

PASTORAL RENTS

Grievance

MR I.C. BLAYNEY (Geraldton) [9.57 am]: My grievance is to the Minister for Lands and I thank the minister for taking the grievance. My electorate of Geraldton is the major service centre for quite a large part of the pastoral industry. This grievance is in response to the issues that I took on board while attending the Pastoralists and Graziers Association's recent conference in Broome. I did a grievance on the subject of pastoral rents on 15 October 2009. The minister's answer then was that it was a result of the valuations of the Valuer-General and that it was out of his hands. I will be frank and say that if nothing is done, the industry will be largely wiped out. It is on its knees now. My observation is that there is little or no capacity to pay the increases and, if insisted upon, there will be a large number of walk-offs or refusals to pay. Most pastoral leases are now virtually unsaleable.

The industry's parlous state in the southern rangelands has been brought about by droughts, increasing costs, the failure of the wool market support scheme and, most recently, the impact of wild dogs. The scale of this impact is hard to get your head around. Whole flocks in the tens of thousands have simply been wiped out. Although the government has allocated money via royalties for regions to address it, it is hard to yet see any result. Although this is not the subject of this grievance, I am constantly amazed that the advice given and acted upon by the Department of Agriculture and Food is that a bounty system on dogs will not work so it should not be tried. I say that the situation is so dire that it is worth trying anything.

A station I know in the Mt Magnet area recently carried about 30 000 goats. There are now a couple of thousand left; all the rest were wiped out by dogs. Meka station near Yalgoo was carrying 18 000 breeding ewes in 2009. It is now running 8 000. It cannot build its numbers, as the dogs are killing stock as fast as the stock can be bred. Meka station used to trap goats—usually 5 000 to 7 000 a year—but last year it sent away 68. Recently, I heard that Midwest Abattoirs Pty Ltd at Moonyoonooka had closed, which would have been caused primarily by the lack of stock. In the Kalgoorlie region, Mt Monger was running 15 000 merinos eight years ago. Now the property, which is just 60 kilometres east of Kalgoorlie, runs a handful on its nearly 300 000 hectares. It is worth noting that the animal welfare sector, which is so vocal in all other areas of livestock farming, has been silent on this genocide.

The disaster in the north is quite different. Dogs have not wiped out the industry, but they are a serious problem. Our northern cattle industry adapted to a niche market—live exports to Indonesia—with the adoption of bos indicus cattle, which are heat and tick tolerant and suited to Indonesian tastes. It seemed a perfect fit. However, the banning of live exports to Indonesia in June 2011 by the federal government dealt the industry an extremely serious blow. It is far more expensive to ship the cattle to southern markets, which prefer a bos taurus-type beast. Producers are switching to a hybrid type of cattle that should fit both markets, but switching breeds takes years. There are proposals for local processing in the north; however, the seasonality of the industry will make this very hard. There will also be issues finding labour. Frankly, the economics of it will be extremely challenging. Estimated losses to income due to the live export ban are in the region of \$100 000 to \$280 000 per property, and still counting. There is now an extra cost in double handling, with lighter stock suitable for live export having to be separated from those over this weight, which have to be sold into the domestic market. The numbers available via quota for live export are very restrictive, which means that for some properties that were previously totally engaged in live export, the number is now reduced to a small proportion of their turn-off.

Although most pastoralists accept that rents probably had to rise, there are some objections to the timing and amount of these increases, particularly when the industry is staggering. Keith Anderson from Jubilee Downs station informed me that in 2007, his pastoral rent for the Jubilee Downs and Quanbun Downs stations went from \$9 163 to \$47 062; this was later reduced to \$40 552 on appeal to the Valuer-General. Anna Plains station in the West Kimberley has endured a 400 per cent increase in rent from \$14 600 to \$74 000; this was reduced to \$57 000 on appeal. Some rents have risen by 700 per cent. I am told that Western Australian rents are now higher than those in both the Northern Territory and Queensland. I understand that Heytesbury took the rises to the State Administrative Tribunal, which is its only path for challenging the rent rises. The cost of doing so was in excess of \$100 000, which is far beyond the means of most pastoralists, but the case was lost.

These are significant increases that are not reflective of the current economic environment. I will quote section 123(2) of the Land Administration Act 1997, which states in part —

... the Valuer-General is to consult the Board concerning the economic state of the pastoral industry.

I have to question the level and quality of consultation if, following consultation, these rises have been brought in and allowed to stand. If the quote given to me by the Pastoral Lands Board is correct, the principles developed by the PLB in dealing with recommendations for rent relief were that the response should be commensurate with

the impact of the event, and the response should be equitably targeted at all pastoralists who were affected by the event.

Noting the above, I simply say that the best thing the minister can do on this issue is to abandon the rent increases and return the rents to where they were previously. A study needs to be done to assess what the industry can afford to pay. If this needs to be effected by legislation, so be it. The industry clearly has no capacity to pay the increases, and rather than helping what is still a valuable industry in Western Australia, the government's response seems to be an eagerness to wipe it out. The industry is expected to survive a perfect storm, with markets, dogs, the Australian dollar and the cost-price squeeze all running against it. In respect of the rent increase, it would be hard to find a worse example of bureaucratic incompetence and ineptitude. Frankly, the minister can either do nothing and watch an industry die or he can take a simple measure to put rents back to where they were and he may save it. For a government that has done so much good in the regions, and commenced useful changes to leases to allow new developments, the logic of this case should be easily understood.

MR B.J. GRYLLS (Central Wheatbelt — Minister for Lands) [10.03 am]: I thank the member for Geraldton for this grievance and I recognise the enormous amount of work he has done on behalf of the pastoral industry. He is the industry's strongest advocate in Parliament and he is right; he has grieved on this issue before and has raised it with me many times, and I recognise that and thank the member for Geraldton for his work on behalf of the pastoral industry in Western Australia.

The member is right that pastoral rents have increased substantially. The Valuer-General, under the act, re-values pastoral leases every five years, and the rents that are charged for pastoral leases flow from that. It has to be remembered that pastoral land is the asset of the Western Australian public, and that the Western Australian public would expect to get a fair return for that land. That return is determined by the Valuer-General setting the value of the leases and by the formula adopted by the Land Administration Act being applied to the rents. As a result of the long period between reviews, the last review saw some substantial increases—the most significant being in the Kimberley region. On average, rents across those five years went up by 200 per cent, but if we look at the rest of the property market across that five-year period, we can see that the entire market went up by 200 per cent; it was a period of great growth in property values across the state.

To put this in the context of the industry, the average rent paid by pastoral leases in Western Australia is \$9 000; half of Western Australia's pastoralists pay less than \$100 a week, or \$5 000 a year; and more than 90 per cent of pastoralists pay less than \$500 a week, or \$26 000 a year. But the member is correct in saying that there are some very large pastoral leases with big carrying capacity in the Kimberley region, and their costs have gone up substantially.

Given the pressure that the industry is under, the government has made quite a few decisions to try to mitigate these costs, and I think that this is a fact that is sometimes lost. Following the Valuer-General's decision to increase values, which flowed on into rents, the decision was taken to decrease the rent rate from three per cent to two per cent, leading to a saving to the pastoral industry of \$2.4 million per year. After the 2009 rent review, the government introduced a legislative amendment that allowed for the new rents to be phased in over three years. This measure represented a further saving to the pastoral industry of \$3.1 million over the three-year period.

In response to the live cattle export suspension in 2011, the scheduled rent increase was waived. This effectively reduced the total rent for the first half of 2011–12 by approximately \$500 000, which was well in excess of the rent relief applications received from the industry. Rather than having individual rent relief applications, we decided to waive the scheduled rent increase across the entire industry, leading to a saving of \$500 000. Again, on the Pastoral Lands Board's recommendation, the government has approved \$90 000 in rent relief over the last 18 months to individual pastoralists who have been affected by circumstances beyond their control.

These measures have resulted in savings to the pastoral industry of around \$10.8 million since we have been in government, compared with a total annual collected rent of \$5.1 million. We collect \$5 million a year in rent from the pastoral leases, but the decisions made by the member's government have relieved pastoralists of \$10 million in costs—two years' total collection has been directed back to pastoralists.

The member mentioned that Heytesbury took its rent increases to SAT, and that SAT decided that there was no reason to not continue to support the methodology used by the government. I think that the Heytesbury model is a good one to consider, and this is what I would like the member to take away from today. Heytesbury has three pastoral leases and the entire rent it pays to the state government is \$150 000. Heytesbury's carrying capacity across those three pastoral leases is 50 000 head of cattle, so Heytesbury's costs are \$3 per head of cattle per year. That is what Heytesbury pays to the taxpayers of Western Australia, who are the owners of its land and who rent that land. As we move into the finalisation of our rent review, that is the fact that I am considering most in terms of how the review is managed. I ask the member to bring back to me, from his contacts in the industry,

the average carrying capacity of pastoral leases divided by pastoral rent, and give me an idea of what that amount is, because given the value of the stock, I think—I would be happy to take an interjection from the member—that \$3 per head per year for a Kimberley cattle station is a relatively fair outcome.

Mr J.J.M. Bowler interjected.

Mr B.J. GRYLLS: Exactly—if the market is taken off them.

Western Australian taxpayers deserve a return for their land asset, and \$3 per head per year for the Heytesbury pastoral leases seems to me to be a fair outcome. I am sure that Mr Holmes à Court will be viewing this grievance today; he has given me a shot across the bow on several occasions. I keep telling him that I want to see what percentage of his operating expenditure is taken up by his pastoral lease rent, because when he puts it to me that pastoral leases are ruining his business, there has to be some justification. I have to understand why the Heytesbury pastoral business of 50 000 head of cattle could be ruined by \$150 000 a year, which is the equivalent of maybe two employees. Maybe it is not running at full carrying capacity, but I would very much like both Heytesbury and others in the industry to come back to me and give me the cost per head per year of running their pastoral leases, because that will be the issue that I look at most as we finalise the rent review process. As Minister for Lands, we are doing a lot on behalf of the pastoralists in this industry, including a major review of tenure models to try to provide more support to build stronger, more diversified businesses, but rent is the focus of the industry at the moment. The factor I want to look at is the cost per head of carrying capacity per year, and I want that from every pastoral lease. If the member can get that for me from pastoral leases in the rangelands, the Pilbara and the Kimberley, that will be the best way to do it.