



# JOINT STATEMENT

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## MAJOR REFORMS FOR THE PRIMARY INDUSTRIES AND RESOURCES SECTOR

"The restructuring and redirection of Commonwealth policies for the primary industries and resources sector announced in tonight's May Economic Statement are the most fundamental reforms undertaken in this sector for many years," the Minister for Primary Industries and Energy, Mr Kerin, and the Minister for Resources, Senator Cook said tonight.

The initiatives announced tonight are the culmination of an Industry Development Review foreshadowed by Mr Kerin in last year's Budget.

The Minister undertook to reassess policies in his portfolio and to examine the direction and nature of assistance measures as well as the degree of industry regulation.

The Ministers said the initiatives resulting from the Industry Development Review dovetailed with those announced in the May Economic Statement, particularly general tariff reductions and business taxation reforms.

The benefits from improved economic performance are hard to estimate in monetary terms but will certainly be felt in reduced costs for the sector, contributing further to improved terms of trade.

More fundamentally, the reforms will contribute to a better standard of living for all.

Highlights of the Industry Development Review decisions are funding of \$47 million for soil conservation and salinity mitigation over the next three years, the termination of subsidies for agricultural fertilisers with estimated savings of \$50 million in 1988-89, reform of assistance provided under regulated primary industry price arrangements and new principles for the provision of crop underwriting.

"With these reforms the Government is providing positive assistance to industry while moving right away from defensive border protection and subsidies," the Ministers said.

Other changes include extra funding of \$14.3 million to allow completion of the Brucellosis and Tuberculosis Eradication Campaign by 1992, increased funding for exotic animal disease preparedness, revised administrative arrangements for the Rural Adjustment Scheme including \$5.3 million more for new assistance in 1988-89 to a total of \$56.4 million, and \$5 million over three years for a new marketing skills program as an initiative within the Innovative Agricultural Marketing Program.

INDUSTRY DEVELOPMENT REVIEW

STATEMENT TO PARLIAMENT  
25 MAY 1988

MINISTER FOR PRIMARY INDUSTRIES AND ENERGY.

FOR THE INFORMATION OF HONOURABLE MEMBERS, I PRESENT THE REPORT OF THE INDUSTRY DEVELOPMENT REVIEW ENTITLED "PRIMARY INDUSTRIES AND RESOURCES - POLICIES FOR GROWTH".

MADAM SPEAKER, I SEEK LEAVE TO MAKE A STATEMENT ON THE REPORT.

THE CREATION OF THE DEPARTMENT OF PRIMARY INDUSTRIES AND ENERGY LAST YEAR HAS PROVIDED A VERY TIMELY OPPORTUNITY TO RE-ASSESS AND RE-ALIGN, WHERE NECESSARY, THE POLICIES AND PATTERNS OF ASSISTANCE TO THE PRIMARY INDUSTRIES AND RESOURCES SECTOR.

BUT THE REVIEW ITSELF DOES MORE THAN THAT. IT ALSO RECOGNISES THE LINKAGES WITHIN THE ECONOMY. IN PARTICULAR IT RECOGNISES THAT ECONOMIC ACTIVITY AND GOVERNMENT POLICY IN ONE AREA SPREAD THROUGH THE ECONOMY AND AFFECT THE COST, THE OUTLOOK AND THE PERFORMANCE OF OTHERS. BY DOING SO, IT FORMS AN IMPORTANT ELEMENT IN THE GOVERNMENT'S ACHIEVEMENT OF BRINGING A TOTAL PERSPECTIVE TO ITS MICROECONOMIC REFORMS.

AS EVIDENT IN THE REPORT TABLED TONIGHT, MY REVIEW ENCOMPASSES NOT ONLY POLICIES AND EXPENDITURE PROGRAMS, BUT ALSO RELEVANT TAX MEASURES, THE EFFECTS OF PROTECTION WITHIN THE SECTOR AND WITHIN MANUFACTURING, AND THE DEPENDENCE OF THE SECTOR ON TRANSPORT AND INFRASTRUCTURE INDUSTRIES.

BEFORE OUTLINING THE RESULTS OF THE REVIEW, LET ME SAY THAT OUR RURAL AND MINING SECTORS ARE ALREADY VERY EFFICIENT INDUSTRIES. IN THE FACE OF THE PROLONGED AND CONTINUING DECLINE IN THEIR TERMS OF TRADE, NOT TO MENTION THE COLLAPSE OF COMMODITY PRICES, THEY HAVE CONTINUED TO PLAY A CRUCIAL ROLE IN MAINTAINING OUR ECONOMIC WELL-BEING.

ALTHOUGH THERE ARE STILL PROBLEMS IN CROPPING INDUSTRIES AND THE COAL INDUSTRY, BY AND LARGE THE PRIMARY INDUSTRIES AND RESOURCES SECTOR IS SHOWING SIGNS OF RECOVERY AND PARTS OF IT ARE THRIVING. THIS AUGURS WELL FOR OUR ABILITY TO OVERCOME NATIONAL ECONOMIC PROBLEMS.

BUT WE CANNOT ASSUME THAT THE REVIVAL IN COMMODITY PRICES ALONE WILL SOLVE OUR ECONOMIC PROBLEMS. WE MUST CONTINUE TO IMPROVE OUR EFFICIENCY AND THEREBY OUR TRADE COMPETITIVENESS.

AS MY COLLEAGUE THE TREASURER HAS DESCRIBED, THE GOVERNMENT WILL INTRODUCE A RANGE OF MEASURES TO FURTHER IMPROVE RESOURCE ALLOCATION AND EFFICIENCY ACROSS THE ECONOMY.

THESE INCLUDE PHASED REDUCTIONS IN INDUSTRY ASSISTANCE LEVELS WITH A SHIFT IN EMPHASIS AWAY FROM BORDER PROTECTION TOWARDS POSITIVE ASSISTANCE TO PROMOTE COMPETITIVENESS AND STRUCTURAL ADJUSTMENT. THEY ALSO INCLUDE FURTHER IMPROVEMENTS IN THE EFFICIENCY AND NEUTRALITY OF THE TAX SYSTEM.

THESE REFORMS, TOGETHER WITH THOSE CONTAINED IN THE INDUSTRY DEVELOPMENT REVIEW, WILL ENABLE OUR TRADED GOODS SECTOR, INCLUDING AGRICULTURAL AND RESOURCE INDUSTRIES, TO BECOME EVEN

MORE EFFICIENT AND TO COMPETE MORE EFFECTIVELY IN AN INTERNATIONALLY COMPETITIVE ENVIRONMENT.

THE INDUSTRY DEVELOPMENT REVIEW THEREFORE REFLECTS, AT A SECTORAL LEVEL, THE LONGER TERM OBJECTIVES WHICH ARE CENTRAL TO THE GOVERNMENT'S OVERALL MICROECONOMIC POLICY REFORMS.

BUT OF COURSE ACHIEVING THESE OBJECTIVES IS ONLY A MEANS TO AN END. THE GOVERNMENT'S FUNDAMENTAL GOALS ARE GREATER AND MORE EQUAL OPPORTUNITY, SUBSTANTIAL IMPROVEMENTS IN LIVING STANDARDS, AN ENHANCED QUALITY OF LIFE FOR THE NATION AS A WHOLE AND CARE FOR OUR ENVIRONMENT.

IN SEEKING GREATER INDUSTRY EFFICIENCY AND COMPETITIVENESS WE ARE SEEKING A BETTER STANDARD OF LIVING FOR ALL.

OUR LONG-TERM OBJECTIVES CAN BE GROUPED INTO THREE CATEGORIES:

- . ENHANCING PRODUCTIVE CAPACITY;
- . DEVELOPING A MORE RESPONSIVE INDUSTRY STRUCTURE; AND
- . INFLUENCING AND RESPONDING TO THE EXTERNAL ENVIRONMENT.

FUNDAMENTAL TO ENHANCING OUR PRODUCTIVE CAPACITY IS THE PROTECTION OF OUR NATURAL RESOURCE BASE. THE GOVERNMENT AIMS TO MANAGE OUR NATURAL RESOURCES IN A WAY THAT ALLOWS CONSERVATION TOGETHER WITH SUSTAINABLE DEVELOPMENT. WE WILL PROVIDE FUNDING OF MORE THAN \$47 MILLION OVER THE NEXT THREE YEARS FOR SOIL CONSERVATION AND SALINITY MITIGATION

WITHIN A CO-ORDINATED NATURAL RESOURCE MANAGEMENT POLICY THAT WILL ALSO INCLUDE WATER MANAGEMENT AND REAFFORESTATION.

A NATIONAL RESOURCE INFORMATION CENTRE WILL BE ESTABLISHED TO ENSURE THAT AN ADEQUATE KNOWLEDGE BASE ON THE EXTENT, STATUS AND NATURE OF OUR NATURAL, MINERAL AND ENERGY RESOURCES IS DEVELOPED.

JUST AS IMPORTANT IS THE DEVELOPMENT OF OUR HUMAN RESOURCES. ADDITIONAL FUNDS WILL BE PROVIDED TO DEVELOP RURAL EDUCATION AND TRAINING INITIATIVES AND TO IMPROVE THE ACCESS OF RURAL AND REMOTE COMMUNITIES TO THESE SERVICES.

OVER \$1 MILLION WILL BE SPENT TO MAKE NON-METROPOLITAN AUSTRALIANS AS AWARE AS THEIR URBAN COUNTERPARTS OF GOVERNMENT SERVICES AND PROGRAMS. RURAL COUNSELLING AND RURAL WOMEN'S ACCESS GRANTS WILL CONTINUE TO IMPROVE THE PROVISION OF INFORMATION AND ADVICE.

RESEARCH AND DEVELOPMENT WILL BE GIVEN EVEN HIGHER PRIORITY THAN BEFORE. AN ADDITIONAL \$10 MILLION IN ALL WILL BE SPENT IN COMING YEARS ON RESEARCH INTO ALTERNATIVE TRANSPORT FUELS AND ON RENEWABLE ENERGY AND CONSERVATION PROJECTS.

BOTH GOVERNMENT AND INDUSTRY CONTRIBUTIONS TO RURAL RESEARCH WILL BE INCREASED TOWARDS THE FUNDING GOAL FOR EACH OF 0.5 PER CENT OF GROSS VALUE OF PRODUCTION IN AGRICULTURAL INDUSTRIES.

A FURTHER ASPECT OF THE PROTECTION OF OUR RESOURCES IS THE SPENDING OF \$33 MILLION AS THE GOVERNMENT'S SHARE TO SEE THE

BRUCELLOSIS AND TUBERCULOSIS ERADICATION PROGRAM THROUGH TO COMPLETION. WE WILL SEEK INDUSTRY SUPPORT FOR A JOINTLY FUNDED EXOTIC DISEASE PREPAREDNESS PROGRAM.

QUARANTINE POLICIES WILL BE REFORMED IN THE LIGHT OF THE LINDSAY REPORT.

DEVELOPING A MORE RESPONSIVE INDUSTRY STRUCTURE - MY SECOND SET OF OBJECTIVES - IS CRITICAL TO IMPROVING OUR NATIONAL ECONOMIC PERFORMANCE.

SPECIFIC ACTION HAS BEEN TAKEN TO ENCOURAGE MORE RESPONSIVENESS IN A NUMBER OF PRIMARY INDUSTRIES WHICH HAVE BEEN MORE HIGHLY ASSISTED THAN BOTH OTHER PRIMARY INDUSTRIES AND INDUSTRIES IN OTHER SECTORS.

THIS MATCHES THE ACTION TAKEN TO REDUCE TARIFFS IN THE MANUFACTURING SECTOR. IT IS PART OF A FUNDAMENTAL SHIFT TOWARDS A LOWER AND MORE UNIFORM PATTERN OF INDUSTRY ASSISTANCE.

SUPPLEMENTARY MARKET SUPPORT FOR MILK WILL BE REDUCED. THE BUTTER AND BUTTER OIL LEVY RATES WILL BE PHASED OUT BY 1 JULY 1989.

THE PRESENT SPECIFIC DUTY RATE ON TOBACCO LEAF IMPORTS WILL BE CONVERTED TO AN AD VALOREM TARIFF OF 25 PER CENT AND REDUCED TO 15 PER CENT BY 1 JULY 1992.

THE SUGAR EMBARGO WILL BE REPLACED BY AN AD VALOREM TARIFF OF 25 PER CENT ON REFINED SUGAR AND 35 PER CENT ON RAW SUGAR, WHICH WILL BE REDUCED TO 15 PER CENT BY 1 JULY 1992.

TARIFFS ON CITRUS AND DRIED VINE FRUIT WILL BE PHASED DOWN TO 15 PER CENT BY 1 JULY 1992.

THESE ASSISTANCE REDUCTIONS TOGETHER WITH THOSE IN OTHER SECTORS WILL BENEFIT CONSUMERS AND INDUSTRIES WHICH USE THOSE GOODS AS INPUTS

IT IS ESTIMATED THAT THE REDUCTIONS IN MANUFACTURING PROTECTION WILL INCREASE RETURNS IN THE AGRICULTURAL SECTOR BY ABOUT \$350 MILLION, AND BY ABOUT THE SAME AMOUNT IN THE MINING AND MINERALS PROCESSING SECTOR.

TO FURTHER REDUCE COSTS ON INPUT PRICES THE GOVERNMENT IS DISPOSED TO GRANT DUTY-FREE ENTRY ON AGRICULTURAL AND MINING EQUIPMENT AND PARTS NOT MADE IN AUSTRALIA. IT WILL FINALISE ITS DECISION AFTER THE INDUSTRIES ASSISTANCE COMMISSION COMPLETES ITS REPORT ON THIS ISSUE ON 30 JUNE 1988.

WHILE EVERY EFFORT IS MADE TO MINIMISE INPUT PRICES IT IS INCONSISTENT WITH OUR BROAD ECONOMIC APPROACH TO DO THIS THROUGH SUBSIDIES, WHICH DISTORT A RANGE OF INVESTMENT AND PRODUCTION DECISIONS. THE AGRICULTURAL FERTILISER SUBSIDIES WILL THEREFORE BE ABOLISHED ON 30 JUNE 1988.

THE PRICING OF LIQUEFIED PETROLEUM GAS (LPG) IS NOW BEING REVIEWED AND A DECISION IS EXPECTED TO BE TAKEN IN JULY THIS YEAR.

THE AGRICULTURAL PRICE UNDERWRITING SCHEMES FOR CERTAIN COMMODITIES CAN DELAY ADJUSTMENT TO MARKET CHANGES AT CONSIDERABLE COST. EXISTING SCHEMES WILL BE REFORMED TO ENSURE THAT THE UNDERWRITTEN PRICE DEALS ONLY WITH EXTRAORDINARY DOWNWARDS PRICE MOVEMENTS AND THAT THE INDUSTRY CONCERNED ASSUMES INCREASING RESPONSIBILITY FOR MEETING THE COSTS OF REDUCING PRICE UNCERTAINTY.

THE NET EFFECT OF ALL THESE CHANGES WILL BE PRIMARY INDUSTRIES WHICH ARE CONSIDERABLY MORE RESPONSIVE TO MARKET CHANGES.

AS WELL AS THE BENEFITS THIS WILL GENERATE FOR THESE INDUSTRIES THEMSELVES, ENHANCED PRICE RESPONSIVENESS WILL OPEN UP A WHOLE RANGE OF NEW OPPORTUNITIES THROUGHOUT THE ECONOMY.

NEW ACTIVITIES AND NEW INVESTMENTS WILL APPEAR WHERE PREVIOUSLY THEY WERE NOT WORTHWHILE. THIS IS LIKELY TO GENERATE NEW OPPORTUNITIES IN VALUE-ADDING TO OUR PRIMARY COMMODITIES IN PARTICULAR, THEREBY IMPROVING THE LINKS BETWEEN THE PRIMARY INDUSTRY AND MANUFACTURING SECTORS.

A TAX-LINKED INCOME EQUALISATION DEPOSITS SCHEME WILL BE INTRODUCED FROM 1 JULY 1989. THIS SUBSIDY IS TO ENCOURAGE FARMERS TO PROVIDE FOR INCOME FLUCTUATIONS.

IMPLICIT IN THESE INITIATIVES IS CONSIDERABLE CHANGE. THE GOVERNMENT IS SENSITIVE TO THE COSTS ASSOCIATED WITH CHANGE AND IS ACTING TO ENSURE THAT THE BURDEN OF CHANGE DOES NOT BECOME UNDULY HIGH FOR THOSE WHO ARE MOST AFFECTED.

A CHIEF DEVICE FOR BOTH ENCOURAGING CHANGE AND ENSURING THAT ITS COST IS SHARED EQUITABLY IN AGRICULTURE IS THE RURAL ADJUSTMENT SCHEME (RAS).

THE RAS WILL BE REFORMED TO IMPROVE ITS EFFECTIVENESS IN STRUCTURAL ADJUSTMENT. ITS OBJECTIVES WILL BE MORE PRECISELY DEFINED AND THE RANGE OF POLICY INSTRUMENTS AVAILABLE WILL BE WIDENED.

FURTHER, INCREASED FUNDING WILL BE PROVIDED FOR RAS, INCLUDING MEANS TESTED REHABILITATION GRANTS OF UP TO \$28,000 TO FARMERS LEAVING AGRICULTURE.

SIMILARLY, ACTION IS BEING TAKEN TO ASSIST THE COAL INDUSTRY WHICH PRESENTLY IS ALSO SUBJECT TO VERY CONSIDERABLE ADJUSTMENT PRESSURES.

\$20 MILLION IS BEING PROVIDED ON A DOLLAR-FOR-DOLLAR BASIS WITH THE NSW GOVERNMENT FOR REDUCED COAL FREIGHT RATES TO ASSIST IN BRINGING FORWARD RAIL FREIGHT REDUCTIONS IN THE COAL INDUSTRY.

RETRAINING AND RE-ESTABLISHMENT GRANTS ARE BEING PROVIDED FOR RETRENCHED COAL MINERS UNDER THE RELOCATION ASSISTANCE SCHEME AND THE LABOUR ADJUSTMENT TRAINING ARRANGEMENTS.

A LONG-TERM COAL INDUSTRY STRATEGY ANNOUNCED ON 5 MAY 1988 INCLUDES STRENGTHENED ADMINISTRATION OF EXPORT CONTROLS, CONTRIBUTIONS TO COAL PROMOTION AND ESTABLISHMENT OF AN AUSTRALIAN COAL INDUSTRY DEVELOPMENT COUNCIL.

MY FINAL SET OF OBJECTIVES RELATE TO THE EXTERNAL MARKETING AND TRADING ENVIRONMENT. WE WILL CONTINUE OUR EFFORTS TO BRING HOME TO OVERSEAS COUNTRIES THE DAMAGE THEIR DOMESTIC POLICIES DO TO US AND TO THEMSELVES WHEN THEY SUBSIDISE THEIR INDUSTRIES AND LIMIT MARKET ACCESS.

AUSTRALIA HAS A HIGH PROFILE IN WORLD FORUMS - PARTLY BUT NOT ONLY THROUGH ITS PROMINENT ROLE IN THE CAIRNS GROUP OF AGRICULTURAL FAIR TRADERS.

A SUCCESSFUL OUTCOME TO THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS IS VITAL TO THE CONTINUED GROWTH AND PROSPERITY OF THE WORLD ECONOMY. FOR THIS TO OCCUR IT WILL BE NECESSARY FOR ALL PARTICIPANTS TO BE PREPARED TO REVIEW AND REFORM THEIR DOMESTIC INDUSTRY POLICIES.

IN IMPLEMENTING THE MEASURES I HAVE JUST OUTLINED, AUSTRALIA WILL SHOW ITS BONA FIDES IN THE NEGOTIATIONS.

EARLY RESULTS FROM THE NEGOTIATIONS CAN BE ACHIEVED IN DECEMBER THIS YEAR IF SUFFICIENT WILL EXISTS. THE MEASURES WE WILL IMPLEMENT WILL BE A SIGNIFICANT CONTRIBUTION TO THE AGRICULTURAL LIBERALISATION PACKAGE WHICH WE WISH TO SEE AGREED IN DECEMBER THIS YEAR.

TO PROVIDE POSITIVE ASSISTANCE, THE GOVERNMENT WILL FUND A \$5 MILLION SERIES OF COURSES IN INTERNATIONAL PRIMARY INDUSTRY MARKETING SKILLS, AND INTRODUCE A COAL MARKETING PROGRAM. WOOL PROMOTION FUNDING WILL CONTINUE BUT AT A REDUCED LEVEL OF \$25 MILLION OVER EACH OF THE NEXT THREE YEARS.

THE GOVERNMENT ALSO CONTRIBUTES TO OUR MARKETING EFFORT THROUGH ITS PROVISION OF EXPORT INSPECTION SERVICES. SINCE INDUSTRY IS THE MAIN BENEFICIARY OF THESE SERVICES, THE GOVERNMENT WILL REDUCE ITS CONTRIBUTION FROM 50 PER CENT TO 40 PER CENT. AT THE SAME TIME, HOWEVER, IT IS IMPROVING EFFICIENCY AND REDUCING COSTS THROUGH INITIATIVES SUCH AS FEE-FOR-SERVICE CHARGING AND APPROVED QUALITY ASSURANCE ARRANGEMENTS.

PERHAPS MOST IMPORTANTLY, THE GOVERNMENT BELIEVES THAT INDUSTRIES' MARKETING AND EXPORT EFFORTS WILL BE IMPROVED BY THE DEVELOPMENT OF MORE DYNAMIC AND OUTWARD LOOKING ATTITUDES WITHIN THOSE INDUSTRIES THEMSELVES.

THE GOVERNMENT WILL WORK IN PARTNERSHIP WITH INDUSTRY, DETERMINED TO BE LEAN AND FLEXIBLE, TO BE READY FOR FUTURE OPPORTUNITIES AS THEY ARISE, AND TO CONTRIBUTE MORE THAN EVER TO THE WELFARE OF ALL AUSTRALIANS.

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