CANEGROWERS Burdekin

Submission

to the

Productivity Commission Inquiry

into the

Impact

of

Competition Policy Reforms

on

Rural and Regional Australia

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141 Young St
Ayr Qld 4807

Introduction

The Burdekin District is the largest irrigated cane-growing region in Australia, producing 20% of Australia's sugar. There are 850 cane growers in the district who produce 8.5 million tonnes of cane each year, which is valued at $400 million per annum. This sugar is exported through the Port of Townsville after processing at CSR's raw sugar mills located in the Burdekin.

The recent development of the Burdekin Dam ($150million) and irrigation area ($250 million) has provided additional water to allow the development of 25,000 hectares of grazing land for crop production. The sugar industry has consequently grown from 4 million tonnes of cane in 1988 to 8.3 million tonnes this year (1998), with further expansion to 10 million tonnes of cane possible. The dam has a storage capacity of 1.8 million megalitres and is about 85% allocated.

The Burdekin Shire is serviced by the Towns of Ayr (pop.8,000), Home Hill (pop.3,000) and Giru (pop.500).

Review of Queensland Sugar Industry Act

The recently completed review of the Queensland Sugar Industry under NCP guidelines has created considerable angst amongst out members. Canegrowers Brisbane has made a separate submission to the Senate Select Committee and to the PC inquiry on these issues so I will not dwell on the details here. However, the perception of our growers is that the NCP led directly to the loss of the Sugar Tariff and has therefore been against growers' interests. The uncertainty has been destabilising and growers have been reluctant to invest further in the industry because they fear further deregulation, which will erode the value of their farms.

NCP has contributed to a perception that the government no longer values or supports rural industry and that growers are expendable. Information technology and service industries (e.g. Eco-tourism) are now flavour of the month. Assistance to agriculture is termed "propping up"whereas assistance to other industries (e.g. cars / textiles) is deemed necessary to maintain jobs in other states. The lack of even handedness when applying NCP principles is a concern.

Local Government

The Burdekin Shire Council has increased rural rates by 45% in the last 5 years, which has caused an outcry from farmers. The Council argues that cuts to State & Federal government grants have left them with no alternative. Council says it could contract services and inputs from outside the Shire (e.g. Brisbane) at lower cost but this would reduce employment and business activity in the Shire i.e. the net public benefit for the community is served by paying more to local suppliers.

It is incongruous that growers are asked to bear the brunt of NCP reforms through rising water charges and the loss of the Sugar Tariff, but they do not receive the benefits of competitive tendering by the Local Council through lower rates.

COAG Water Reforms

The move to install Local Management Committees in irrigation areas is supported but there is concern over the financial implications. The governments desire to retrieve infrastructure costs for sunken investments are a concern. The Burdekin dam and irrigation area was built in the 1980s and early 1990s and the scheme fulfilled part of the economic and social development strategies for rural and regional areas at that time.

If the government now requires even a one-percent return on capital investment from the Burdekin scheme it will push up water charges nearly 50%. Given that 100% of the Burdekin's sugar is exported and growers are price takers on world markets, they have no capacity to pass increases in costs on to consumers. Higher water charges will reduce water usage and hence crop yields, impacting negatively on the regional economy.

Banking & other Local Services

The loss of bank branches in Home Hill and Giru has reduced the accessibility and convenience of banking services. This has increased the drift of trade to major centres (e.g. Townsville) about one hours drive away.

The loss of banking services and rail services to our smaller towns has encouraged other stores and businesses to relocate to the larger town of Ayr. This creates a downward spiral, making it harder to attract doctors, dentists and other mobile professionals to locate to these communities. A rural community needs a critical mass of services to be healthy, otherwise schools lose students, rail services are curtailed etc.

Farmers are not large users of electronic banking services and ATMs, preferring to deal face to face with bank staff. This reflects the older age of rural residents (particularly farmers) compared to their city cousins. Farmers feel that technological progress should not be at the cost of maintaining personalised assistance.

Electricity

In the past growers could have capital works installed on their farm and the electricity wholesaler/retailer would recoup the investment through extra power sales.

Commercialisation of the operations of the electricity authority has led to large increases in the up front capital charge to growers, albeit with lower annual power bills. Farmers preferred the old method, which allowed them to meet the cost out of profit from using the additional power.

Telstra Privatisation

There is a common held belief in rural communities that service has declined with privatisation, particularly in correcting faults and installing lines. We view with concern further privatisation if it erodes the level of services in country areas.