

13 July 1999

## A Submission to the Productivity Commission

Quote from the Ex-Chairman of S.E. Graziers Association – Jim Tyrell, with the backing of an economics committee comprising Professor T. Coulsen and economists, Mark McGovern and Ben Rees – "Debt is the single most pressing problem in rural Australia today."

Debt is the reason for the rural exodus – as much as 30 to 50%, and nowhere, so far, have I been able to see where the productivity commission is addressing this problem. My interest stems from a life-time spent in the so-called outback and my family of 3 sons and a daughter are still actively engaged in the outback.

The most comprehensive report on debt is the Queensland Rural Reconstruction Authority Report of 1995-96 West of the Divide.

YEAR	AVERAGE DEBT	INCOME	INTEREST
1995/96	\$358.000	\$50.000	\$46.540 (13%)
1996/97	\$400.000	\$45.000	\$44.000 (11%)
1997/98	\$400.000	Approx 80% Negative Incomes	\$40,000 (10%)

Even though interest rates have fallen to 6½% for home borrowers this equates to 8½% to 10% for Rural borrowers. Interest rates are far too high for people to reduce their debt.

The only solution is long-term, low interest loans financed by the Reserve Bank of 1% interest over 20 years. This was the basis for the very successful Rural Reconstruction scheme of the 70's and earlier, and which operated at no cost to the taxpayers.

It was done before so it can be done again and the only impediment is the will of the politicians. People in rural areas, either in small towns or properties, want to pay off their debt. This was illustrated most convincingly recently when the western Queensland Local Government Association met comprising 15 Western Local Authority Shires and unanimously carried a motion supporting the Reserve Bank power of issuing credit at 1% over 20 years for rural based enterprises

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# AAGIS regions in Queensland

For Local Government Areas in each region, see over

## QRAA RDQ 1995 Survey

ABARE March quarter 1996 report expects broad-acre farm income this year of \$52,000 to fall to \$46,400 in 1997. Average interest payable west of the divide is \$46,545 per borrower per annum.

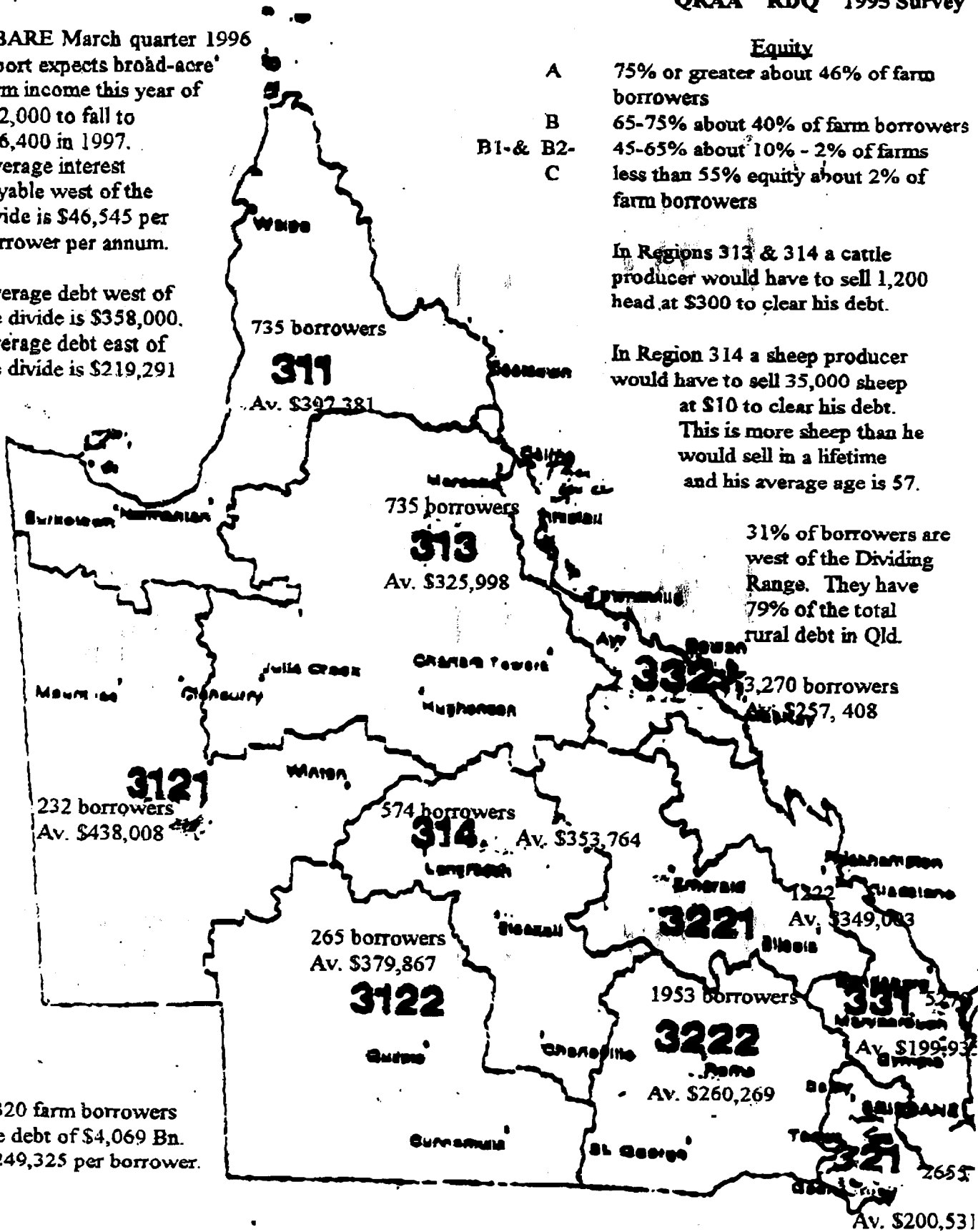
Average debt west of the divide is \$358,000. Average debt east of the divide is \$219,291

- Equity**
- A 75% or greater about 46% of farm borrowers
  - B 65-75% about 40% of farm borrowers
  - B1- & B2- 45-65% about 10% - 2% of farms
  - C less than 55% equity about 2% of farm borrowers

In Regions 313 & 314 a cattle producer would have to sell 1,200 head at \$300 to clear his debt.

In Region 314 a sheep producer would have to sell 35,000 sheep at \$10 to clear his debt. This is more sheep than he would sell in a lifetime and his average age is 57.

31% of borrowers are west of the Dividing Range. They have 79% of the total rural debt in Qld.



16,320 farm borrowers have debt of \$4,069 Bn. - \$249,325 per borrower.

FROM :

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JUL. 14 1999 02:27PM P1

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RE: SUBMISSION

3 pages including this one.

BUSH?