**RURAL INDUSTRY ADJUSTMENT (RATIFICATION OF AGREEMENT) BILL****1990**

**Legislative Council, 8 November 1990, pages 1666-7**

Second reading

Received from the House of Assembly and read a first time.

The Hon. C.J. SUMNER: I move: That this Bill be now read a second time.

I seek leave to have the second reading explanation inserted in Hansard without my reading it.

Explanation of Bill

In introducing this Bill, the Government is continuing its 1985 commitment that any future rural adjustment agreements will be individually formalised by the introduction of a short approving Bill, and is also continuing to effect rationalisation of legislation in the interests of efficiency.

The Bill repeals the Fruitgrowing Industry (Assistance) Act 1972 and the Beef Industry Assistance Act 1975 and ratifies the Commonwealth-States-Northern Territory Rural Adjustment Agreement 1989, which is authorised under the States and Northern Territory Grants (Rural Adjustment) Act 1988 of the Commonwealth assented to on 12 December 1988.

The Fruitgrowing Industry (Assistance) Act 1972, which provided grants for a tree-pull scheme for the removal of peach and pome trees and the Beef Industry Assistance Act 1975, which provided financial assistance to specialist beef producers are to be repealed because there are no longer any active accounts in either of these schemes. Furthermore, residual amounts in the Fruitgrowing Assistance Fund which was associated with the Fruitgrowing Industry (Assistance) Act 1972 was transferred to consolidated revenue in 1983 and the last repayments on amounts advanced by the Commonwealth Government under the Beef Industry Assistance Act 1975 were made in 1985.

Following negotiations in 1980 the Commonwealth and States agreed to certain changes in the method in which Commonwealth funding was made available to the various States for rural adjustment schemes. The 1988 agreement replaced one originally made in 1985, and subsequently amended in December 1986. The new agreement allows provision of assistance similar to that of previous rural adjustment schemes but with increased emphasis on adjustment, greater managerial and financial flexibility and therefore increased accountability for the States and Northern Territory. As before, assistance falls into three categories:

Part A provides assistance to marginally non-viable primary producers for farm build-up, farm improvement and debt reconstruction purposes.

Part B assistance is for carry-on finance for eligible farmers in rural industries or regions experiencing a severe short-term downturn.

Part C provides household support and re-establishment assistance to support farm families while they decide whether to adjust out of farming and if so, to enable orderly realisation of their farm assets and to help with their subsequent off-farm re-establishment.

There have been refinements to the funding arrangements and major changes to some assistance measures although subsidies and grants provided by the Commonwealth continue at the same rates as in the previous scheme.

To date most of the changes to the Commonwealth-State agreements have involved the amount of interest rate subsidy that the Commonwealth pays to the States.

In the 1985 Commonwealth-States-Northern Territory Rural Adjustment Agreement the Commonwealth instigated a scheme of providing annual grants to subsidise the interest cost of borrowings by the State to fund loans to farmers. The 1986 amendment to the Commonwealth-States-Northern Territory Rural Adjustment Agreement limited the amount of interest subsidy by defining a maximum interest rate that could be used in the subsidy calculation. The Federal Minister nominated the Primary Industry Bank of Australia to be the benchmark lender.

The 1988 Commonwealth-States-Northern Territory Rural Adjustment Agreement provides, in essence, that under Part A the total amount of interest subsidy for any given year is now determined as the additional subsidy for that year plus the sum of similar determinations for the previous six years.

Also under the new agreement a State may allocate Part A assistance between farm build-up, farm improvement and debt reconstruction as it sees fit without the requirement of meeting target percentages specified by the Commonwealth. A State is now entirely responsible for bad debts arising from its lending or interest subsidising activities in contrast to the former 5 per cent of total borrowings. However, assistance received from the Commonwealth and any surpluses earned may be used in providing for such bad debts. Trading in land by the States is also possible under Part A of the new agreement. Carry-on finance for drought recovery may now be included in Part B assistance.

Significant changes have been made to Part C assistance. Household support is now available for up to one year unless clients genuinely attempt to sell their farming assets at realistic prices in which case it may be extended for a further year (reduced from two years). Assistance is provided as a secured loan which is only converted to a grant if clients' farming assets are sold within two years (30 months in certain circumstances) of first receiving household support. The maximum amount available as a re-establishment grant has been increased from the former $8 000 to $28 000 indexed (in line with the Consumer Price Index) from 1 July 1988.

Despite the greater accountability imposed on the States (reflected in the more detailed reporting required by the Commonwealth) the new rural adjustment scheme provides scope for more effective assistance to primary producers because of its greater flexibility and enhanced adjustment measures.

Clause 1 is formal.

Clause 2 provides for retrospective operation of the Act.

Clause 3 defines 'the Agreement'.

Clause 4 repeals the Fruitgrowing Industry (Assistance) Act 1972 and the Beef Industry Assistance Act 1975.

Clause 5 gives approval to the execution of the Agreement and ratifies Acts of the Minister done in anticipation of the Agreement coming into force.

The Hon. PETER DUNN secured the adjournment of the debate.