regimes—such as footrot, lice, Johne's disease, doublegee, Paterson's curse and skeleton weed—requires a package of elements. The “carrot” approach needs to be joined with the “stick” approach, by which I mean heavy fines for non-compliance and complementary levies applied as appropriate.

Members should remember that agriculture comprises the largest small business sector in the state. Most people in the sector value their independence dearly. Most care deeply about the long-term condition of their land, and most have a planning time horizon of five to 20 years. However, there are some who have little regard for the broader implications of their behaviour. This small group can wreak potentially damaging changes when passionately pursuing short-term causes for their own agendas.

Unlike an industry composed of a few large corporations, small business needs a mechanism that can give it a template for industry ownership of solutions, given that informed, quality critical analysis is provided. Government can play a role in assisting small business to develop mechanisms of countervailing commercial power. Following a process of critical analysis of any material issue, be it governance, marketing or pest-related, there is a simple mechanism for an affected industry area that is facing these serious issues. It is an electronic plebiscite system, through which a predetermined majority is applied, be it 50 per cent, 60 per cent or 75 per cent. Only a template of this kind will reflect the industry's commercial and governance desires.

CLIMATE DYNAMICS

I turn now to the topic of climate dynamics. The climate debate is being pilloried in the same way as religion. I remain intrigued about how our most forceful disagreements are on issues as significant as religion and climate change, neither of which can be proved 100 per cent. We believe what we want to believe, regardless of the best knowledge available at a given time.

To briefly recount—I apologise if members are already familiar with these details—the Intergovernmental Panel on Climate Change, which was set up by the World Meteorological Organization and the United Nations Environment Programme, recognises vast complexities and balances of probability in reaching its conclusions. That is important. It bases its assessments mainly on published and peer-reviewed scientific and technical literature. The bad news from the IPCC is that, in its 2007 report—released nearly two years ago—it confirmed that warming of the climate system is unequivocal. These are very strong words. According to my notes, the report observed that of the more than 29 000 observational data series from 75 studies that show significant change in many physical and biological systems, 89 per cent are consistent with the direction of change expected as a response to warming.

There is worse news. The report also observes that there is very high confidence—“very high confidence” is defined as a chance of about nine out of 10—that the net effect of human activity since 1750 has been one of warming. Most of the observed increases in global average temperatures

since the mid-twentieth century are very likely—“very likely” is defined as a greater than 90 per cent chance—due to the observed increase in anthropogenic greenhouse gas concentrations; such gases include carbon dioxide, methane and nitrous oxide. The report observes that carbon dioxide is the most important anthropogenic greenhouse gas, and that its annual emissions grew by about 80 per cent between 1970 and 2004. Carbon dioxide from fossil fuel use comprises 59 per cent of the total greenhouse gas emissions over this period. Furthermore, the IPCC claims that over the past 50 years, the sum of solar and volcanic forcings would likely—“likely” is defined as a greater than 66 per cent chance—have produced cooling. That is something I did not realise. It is the rate of change that is most threatening. Intuitively, it makes sense; it took millions of years for forests to create underground carbon sinks. We are concentrating millions of years into a few hundred as we draw on these sinks and exhume carbon dioxide into the air.

We all know that the opposing view is that there is no global warming; that warming is due to climate variation that has always been there; or that warming has nothing to do with human behaviour. Professor Plimer’s best-selling book is the most recent. As a book reviewer said only last Saturday on Radio National’s book review program, Plimer’s unmarked sources for his tables, inconsistencies and lack of substance for his various claims render the book meaningless for the true debate on climate change. There have been others. The public needs to be vigilant. In a recent assessment—regrettably, I have misplaced the source—of the publications for and against climate change in United States newspapers, it was revealed that the number of reports was 50-50 for and against; but whereas the pro-climate change writers all had peer reviews of their scientific papers, barely any of those against had such peer reviews. Peer review is the time-honoured academic way of preserving the veracity of scientific conclusions over rhetoric, yet it seems sadly forgotten in the climate change debate.

May I put it to members this way? Would any of us board an aeroplane if there was a nine out of 10 chance of mechanical failure that would cause it to crash? Would any of us eat a food if there was a nine out of 10 chance that it had the potential to kill us? Would any of us place our entire net savings into a business if it had a nine out of 10 chance of totally failing? I contend that each of us would answer no to each of these questions! Therefore, the first consideration of climate change is risk management. Given the unequivocal “chance” of global warming occurring, the 90 per cent chance that it results from greenhouse gas emissions and that 59 per cent of greenhouse gas emissions comprise CO₂ released from fossil fuels, are we really willing to sit back and do nothing on the basis that it is either not happening or, if it is happening, that it is not caused by us; or do we accept that the do-nothing option is too big a risk? My view is that it is too big a risk for us to ignore. We will have to act in the belief that human activity is the main cause of climate change and global warming. Those who insist on not tackling climate change until it is 100 per cent proven that it is a result of human behaviour rather than sunspots or other solar forces, are taking an unconscionable risk. If in 20 to 30 years it is confirmed that it is caused by us, it will be too late—so late that a turnaround will have the most extreme economic consequences, far beyond those which the world economy has ever experienced. If CO₂ emissions are not the cause, we can always unwind the climate abatement measures without irreversible costs.

The second consideration is agriculture. Agriculture is yet to be understood by the former Kyoto Protocol architects, in particular the carbon cycle and soil carbon. Soil carbon, following research into lower cost measurement techniques, will take on a new role, as will the value of on-farm trees such as oil mallees, new perennial species on which Australian plant research is just beginning and methane-reducing micro flora for ruminants such as cattle and sheep. All it needs is a carbon price at a level to make this commercially viable. I have done some of this work and it is somewhere between \$40 to \$50 per tonne CO₂ equivalent. Those of us in agriculture and other industries who move first are the ones who are going to apply them to our own environments and new businesses and industries around them. My goal is that all fossil fuels and other costs should be priced to reflect

their true cost. We need to accept also that global warming mitigation is going to cost us all initially. Australia must be sufficiently brave to lead with climate change mitigating strategies. Others will quickly follow.

We must get an emissions trading scheme as soon as possible that can generate a carbon price. The greatest fault with the federal government's scheme is that the government is not putting us as citizens sufficiently in touch with it, in my view. It is a big business show at this stage. An emissions trading scheme has to be both a household and business show, and I think it is so easy to do. I think that every business and household should be required to calculate their carbon footprint once per year, like filling out an income tax return, with a tax equivalent booklet showing carbon dioxide equivalent emissions for inputs we consume based on the science of the day. There will be some goods and services tax equivalent accounting in this as well, but at the same time the government determines the carbon emission target reduction level to which we must conform by the specified time period. The resulting net carbon credits and deficits of each household and business together with the carbon reduction targets set by government will immediately generate a market and carbon price. It will also stimulate innovation. Carbon permit auctions, protection of low-income households and carbon pollution reduction scheme mechanisms can all still operate within this template. The difference is that all households and businesses drive the emissions reduction. The carbon-reducing culture will quickly become deeply ingrained in society. From the current situation of greenhouse gas emissions tracking the IPCC's worst-case scenarios of increasing CO₂ equivalent emissions every year, we will turn it around to greenhouse gas emissions decreasing every year, the objective of Professor Penny Sackett, Australia's Chief Scientist.

Regional Western Australia, of anywhere in the country and possibly the world, has one of the greatest resources of reliable sunlight, wind, wave and geothermal capacity, and proximity to functional towns. It will not take much to make these sources baseload relevant. Solar power, in either its photovoltaic or reflective mirror technology, fits into adding baseload capacity, for example, by storing the resulting steam from daylight generation in geothermal bores from where it can be released to drive turbines during the night. Regional towns are largely aware of the potential they hold. They are waiting for government to recognise the value and opportunity. There are many opportunities for agriculture and the Agricultural Region, with the only condition that where carbon is unable to be measured, those elements of agriculture should be excluded until measurement can be defined.

CONCLUSION

Members will be pleased that I am on my last page.

We can make the world a better place for mankind. Outstanding leadership of the Barack Obama kind, and what we have here in Western Australia, will be required at the top, but at the lowest, we each have the actual or latent capacity for degrees of leadership within our immediate community sphere. Like the amount and colour of the hair on my head, I reflect those around me and those who preceded me. They may not always have endorsed or agreed with me—that is where I would have taken over.

To my wonderful, courageous and strong wife, Jenny, and similarly our two sons, Charles, with his wife Natasha and their son Lukas, working in a human resources consultancy in Melbourne, and James trading bullion and playing both his football and piano in Sydney—they sustain my inspiration. To my late father and mother, who at 91 years is unable to make this evening as she did the induction, I thank them for never displaying any expectation, but for giving me the unconditional love that gives the foundation of emotional security and an example of the capacity for work with little complaint. I thank my dear brother Colin and his wife and family for their sustained support. I thank our close friends who helped counsel me on this career change, notably A.C. Chaudhri, my wonderful friend of India, David Hutt, our English brother-in-law, Hon Wendy

Duncan, and especially Brendon Grylls, together with those serving in this house and the other place who have got me here despite myself. I very much look forward to serving with each of you to advance the interests of the people of Western Australia and Australia. Thank you.

[Applause.]
