**PRIMARY PRODUCERS EMERGENCY ASSISTANCE ACT AMENDMENT BILL 1982**

**Legislative Assembly, 14 September 1982, pages1009-**

Second reading

 **The Hon. W. E. CHAPMAN (Minister of Agriculture)** obtained leave and introduced a Bill for an Act to amend the Primary Producers Emergency Assistance Act, 1967­ 1981. Read a first time.

The Hon. W. E. CHAPMAN: I move: That this Bill be now read a second time.

Currently the Primary Producers Emergency Assistance Act, 1967-1981, provides only for the extension of financial assistance to primary producers adversely affected by drought and other defined natural calamities. The purpose of this Bill is to put into effect the agreement reached at a meeting of Commonwealth and State Ministers of Agriculture/Primary Industry in Melbourne on 6 September 1982 for the extension of low-interest carry-on loans to small rural businesses embraced by drought-affected areas. That decision reflects the potential severity of the current drought in South Australia and its already marked effects in other areas of the continent. Under the proposal, such businesses will be bound to demonstrate that they are in necessitous circumstances because of drought and that their activities are closely related to servicing primary producers. All loans to small businesses would be included in the State’s contribution under the Natural Disasters Arrangement with the Commonwealth Government and, in consequence, are required to be administered under the Primary Producers Emergency Assistance Act. Other minor refinements are incorporated in the Bill.

Clause 1 is formal. Clause 2 incorporates the definition of ‘small rural business’ to meet the spirit of the Ministerial agreement and adds the definition o f ‘rural liquidity’. Clause 3 serves to widen the application of Commonwealth moneys received under the Natural Disasters Arrangement to the area of small rural businesses. Clause 4 effects consequential amendments. Clause 5 empowers the Minister to extend loan moneys to small rural businesses affected by a natural calamity. Additionally, this clause strengthens the criteria for determining eligibility for both advances and grants to persons applying for financial assistance, and specifies that only advances (loans), and not grants, may be extended to small rural businesses. The power to recall loans is extended to all assisted applicants under the scheme.

Mr LYNN ARNOLD (Salisbury): The Opposition has indicated its willingness to proceed with this Bill immediately, because of the need to have the legislation passed by both Houses this week. As a result of that, we have not had the full time necessary to prepare our response to the matter. It ought to be noted that the second reading explanation reached my hand only a few minutes ago. My responses accordingly may be a little disjointed, and I apologise to the House in advance for that situation.

The Opposition supports the Bill. We believe that the proposal for drought relief initiated by the Federal Government and supported by the various State Governments of Australia, regardless of their political persuasion, deserves support from this Parliament. One may say, however, that there are certain innuendos about the whole programme which have raised the odd comment from many quarters. I will read from the 6 September issue of the Primary Industry Newsletter, whose initial comments on the whole scheme are as follows:

The sudden decisions by the Federal Government on drought assistance last week may be attributed almost entirely to Prime Minister Malcolm Fraser—his farm background, and his determination to keep available the option of a general election in November.

The Hon. W. E. Chapman: You are being cynical.

Mr LYNN ARNOLD: I am being cynical, because it is interesting to note that the Labor Party has had its own proposals at the Federal level on drought assistance as well, and I do not believe that they have been given the serious attention that they ought to have been given. John Kerin, the Federal shadow Minister for Primary Industry, has spelt out to the Parliament and the country the Labor Party’s attitudes.

The Labor Party’s drought policies were to encourage producers to protect themselves against the consequences of drought, to provide support in the event of severe, sustained drought so that valuable resources are not lost to agriculture and so that the family and farm business could be maintained, and above all, to create a system which is predictable and equitable. The present proposition of the Federal Government has a number of different features from earlier drought assistance schemes. For example, I refer to the interest subsidy that will apply on loans that have interest rates in excess of 12 per cent. Also, there is the application of cheap interest, cheap money for carryover loans, not only for this year but also for next year, and also for the provision of loans to enable restocking of farms. Also, of course, there are subsidies on the cost of water cartage and the transport of fodder and livestock.

That is a very broad ranging package. What is interesting, though, is that perhaps many people feel that it is only the Federal Government that is going to pay for that. Of course, it will not only be the Federal Government that will pay for that. Indeed, if drought relief for South Australia was to the tune of less than $3 000 000, the Federal Government would not pay one red cent of that amount because, as I understand the provisions of the Bill and the provisions of the package announced by the Federal Minister, we must pay the first $3 000 000 into. Consequently, this grand pre-election package by the Federal Government is a very cheap one for it as far as South Australia is concerned. It is not so cheap for South Australia, because of course we must provide that money. I have no doubt that Parties on both sides of this House will be quite prepared and quite happy to provide that money because of a belief that such assistance is necessary for that community involved. I make the comments I have just made on the basis of the fact that we know—

The Hon. W. E. Chapman: That is not quite the funding arrangement that will apply.

 M r LYNN ARNOLD: If the Minister could clarify that matter for members of the House in his reply we would appreciate that. The anticipated effect of the drought in South Australia is somewhat less than in other States, and I refer to the number of farmers who will be affected by the drought. Information provided in the primary industry newsletter suggests that throughout Australia there are nearly 170 000 farmers of whom nearly 86 000 could be considered to be drought affected, or 51 per cent of the total. The figures for South Australia indicate that there are 19 000 farmers and that 4 000 of those could be considered drought affected—in other words, only 21 per cent. The figures indicate that for New South Wales where 76 per cent of farmers are presumed to be drought affected; for Queensland, with 56 per cent and for Victoria with 53 per cent, the Federal financial commitment will be more significant. The Federal commitment for States such as Tasmania, Western Australia and South Australia will be less.

In looking at the full situation there are a number of elements that are quite important. Indeed, the running of farms in this country is very big business. That industry contributes significantly not only to the State’s finances but also to the Federal finances. Many thousands of millions of dollars are involved, not just in the provision of incomes for those who live on farms, but also in terms of capital replacement of machinery and buildings, which, of course, has a consequent effect upon the entire economy. I suppose it is for that reason that the programme does incorporate assistance for small businesses in country areas that could be presumed to be affected by the drought. However, that is one area which during the very short time that we have had to look at the Bill, has concerned us quite significantly. The Opposition would like to know exactly the specifics of how one determines whether or not a small business in a country area has been drought affected. We know from the very alarming increase in the number of bankruptcies of small businesses throughout Australia that small business is facing a crisis, one that has been responded to by the Labor Party by its firm policies on small business, and one which has indeed been recognised by the appointment by the Leader of the State Opposition of the Deputy Leader as shadow Minister for small business, as well as shadow Minister for other things. That recognises that small business throughout the country is in trouble. How does one define whether small business is in trouble due to the general economic malaise that may be prevailing in this country or derived from overseas as opposed to that which derives purely from the drought affected component? I understand that the Act provides a means of specifying that only country small businesses receive such assistance, making such assistance available only to companies employing people in country areas. I understand that there are means to preclude the large pastoral companies from receiving assistance so that only small business can receive it.

But there are a number of questions to be raised. For example, a farm machinery company could claim on the one hand that it had lost sales because of the drought and that therefore quite clearly it is drought affected, but on the other hand it might pick up on the maintenance side of its business, because of farmers being forced to keep their machines on the land much longer. Therefore, they would have to pay high maintenance bills. Such a business might be in the situation of losing on the swings but gaining on the slides. However, how will that be measured by those assessing applications as to whether or not a business is entitled to assistance under the drought relief programme?

The other point concerns how much small business in country areas is really directly related to the health of the rural economy and how much is just an on-going factor that is at a base level that is not directly affected by the rural community; in other words, that which is inelastic to the health of the rural community. I do not believe that there have been sufficient economic studies made of that matter. It would be a very interesting area about which to do economic studies. However, I do not believe that such studies have yet been done and any such study has not yet come to my attention. I want to make one comment in this regard in trying to go through some of the economic data available about the agricultural community and the way in which it has been affected in recent years: I was somewhat appalled at the paucity of information available in summary accounts of the state of the economy. I know that there is ample data available in year books and I know that there is ample data available from the relevant Federal and State Departments of Agriculture, but I would have thought that those comprehensive summaries of the whole state of the economy would have been wise to give some attention to the state of the agricultural economy when reflecting upon the state of the whole economy. I refer in that regard not only to such things as the Reserve Bank summary of the economy but also to the private bank summaries of the economy, those done by the A.N.Z., the Bank of New South Wales, and the like. It is very difficult to garner from those reports any information about the agricultural economy. I have some figures that I would like to have incorporated in Hansard concerning the problems that the agricultural community is facing. The agricultural community does constantly carry over a very large debt, first, for the purchase of land and secondly, for the purchase of machinery and for the holding of stock, and, of course, debts that result from past travails, such as drought. I seek leave to have inserted in Hansard, without my reading it, a graph which is purely statistical and which details the ratio of gross farm debt to net farm income for the years 1961-62 to 1982-83. Leave granted.



Mr LYNN ARNOLD: The graph shows the seriousness of the situation. Even if there are significant rains in country areas in this country before 30 September, the ratio of gross farm debt to net farm income will be as high as it has been almost during any period for that 21 years, save for 1967- 68 and for 1971-72; that is, if rain comes. If rain does not come until after 30 September the situation will be markedly worse and will be the worst for the past 21 years. If rains do not come before 31 October the situation will be dramatically worse.

That is why I incorporate those figures for the edification of members. It is of some concern that interest rate relief for home owners in this country has been a very long time in coming. Programmes offering important relief to home purchasers have had to be virtually squeezed out of the Federal Government. In the meantime many hundreds of thousands of Australians have gone through financial deprivation as a result. As one who lives in an electorate of people who have very high rates of mortgage payments to income, I know just what financial problems it presents. This is not the place to debate that matter but I just wish to note that it has taken so long for relief to come to them, and yet relief has come so quickly in this instance.

There is an interesting element here, the question of why full interest rebates should be given above 12 per cent. This deserves some analysis. The Federal Government, of course, is only offering tax deductions for interest above 10 per cent and that is somewhat less than this situation. It is true that the rate of interest on loans generally applying to the rural sector is somewhat higher and has grown more in recent years than that on home loans. In 1978 the maximum prevailing rate of interest on home loans was 10 per cent and it has now gone up to 13.5 per cent. The situation with the Reserve Bank Rural Credits Department is that their maximum has risen during the same period from 10 to 16.25 per cent. That is of some significance.

On the other hand, there is some good news for farm incomes, some amelioration of the position which should at least be acknowledged and, if I had a longer time than the agreement has provided me with this afternoon, I would go into that. I refer to the relative exchange rates between Australia and other countries. Looking at the trade weighted index of the average value of the Australian dollar vis-a-vis currencies of Australia’s major trading partners, one finds the position with the agricultural export community is better as at 28 July than it has been at any time since 1980. The index is presently 86.1, having reached a peak in June 1981 of 92.9. That is a relative improvement of about 7 per cent. Those sectors of the agricultural community that are exporting their products would of course receive a flow-on into their general farm income, provided that the drought leaves them very much to export. That does indicate that there is some good news for the agricultural community.

There are many other points I wish to make on this matter, but I am conscious of the fact that the whips have reached an agreement to expedite this matter and I certainly want to do the same. The Opposition supports the legislation before the House. It acknowledges that drought relief programmes are necessary and calls on the State and Federal Governments to give further and deeper consideration to the policies put forward by John Kerin, the Federal shadow Minister of Agriculture. I also ask that the Federal Government show the same degree of responsiveness to the many other people in this country suffering from the economic malaise from which this country is presently suffering.

Mr RUSSACK (Goyder): I commend both the Federal and the State Governments who have made it possible for this measure to be introduced. I strongly support the Bill before the House. I know that later the Minister will spell out the conditions that are involved in the provisions that have been made by both these Governments. There is no doubt it will prove to be of great benefit for the rural community. We must all accept the fact that small business is the backbone of any country community. When good business is being done in agricultural machinery there is a spin-off to other business in a country town. This morning I drove through about 180 kilometres of my electorate and, whilst I accept that there are some areas that are in reasonable heart, many other areas are in a state of severe drought. I note that the member for Salisbury read from a table which suggested that there would be certain improvements if we had rain by the end of September or by the end of October.

I agree that there would be some improvement, but I say there are many areas that at this stage would not be redeemed. Feed has burned off, crops have thinned out and have died in many patches of the country. Last week I had the opportunity of going around the Lochiel area and many of the crops there are in poor condition and, without rain, they are deteriorating daily. This is not an isolated case: it is the situation throughout much of the State, particularly in the Mid North and higher up.

This particular provision, which has been in existence for the assistance of farmers, will now be extended to help the proprietor of a small rural business so that that person might gain some carry-on finance to assist over this most difficult period. One small business, a partnership owned by a family in my electorate, has found it necessary to consider, if improvement is not forthcoming in the very near future, reducing the staff from 22 to 14. There are many businesses in this same predicament. I understand that finance for new machines on the floor of a small business costs something like 18 per cent. If a sale is not effected within a certain time, that interest rate increases to something like 23 per cent. This is just one of the difficulties confronting people in rural areas in the machinery business.

I do not wish to say any more, other than that one could talk for a long time bringing forward case after case where there will be the collapse of business enterprises but I am sure that, with the introduction of this measure, it will be of great assistance. Many rural communities will benefit by this legislation and many will take advantage of it. As far as the distribution of this money is concerned, there will of course be the necessary investigation. I am sure that those who are responsible will see that the money is used wisely, so that there will be, through the drought, a continuation of business so that those businesses will be there, ready to spring forth again into a virile and vigorous business when the rains have come. I commend the Bill to the House and I request members to support it.

Mr BLACKER (Flinders): I too commend the Bill to the House, and I trust that it will receive a speedy passage and the support of all members. I share the concern of the member for Salisbury that we have had very little advance knowledge of this amendment, but I recognise the urgency in passing the Bill. Over a number of years I have made requests about extending the provisions of the Primary Producers Emergency Assistance Act to incorporate small business men. The reason given in the past was that, if a primary producer is adequately supported, he in turn will pay his bills and help the small businesses.

While that may appear to be ideal and while one would hope that it was the case, in practice it does not work out that way. In many cases we find that the small business community that services the primary industries of this State is, in fact, carrying the can and has little access to any other financial relief. So we see that many of the small businesses go bankrupt because the primary producing sector is not really meeting its commitments.

Further to that, we must also look at the fact that small businesses, in many cases, are in-between organisations: they come between the primary producer and the major supplier. The major suppliers that are, in turn, servicing those small businesses quite often demand payment for their goods in advance and certainly on delivery. When the small business man makes that commitment he has to endeavour to recover his funds as soon as possible. That is where the chain breaks downs. This Bill will enable the small business man to take advantage of the funds that could be available to the primary producing sector in much the same way. The member for Salisbury was generalising when he referred to matters relating to the drought. I believe that we all find ourselves saying that the drought is a national disaster and things like that.

The member for Salisbury stated that, of the 19 000 farmers in South Australia, 4 000 have been affected by the drought. I noted that the honourable member cited that figure from a prepared statement, a newsletter of some sort. I believe it is fair to say (and the honourable member would recognise) that, since that newsletter was prepared, the figures would have altered dramatically.

Mr Lynn Arnold: That was on 6 September.

M r BLACKER: The figures alter week by week. As each week goes by, a larger proportion of the farmers in my district are finding themselves in an irreversible, irrecoverable situation. I do not take any particular point about that, but whereas the honourable member stated that 21 per cent of South Australian farmers are affected by drought, I believe that the number would now be considerably more than that. Certainly, in overall general terms, and not being able to forecast rain in advance, one could say that the drought is becoming very serious.

In overall terms, the drought is not as severe in South Australia as it is in other States. The point I wish to make is that, for the individual farmer and the individual small business person who happens to be in one of those drought pocket areas, it is an absolute disaster. This point must be recognised, and I believe that this Bill, from the very brief opportunity that I have had to look at it, provides flexibility so that people who are affected and who are in isolated situations can be assisted in some way. From that point of view, this Bill is good.

I do not wish to go any further other than to add my support to the measure. I foresee that there will be difficulties in administration and that some small business men who believe that they have a right to access to relief funds will find that they may not be eligible. I believe that we will experience a similar set of grievances as occurred when the first Primary Producers Emergency Assistance Act (and the revised Act of 1967) came in. At that time there was a lot of bargaining (if one might call it that) with people making claims for eligibility for such schemes. I think we will go through all that again in relation to small business houses. Hopefully, those in most need will be serviced and will be given the drought relief assistance that I.believe they justly deserve. .

M r LEWIS (Mallee): I have no intention of speaking for very long. I support the measure, as other members have indicated that they support it. In addition to the remarks that have already been made, I believe that one or two points can be made that further clarify the necessity for this measure at this time and with this haste. It is not only the rural community that is suffering and will benefit from this Bill: the entire national economy depends upon a healthy rural community, especially at a time when the income from mining products, as a significant contributor to the balance of payments position, is at an all time low. World metal prices are very depressed.

We now find ourselves with a national calamity. The situation is as bad in other places, if not worse, than it is in South Australia. We have had no rain, and we rely on rain. In any business there are cyclical fluctuations in prices depending on supply and demand, and that makes things risky. In the rural industries the situation is more risky because of the added uncontrollable, unpredictable element of weather. If it does not rain, there cannot be a process called photosynthesis that is conducted in the leaves of plants whereby solar energy is assimilated with the combination of water and carbon dioxide. That enables grain to be produced and vegetation to be grazed, and the desired commodities to be found and sold. When it does not rain, that does not happen, and we lose.

If we were not to keep the rural sector of the Australian economy healthy, we would be in dire straits in future, because we have never had such high interest rates as at present. The necessity to ensure that the rural communities can survive intact as far as possible, according to every other criterion for viability, is very important, and this Bill ensures that they can. Why is it important? Because, if we were to allow those farmers and small business men who are adversely affected by unpredictable drought to be subject to liquidation, those people would come into the cities seeking accommodation, social services and welfare assistance, which are already stretched. That would be a more expensive exercise for the national economy than to keep the people where they are, to keep the enterprises together, and to keep the prospect of a swift recovery (as referred to by the member for Goyder) all that much more intact. I will not delay the House any longer, but I stress the importance of this measure not only to rural communities but also to the whole community throughout the length and breadth of this State and this nation.

Mr GUNN (Eyre): I wish to make a brief contribution to this debate because parts of my district would be as badly affected as any other part of the State. The member for Salisbury said that if we had rain by 30 September the effects of the drought would be lessened. That is certainly true of parts of this State, but parts of my district would not be helped if we had substantial rain, as it has not yet been possible to sow the crops. If members looked at the area around Quorn and Hawker, they would be fully aware of the parched nature of the soil in that part of the State.

It should be clearly understood that the effects of this drought will be serious for the whole South Australian economy. I was interested in what the honourable member said about the Federal A.L.P. spokesman on primary industry, because one can only accept what people say and, when one examines what they did when they were in Government, it will be seen that in the history of this country no Government has made a stronger attack on the rural industry than did the previous A.L.P. Government. It launched the most savage attack on the primary industry that has ever been launched.

The Hon. J. D. Wright: Wriedt was the most popular Minister ever.

Mr GUNN: Perhaps I could describe Senator Wriedt as being one rose amongst a lot of thorns. He had a reasonable understanding, after some time. However, the others were academic planners who had no idea whatsoever. I want to refer to the so-called spokesman on agriculture in this State. Over the past week-end I travelled around my district, and many of my constituents—

The SPEAKER: Order! The honourable member will confine himself to the clauses of the Bill.

Mr GUNN: Certainly, Sir. I am delighted with what is contained in the clauses. I was about to comment that many people who have been affected by the drought were most upset by the comments of the Labor Party spokesman in this State and expressed to me very strong sentiments about those comments, which inferred that they were dishonest and would be using the system. When I attended a large gathering at a football grand final about a week ago, I was amazed by the reaction of the people.

Mr Keneally: You told them that that was not what he said.

 Mr GUNN: I would suggest to the honourable member for Stuart, who knows nothing about this subject or about many others in which he gets himself involved, ought to confine his remarks to something about which he knows something. I am aware of what happened to the small businesses in my district during a previous drought. In towns like Streaky Bay persons employed as mechanics in machinery agencies were devastated because there was no work for them. Some garages were virtually placed in the position of being on the brink of closing down. It has taken considerable time for those businesses to be built up. I would hate to see those people go out of business because their services will be required again in the near future. Steps, such as income equalisation deposits, have been taken, and they will certainly alleviate the effects in some areas. I do know some people who will probably have to buy their seed to plant next year’s crop, and those people are well and truly behind the eight-ball. I am therefore pleased that both Governments have seen fit to extend this arrangement to those people in the rural community, namely, the small business men and women who will also be affected by the drought. I hope that the measure has a speedy passage through the House.

Mrs SOUTHCOTT (Mitcham): I regret that this debate, which I thought would be above Party politics, seems to have become of a Party political nature. I support the rapid passage of this Bill because I believe it is of importance. However, I would like to make the point that I oppose the quick passage of any Bill that does not allow one sufficient time to study it in detail. With other speakers, I foresee there may well be some administrative problems, which I hoped would have been sorted out. I am surprised that, with the difficulties that have been known for some time in extending this sort of relief to small businesses, such measures could not have been brought in earlier to allow for times of stringencies such as this, so that there would have been sufficient time to study the Bill and so that we could sort out any anomalies.

Mr EVANS (Fisher): I support the Bill but I wish to make the point, and to give the Minister an opportunity of answering it in his reply, that during previous droughts many businesses within the metropolitan area that are solely dependent on the rural industry have been able to use their personnel on other work effort or, if the business could not continue to employ them, the employees have been able to get other work of a similar nature with other companies because we have had a period of over-full employment. This is the first major drought that has occurred while we have an unemployment problem throughout the country and in the Western world, resulting somewhat from the drought. Can the Minister say whether, when considering small rural businesses, we are also considering businesses in the metropolitan area employing people but dealing directly, in the main, with the rural sector?

The Hon. W. E. CHAPMAN (Minister of Agriculture): I would like to place on record my appreciation of the support of this measure from both sides of the House as well as from the Independent Parties. I take this opportunity further to indicate that the Government in this instance recognises the vitally important contribution that agriculture generally makes to the economy, and the welfare and development of South Australia. It is in that light that the Commonwealth in this instance has proposed an extension to the core measures that apply to what has been a longstanding Commonwealth-State agreement to assist our primary sector in times of need.

The member for Salisbury referred to those core measures and I think quite unconsciously cited in his remarks points that do not apply to the Commonwealth-State contribution. To clarify for the record the several parts of those core measures, I point out that carry-on loans to farmers, freight concessions, stock slaughter payments, plus, under this new Bill, carry-on loans to small rural businesses come out of a fund to which in each financial year the State must contribute $3 000 000 before it qualifies for any Commonwealth Government assistance and that for those several measures mentioned, $3 000 000 having been lent in one financial year, the contribution from thereon is $3 from the Commonwealth to $1 from the State.

The other additional measures that the Commonwealth has now introduced are entirely funded by the Commonwealth quite separate from the Commonwealth-State funded scheme. I refer to the interest rate subsidy, wherein the Commonwealth Government proposes to pick up the interest rate over 12 per cent on debts held and loans entered into where those debts attract 12 per cent or more on primary producers. It also proposes to fund at 50 per cent the cost of fodder purchased in those drought affected areas. When I speak of areas in South Australia, it is acknowledged by the Commonwealth that we do not define regions or districts of the State in the drought affected capacity but that each application from each property is dealt with on its merits.

The member for Fisher raised an important point, as to whether we proposed to assist people who may qualify in all other areas of the criteria laid down but who happen to be located in the city. If those businesses are solely owned, run by a partnership or by a proprietary company, indeed, they qualify to apply in the same way as does any other business in an out-of-town region or country village situation. The only businesses that will not qualify are those which are corporate or public companies. I think those points are clearly cited in the second reading explanation to the House. If there are any further questions on the matter I would hope they will come forward in Committee.

I appreciate Parliament’s accepting the importance of this measure. I assure members that some careful research has been undertaken. It is the most appropriate Act under which these funds should be extended. Because of the restrictive nature of the Primary Producers Emergency Assistance Act, it is necessary for us to cover small businesses which are clearly in need and clearly the first section of the community to be affected as a result of the drought, or a similar calamity.

Bill read a second time and taken through its remaining stages.