The way I saw it; the way it was
The making of national agricultural and natural resource management policy

John C. Kerin
‘I dedicate this publication to all the good people who enter the political fray and work to make things better, but particularly those of the Australian Labor Party.’ John Kerin

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Front cover image: Jeffrey Clyde, Carwoola Cottage, 1981, oil on board, 123 cm x 138 cm

‘My favourite painting, Carwoola Cottage, a cottage and shearing shed in the Captain’s Flat area of New South Wales. The painting is by Dr Jeffrey Clyde and in the possession of my friend Dr Keith Powell.’ John Kerin
‘Me as a child at the beach in a bathing costume knitted by my mother. As soon as I could walk the old man put a shovel in one hand and a bucket in the other; a sign of things to come.’
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Introduction: The way I saw it; the way it was

“When we have passed a certain age, the soul of the child that we were and the souls of the dead from which we sprang come and shower us with riches and spells, asking to be allowed to contribute to the new emotions which we feel and in which, erasing their former image, we recast them in an original creation.” The Captive, Proust.

Introduction

This is a book for the record of a specific time, essentially 1983-1991, when I was an Australian Government Minister for Primary Industry and then Minister for Primary Industries and Energy, but with some relevant commentary before and after this period.

It is designed as a source document rather than another exercise in aggrandisement or self-justification. It is about being in a position of power and influence and what unfolded as a result of preparation and response to events during the time of a reforming government. It is essentially about the making of agricultural and natural resource management policy at national level during a time of transition in the world’s and Australia’s economy. It is part autobiographical and part memoir. It is about politics and policy and it is both reflective and introspective. On industry policy, it is about issue management in a climate of complexity in an adversarial environment.

In some ways it is an economic history of a time when the days of protection and subsidisation were being dispensed with in Australian agricultural policy, when we were opening up to the world for Australian agriculture to be more efficient, productive and competitive. It is about the realities of politics, public policy making and administration as well as its implementation from the perspective of a one-time farmer, economic researcher and political practitioner.

Including those newly elected in the general election of 2 July 2016, there have been only 1173 members of the House of Representatives and 591 Senators since Federation in 1901. I was very privileged to have been a member of this cohort. I was even more privileged to have been a member of parliament in the Australian Labor Party (ALP) Government of Prime Minister Gough Whitlam (1972-75), a cabinet minister in the ALP Government under the prime ministership of Prime Minister Bob Hawke (1983-91), and a minister under the prime ministership of Paul Keating (1991-96). For the whole of my time in the Commonwealth Parliament from 1972 until 1993 (with a gap from late 1975 until September 1978), there were only four years and five months when the ALP was not in government. Only a handful of ALP members have enjoyed this experience.

When the ALP formed government in 1972, it had only been in office for 17 of the 71 years since Federation. It has since been more successful, having been in office for 18 of the past 32 years. However, when the ALP won office in 1983 it had only been in office for three of the past 34 years. Australia is a very politically conservative country and the Liberal National Party Coalition believed that it could despatch the Hawke Government as quickly as it had been able to get rid of the reforming Whitlam Government. To me, Gough Whitlam was the towering figure of the Labor Party and of political leadership in Australia. Planned coup by the Coalition or not in 1975, the Governor General’s sacking of the Whitlam Government was reprehensible. Worse was the way in which the Whitlam Government’s record was presented and continues to be misrepresented by its political opponents and conservative thinking people. I readily concede that it had faults, but the economic times did not suit a conservative government, let alone a reforming government.
Both Bob Hawke and Paul Keating were forceful, informed and articulate and it was a privilege to be in the ministries over which they presided. Bob Hawke became the ALP’s longest serving Prime Minister. I was the ALP’s longest serving Primary Industry Minister at national level and overall second longest serving Minister for Primary Industry since Federation from 1983-1991. (I was subsequently, Treasurer in 1991, Minister for Transport and Communications, also in 1991, and Minister for Trade and Overseas Development, 1991-1993.)

I have led a very active, diverse and informative fourth working life (formerly farmer, agricultural economist and politician). Many new, as well as old, friends and acquaintances have asked me many questions about the politics of the day and the issues I dealt with during my time as a minister. For years I had been saying, “I will write a book one day” or that “I cannot write an honest book until quite a few people pass on”; too many have now died.

As well, since resigning from the Commonwealth Parliament in December 1993 I have been too busy to devote the time necessary to examine all the records I have kept and to put them in some order for source material. Since 1993, along with the other activities listed in the CV at appendix, I have given scores of speeches which have touched on primary industry and resource management issues generally, and also on specific topics directed to the development of primary industry, economic, social and environmental and natural resource management policy. Naturally these speeches, neither separately nor together amount to an adequate account of my life and times as minister, and do not draw out those issues which may be of some value to researchers and future policy makers, especially in the field of primary industries. Thus I come to this. Why?

Firstly, I believe that there should be more public education in policy processes. I think it is very important that those who have had the privilege of being directly involved in national policy making should put their thoughts and experience on the record and reflect on the way it was and the way they saw it. Institutional memory and insights of what was tried, what worked, and what didn’t work are important. If experiences are not shared, then less is learned. As well, the decisions for which I was responsible affected hundreds of thousands of people – and I probably owe some explanation to them.

Secondly, I personally believe so few people in our country understand politics, let alone the realities of public policy making, that there needs to be a record of the complexity involved and the thought and effort that goes into the formulation of policy by thousands of people - or at least that was the way it was then - always in an environment of political, economic and social change. Very few in the community are actively engaged in politics, which to them remains a mystery, as does most of what goes into the performance of a minister’s duties.

I apologise for the fact that I do not comment on what happened in agricultural and natural resource management policy after my time other than briefly. Agricultural policy, generally, has changed vastly since my time. The 1980s were about structural adjustment; gaining commodity production efficiencies; productivity increases; gaining some stability in essential research funding; establishing more relevant infrastructure and institutions; ensuring essential awareness of environmental issues; the elimination of self-defeating subsidies and protection; defining and implementing rural policies, not just agricultural; and about the Government’s work to achieve international agricultural trade reforms. It was also about

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1 I was Minister for Primary Industry for 8 years and 85 days. This period of office for a Primary Industry Minister was only exceeded by Charles Frederick Adermann, of the Country Party, who held the Primary Industry portfolio for 8 years and 310 days (1958-1967), 225 days longer than I did. It is my understanding that he retained his sanity.
ensuring that Australia’s national economic settings were well founded in a globalised world, at a time when the world’s financial markets were going through a major transition. Today’s agricultural policies feature an increased emphasis on bio-security and natural resource management, and are more about food chain and systems based approaches, against a background of some, but debatable, global food insecurity concerns and ever changing market circumstances.

In all that follows, I have tried to tell the unvarnished truth. Truth? Can there ever be truth in matters of political decision making in our adversarial political and parliamentary environment? The membrane between fact and fiction is always thin and probably more so in the furnace of political decision making and debate and the, sometimes necessary, dissembling by politicians and ministers. Just as no published history is ever absolutely definitive, politics and the reasons for decisions are also not definitive and are naturally told from the perspective of the person doing the telling. Too much happens at any one time. We all have selective memories and tend to justify our own actions. Often this is evidenced by completely forgetting matters which we were not comfortable with at the time, or of mistakes made. One often sees in politics self-evident truths that are denied by other key players; hubris intervenes. This particularly happens when ideology takes over and the stakes are high; and they are always high. Is anyone ever who they purport to be in politics? Is narcissism and hubris necessarily associated with being a politician and policy maker?

Much of politics is about judgment. My version of how I saw and see politics and policy positions will not necessarily be that shared by other observers, political operators or even fellow ministers of the time. Some will claim credit and defend their understanding and recall regardless of what I regarded as a differing factual situation, even it can be proved. Similarly, people closely affected by decisions we made will dispute the decisions with various allegations and interpretations as to my and or the government’s reasons and motives.

It seems that the unwritten rule of the game of public policy making is that ministers take all the credit for good decisions and all the blame when decisions go wrong or are otherwise flawed, such as, in my case, the disaster of the wool industry. The reality, of course, is a lot more complex than this. Many people, factors and forces have a hand in decision making in a system such as Australia’s, but the buck, necessarily, stops with the minister.

Two forms of political biography have always worried me. In one the writer claims all credit for what was achieved on his/her watch and places the blame for inevitable errors or blunders at the feet of others. I know I owe a huge debt to my personal staff. In those days these were distinguished specialists in their field, very well qualified to contribute to policy development. I also owe a huge debt to the 4932 dedicated officers in the Department of Primary Industries and Energy (DPIE’s peak in 1987-88) who supported me so well.

The other style of biography is the “from log cabin to White House”, rising-above-all-odds story exaggerating what were, then, in my case, often typical circumstances of so many who have gone on to make a significant contribution in one way or another to the societies to which they belong.

My background was perhaps less than well blessed materially and educationally than some. But the from-log-cabin-to-White-House approach which one or two enthusiasts once seemed inclined to take in proposing to tell my tale is misleading. Many people of my generation lived and worked in tough, pretty primitive conditions in the country at the time; some still do today. Some of the most senior public servants I was to work with came from equally challenging
backgrounds. But this background and the experiences arising from it informed so much of what I, and we, did and were able to do when the time came for such huge responsibilities to be ours. Those formative years left their mark and grounded us, explain some of why ‘Dids’ (see chapter 1) did what he did – and this is why they feature in the first three to four chapters of this book.

I have led an extremely lucky and privileged life. Although I came from a background which would now be regarded as dirt poor, my life has been rich in experience, including in my childhood. Experiences and attitudes formed when young often guide our later lives. The trick is not to be trapped by personal history. The first three chapters of what follows tells the tale of my early life and times, my experience as a forestry worker, farmer and small businessman and then as an agricultural economist/researcher. From this readers may understand some of the drivers for the making of agricultural and natural resource management policy on my watch as Minister for Primary Industry and then as Minister for Primary Industries and Energy over those years 1983-1991.

I hasten to point out, however, that I did not join the ALP with any idea that I would be mainly concerned with agricultural policy. I was always far more interested in broader aspects of national policy in a range of areas, particularly foreign policy, defence, economics and economic development. In a party, then, with little interest in the bush, I simply became type-cast with agriculture. An early sign of my propensity to do what had to be done, especially when no one else wanted to do it?

There follow another three chapters on my early forays into local and then federal politics, my experience as a backbencher and later as a shadow minister. These illustrate how it was then - and the accident of it all, how someone like me with no political pedigree and no long and strong insider access got there, something which, surely, in the increasingly constricted, constrained and perhaps corrupted contemporary processes of the Australian Labor Party could not be repeated today.

In chapter seven I become the Minister for Primary Industry in 1983 on the back of a great deal of policy development work and a clear platform for direction. The policy document we took to the election in 1983 and its subsequent iterations was the foundation for what followed over the next eight years. I quote relevant sections of this document as introduction to the issues that are dealt with in the chapters which follow.

Just as Whitlam had done before us, and driven by Bill Hayden, a huge amount of work was done on policy development before we came to office. We consulted, we debated, we met with interested parties, we explained what had to be done and why and we adjusted the ways in which we proposed to do it. Chapter 9 on the wool industry underlines the tremendous importance, and fundamental courtesy, a little later, of getting out there and sitting down with those most likely to be affected, explaining changes that had to come, however unpopular these would be. Compare this with the quite shocking story in Phillip Chubb’s ‘Power Failure: the Inside Story of Climate Change Politics under Rudd and Gillard’ (Black Inc. 2014), in which Rudd and Penny Wong, the minister responsible, refused, ever, to go to talk to the workers in the La Trobe Valley who would be most affected by their proposals - and do not wonder why it all went wrong!

The next eight chapters are on the different industries for which I was responsible: meat, wool, grain, dairy etc; another five on overarching/cross-sectoral issues of central importance to the portfolio such as research and development and statutory marketing, land and water, drought
etc. Then in a final, concluding chapter, I try to assess the lessons learnt from it all for politics and policy development.

A primary objective of the industry chapters is to record a policy development history, its extent and depth, and to illustrate the constraints under which we on the Labor side of politics had to operate, particularly in the bush. Labor for the most part had no profile and no following in the bush. We were up against a profound agricultural fundamentalism, constrained by a federal structure which allowed the parties to play off one set of interests against another - and there was indifference at best to this set of issues in the Labor Party itself. Here we have a case study in the difficulties of delivering, and delivering for, the agricultural sector in a Labor Government.

Because of the detail in the commodity chapters in this book, which I expect to be of interest mostly only to specialists and practitioners in each particular field, those chapters have been written, primarily chronologically, to stand alone, with footnotes as footnotes and a glossary for each of them. The detail is there because the reality is, especially where policy matters are concerned and in the case of some negotiations, the devil really is in the detail. But of course everything happened at once and so many of these issues had to be dealt with simultaneously. No sector in an economy is isolated from the rest of the economy and what was happening in some commodities was affecting the response of producers in other commodities.

The first chapters about my early life and preliminary immersion in politics have been written from memory and updating conversations with some of the characters who feature in them. For the rest my primary source material has been all my speeches, media releases, Hansard contributions, Departmental briefings, personal notes, official reports and correspondence etc as well as a range of specialist academic literature. I have chosen not to reference this very large volume of source material.

I make some comments and observations as I write sometimes out of chronological sequence. For example, I say a lot more about farm organisations in the chapter on the wool industry and more about the overall making of agricultural policy in the chapter on the sugar industry because these industries contain apposite examples of both these major issues.

In what follows, I do not want to give the impression that policy decisions always involved endless fights with farmers, fishers and foresters, their organisations and other vested interest groups. Some issues were marked by farmer versus farmer conflicts, for example in the Murray Darling Basin and in land use management. In some cases there was a consensus on what needed to be done and it was only the means that were contested. The seeking of solutions is always a far better approach than provoking or accentuating conflict.

Nor, either, do I want to give the impression that I was always sure about what I was doing, what the outcome of some policy options may be or where the changes and reforms we were introducing may lead. In some complex areas of policy I thought it may be best to just act as a catalyst for change, set soundly based new guidelines in place, provide new opportunities and rely on good people to take up the challenge. By nature I am a pessimist, slow to come to decisions and generally believe that I am wrong until convinced of the path to take. I have always been terrified by people in politics who are absolutely sure they are right, have God on their side or tell me they are ‘men of principle’. Such people seem able to blind themselves to their own hypocrisy and humbuggery – and are dangerous.

I did not come to the portfolio with any ideologically based grand plan in mind. I was no more in favour of collective farming or concepts of yeomanry than I was of the example provided by
the US of large highly capital intensive (but massively subsidised) farms, some depending on a contemporary version of slave labour. I was dealing with the challenges, problems and opportunities in the range of industries for which I was responsible in the interests of greater efficiency. Philosophically I could be categorised as acting on the basis of values-based pragmatism from a left liberal social democratic perspective. When I speak of values, many of these reflect my economic background and economic mindset – and my tough farming background. I always felt for farmers and their families, and for workers in farm industries and those living in rural areas, especially when we had to be cruel to be kind.

With some agricultural industries, what had to be done was clear, for example sugar, but even here, because there was a lot to learn, policy direction only became clearer over time. I knew I had a deficiency of always being able to see, or try to see, the other person’s point of view. Politics is all about people and economics must place the welfare of people at the forefront, even if a timing lag and measures to increase efficiencies are involved. In industry policy it is important to realise that there is a consumer interest which must be taken into account. Too often in farm politics this was perceived as saying that those greedy city folk should not come first and tell us what to do.

I have become passionate about agriculture. I am passionate from a non-ideological-non fundamentalist point of view. I believe that most farmers farm because of the importance of their occupation, because they like doing it or are socialised into doing it. The production of food is primal. For many people in the developing world, staple foods are not a commodity in the usual sense; for them there are no substitutes. This is the basis for agricultural fundamentalism and perhaps explains why farmers are conservative in their voting behaviour.

For the most part, the majority of my time as a minister in the ALP Government from 1983 to 1993 was in an industry portfolio of diminishing economic importance as a contributor to Australia’s Gross Domestic Product (GDP, a flawed measure of national wellbeing). In 2016 agriculture represents only 2.3% of Australia’s GDP. However, our food and fibre industries remain of crucial economic importance to our export performance, in the provision of relatively cheap food for our population and in the occupation and stewardship (or otherwise) of vast tracts of our land, more than 60% of the continent. I strongly believe that agriculture will always be a growth sector in the Australian economy.

It should also be stressed, that our primary industries are of crucial importance to the many people living in non-metropolitan Australia, our rural non-agricultural population. Further, we are entering a time when world food security is recognised as becoming more important and I believe Australian agriculture will again assume increasing importance but will remain in a competitive trading environment. When I became Minister for Primary Industries and Energy in 1987, the portfolio covered agriculture, fisheries, forestry and minerals and energy. The following does not include my experience with these latter two, now of crucial and shifting importance.

Acknowledgements

There can be no better experience that to be a minister in an Australian federal government responsible for such a vital set of issues as those which fall within the Primary Industry portfolio. I hope from what I have already said it is clear that I do not remotely claim that what was achieved – and it was a great deal in restructuring and reform – in those years was the result of all my own ideas and effort. I will forever be under an obligation to my personal staff who worked so diligently with me, many of whom remain close friends and these are featured
in what follows. In particular I want to acknowledge the contributions of Julienne McKay, Tony Gleeson, John Tanzer and Gordon Gregory.

Although he clearly did not share my political perspectives, the first Secretary of the Department I was to work with, Lindsay Duthie, knew his turf well – and protected my back in that grand tradition of the mandarins that once were – professionals through and through. I express my appreciation for the very constructive working relationship we developed as he guided his rookie minister onto the straight and narrow. My longest serving Secretary, Geoff Miller, I first encountered when I joined the Bureau of Agricultural Economics. He pushed me and challenged me in what became a very creative policy development partnership. We also remained very good friends until his untimely death in 2015. And there were so many more who deserve credit for what may have been achieved, too many to mention here, but some of whom also feature in what follows.

I have had an interesting relationship with the Labor Party, as a non-typical and non-biddable, but I hope constructively critical member of it, as my remarks in chapter 21 should demonstrate. Without the Labor Party, and its particular reformist zeal of those years, nothing that I was able to do could have been done. I am therefore extremely grateful for the opportunities and experiences that that then great party allowed to me. We must go on trying to reform the ALP which seems since to have lost its way, not least for those least able to look after themselves, for those who continue to believe in it and for those many members of the Australian Labor Party who work so hard for it. To so many of them, in the two electorates I was privileged to represent, I record my deep debt and my gratitude. They, without complaint, had the grit; I had the glory. Without their support I would not have been able to be given the privileged positions I so much enjoyed.

This long project was guided in its final stages by Professor Stephen Dovers of the ANU and to him, and the university, I offer my thanks and appreciation for the long discussions we had over the range of issues raised in this tome and the support he provided. There are many others who have commented on drafts of different chapters and their contribution has added detail and perspective to what follows. I thank them for their time, effort and insights. Readers should note, or be cautioned, that some to whom I have sent draft chapters of this work have observed that no-one has ever tried to do what I try to in what follows. This could be interpreted in more ways than one!

The long timespan between the writing and the release of this work was the result in part of my illness which took me out of the game for almost two years. I thank Simon Grose in particular, who served as one of my press secretaries in the golden years, for his persistence and determination to get it. I thank him for his encouragement and faith in the value of this work. I would also like to acknowledge Leanne Coleman for her patient and skilled assistance in getting this work together.

I could not have done what I did as a minister, or indeed as the author of this tome, without the support of my wife, Dr June Verrier. She gave a year of her life trying to turn what was often a very long rant into something more readable, cutting out the bad jokes and encouraging me to draw out some of the broader, general political implications in the many stories I have told. I have never worked out why she put up with me, but her educated understanding of politics and political processes have been, throughout, including in working on this volume, of inestimable assistance.

John C Kerin, Canberra 2016
Chapter 1: The way it was: growing up in country Australia in the ‘40s and ‘50s

Don’t take life so seriously, it isn’t permanent. Remember aging starts at birth.

Family Background

As it turned out to be my habit, I greeted the world early on the morning of 21 November 1937 at Strathmore Private Hospital, Bowral, New South Wales. My mother’s name was Mary Louise Kerin (Molly, nee Fuller), born on 10 May 1911. My father was Joseph Sydney Kerin (Joe), born on 23 September 1911. Being the son of Joseph and Mary and having the initials ‘JC’, was accorded no significance and none has accrued since. I was an addition to the world’s population of less than two point two billion people at the time; today, as I write, (2013), it is over seven billion. Australia’s population was then less than seven million. It has more than trebled in my lifetime. My mother was born in Beaudesert, Queensland, and later lived on a pineapple farm in Maroochydore, Queensland, before moving to the small farm in Yerrinbool, New South Wales, where I grew up, lived, and worked until I was thirty three. I have been told that the first house on the property was built in 1911.

My mother’s relatives can be easily traced back for three generations. Two families, the Martins and Fullers, lived in Alpine, the village south of Yerrinbool just past the geographical feature of Catherine Hill. Miss Martin married John Fuller and they had a son, my maternal grandfather, Charles John Fuller (1869-1935) who was born in Forest Lodge a sturdy sandstone house in Alpine, surviving to this day and now worth well over $1m. He married Florence Ann Pickering (1875-1973), who was born in England. Their daughter was my mother, Mary Louise (Molly), one of two daughters. John Fuller and his son, Charles John, lived in Bonnie Doon at one time, the home of the Smith family, next door neighbours, bar one property, in my time and until today.

My father was born in Cronulla, NSW. His parents were Patrick Joseph Isaac Kerin and Alice May Beatrice Kerin (nee Cartwright). My great aunt’s daughter has tracked the Cartwright family back to 1741, to Hertfordshire, England, where they were plait makers and agricultural labourers. The Irish version of Kerin is O’Ceirin, which means ‘little hill’. There are various anglicisations of the family name such as Kearns, O Kieran as well as Kerin. The family motto on the Kerin coat of arms is ‘faithful and constant’, in Latin.

My father’s side of the family is more extended as his mother was part of a family of eight. One of her sisters had eight children. I was never told much about them as my father’s mother married twice, with two children being born out of wedlock. I have an aunt living in Bowral, NSW, (Bonnie) who is my paternal grandmother’s last living child. My paternal grandmother was known to me as Grandma Proctor. I have quite recently discovered that before her marriage to George Proctor, she had a child by him, in 1931, who died at four years old with diphtheria. I first met my grandmother and the taciturn, forbidding Mr Proctor (who had been a wheat grower at Eugowra, NSW), when they were living in Mount Street, now Luxford Street, Mt Druitt, NSW. They had married in 1941, after his wife died, and he only lived a few more

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2 When I became Member for Werriwa in the Commonwealth Parliament in September 1978, it was assumed by many in the Australian Labor Party that the previous Member, former Prime Minister Gough Whitlam, could walk on water. Once I inspected the Georges River, which runs beside the City of Liverpool in the electorate, I could understand how he could do this - it was so polluted and weed infested!
years. Mt Druitt was then a small collection of houses, dirt roads and dry grass paddocks; Mc Mahon's paddock was one of them. Later, Mt Druitt also had a car and motor cycle racing circuit. I attended the races there once (1952-53?) with my father, when Jack Brabham, who later became the World Racing Car Champion, was competing in a Cooper racing car. I recall that I also saw him racing in a Holden car.

My father had an uncle, Arthur Cartwright, living relatively close by in Wingello, NSW. Arthur was known as ‘Uncle Wombat’ due to his angry obsession with their burrowing on his sandy property and into his gardens. My father’s closest cousin was Doris, daughter of Uncle Wombat, married to Hector (Hec) Garbutt, who was the manager of and lived on Mr Blake Pelly’s sheep and cattle property, Currawong, west of Bowral. Hec was accidentally drowned in 1960. I knew the two Garbutt children, especially Don, who became an electrical contractor in Bowral. Blake Pelly was the Liberal Member for the NSW State seat of Wollondilly, succeeding Jeff Bate who became Member for Macarthur in the Commonwealth Parliament in 1949. Blake Pelly was of the ‘born to rule’ caste but he treated his employees well and, from what I can gather, was very well thought of locally.

It is certain that I am not related to the prominent political family named Kerin in South Australia, who, for reasons, totally inexplicable to me, support the Liberal Party. The Hon Rob Kerin was at one time Liberal Premier of South Australia. He has kindly sent me a history of the people having his surname in South Australia. They originally came from Galway in Ireland’s west. I have heard of some distant relations in the Central West area of NSW in Dubbo and Gulgong, coming from the Cartwright/Kerin side of the family. I had, and may still have, some dairy farming relatives, on my mother’s side, living in the Lismore area, with the family name of Holden. Ruth Holden was my maternal grandmother’s sister. The antecedent families, on my mother’s side, of Fuller and Pickering, also came from central English counties. When I became ‘famous’ people contacted me from Melbourne, Miller (NSW), England, California and other places claiming a relationship. The people from Melbourne and Miller are definitely related, but I’m not so sure about the Californians. An English family named Easts from Peterborough, are also distant relatives, on my mother’s side. One of my father’s brothers-in-law’s sons and his late sister’s grandchildren have also made themselves known to me.

I was never told much about my paternal grandfather and I doubt if my father knew much about him. Apparently he was a Northern Irishman, Patrick Joseph Isaac Kerin, supposedly born in Belfast in the 1880s, reputedly a drunkard, who ‘disappeared’ during World War One (WWI). The Australian War Memorial has provided me with details of the enlistment of a man named Patrick Joseph Kerin, but it is not him. My younger brother, Michael, carried out extensive research on our paternal grandfather and has arrived at a very plausible story from a sequence of records and photographs of a man with a prominent scar under his right cheekbone. It transpires that he was born in Five Dock, NSW, in 1883 to a father of the same name and to Bridget, nee Kernes. He married our maternal grandmother on 17 September 1910 and deserted her on 20 March 1913. On 3 September 1913 he challenged a petition for maintenance, representing himself, when his former wife was six months pregnant with my Auntie Alma (who died on 1 November 1939). My father was the first born. The court found against him and issued a warrant for his arrest on the grounds on non-payment, but he disappeared. The Decree Absolute for the divorce was issued by the NSW Supreme Court in 1917.

He then kept changing his name utilising each of his three given names interchangeably and adopting family names of Kerin and Foran. On 28 August 1917, Isaac Joseph Foran stood trial
for stealing a horse at Holbrook and the large scar under his right cheekbone is again evident in the picture of the relevant document. He was released from the sentence of six months in gaol on 22 February 1918. He joined the Australian Army a week later giving his name as Patrick Joseph Foran, his birthday as 1 January 1883 at Five Dock, NSW, and his next of kin as Bridget Kerin. His scar is recorded on his enlistment papers. He was sent to France, admitted to hospital on 18 December 1918 and discharged on health grounds on 8 January 1919, having won three minor war medals. In 1928 he was recorded as committing the offence of stealing, for which he was fined ten pounds three shillings and six pence.

My brother and his wife tracked our grandfather down further discovering that he married a Rebecca Miriam Amy. The marriage certificate gives his name as Patrick Joseph Foran, his father’s name as Patrick Foran and his mother’s maiden name was given as Bridget Kerin born in Five Dock, NSW. He died on 15 December 1944. The death certificate records that he and Rebecca had five children and that he was buried in the West Dapto Catholic Cemetery. I find this unearthing of records more than plausible and also fascinating. If it is true, then I may have represented his close relatives when I held the federal seat of Macarthur from 1972-75, which took in Dapto on the NSW south coast. If my paternal grandfather served in the ‘Great War’, I wish I had been told the facts, but no-one was able to find him due to his name changes. What is certain is that my grandmother was left with nothing during the years of WW1 and had to go to work, mainly as a cook, in various locations in Sydney and the country, including in Orange, NSW.

There was once a certain cachet to having an Irish Catholic background in the Australian Labor Party (ALP) which was to be so much a part of my life. To be regarded as true ‘aristocracy’ was to have relations who came to Australia on the First Fleet or who were convicts. This being so, my two brothers and I almost score on both criteria, but not quite.

When I first met both my father’s grandmother Alice Maud Cartwright, (1864-1953), and Auntie Rose, they lived in Bargo, NSW. In the late 1800s to early 1900s, my father’s grandfather, Sydney John Cartwright, (1857-1934), had a sand-stock brickworks using local clay. My paternal grandfather had worked there in the early 1900s. My great-grandmother, who lived into her late eighties, was always dressed in black taffeta and spent her time in a darkened room. She resembled the familiar US painting of ‘Whistler’s Mother’ by James McNeill Whistler. When I was about six, I remember her telling me how they used to poison the water holes in central Queensland in the 1870s to ‘get rid of the blacks’. I didn’t have the wit to ask if poisoning Aboriginal people accorded with Christian values, but it struck me as odd and cruel at the time. Both of these women were extremely religious and gave me a thick comic-style bible, which was easy to read. It seemed to me to be about lots of wars and miracles. At that time I did not understand that according to Leviticus 19:19, farmers were not allowed to plant two different crops in the same field. As I later had three daughters, I found that I could sell them into slavery, as sanctioned in Exodus 21:7. I might have contemplated this with one of them. But then again, perhaps it doesn’t make much sense to take the Old Testament literally, but some of the faithful do (including, it is said, up to sixty per cent of current day Americans who also seem to believe that the world was created only a few thousand years ago. But then I guess that science doesn’t count where faith is involved).

Religion was a puzzle to me when quite young. Because of our Irish surname and background it was generally assumed that we were Roman Catholics, a ‘no-no’ in that part of the world in those days. Father was raised by various relatives but mainly by three aunties, one of whom, Rose, born in 1883, then living in Katoomba (I was told), was a fanatical Plymouth Brethren supporter. She forced my father to undergo religious instruction every day and convinced him
the Devil was lurking at the end of the back yard. He was forced to study many biblical texts but chose to remember none. My father was baptised an Anglican but his Plymouth Brethren experience turned him off religion for life. I have often wondered if his occasional references to the ‘starving Armenians’, caused by the genocide of Armenians by Turkey, during and after WW1, was as a result of Plymouth Brethren and other Australian church activism at the time.

Mother was a humble Methodist, into which denomination I was also baptised, but she was far from being a strong believer in organised religion. She always taught my two brothers and me to be honest, to do unto others as you would they would do unto you and to love your neighbours as yourself, even if they are anyone in the world. She instilled into me that the ethics and moral teachings of religion are all well and good but she was averse to the imperialism and wealth of the Church of Rome and its attitude to women.

My mother was a strong influence on me and I also inherited from her a strong opposition to cruelty to animals. This has stuck with me all my life. I sublimated my opposition to cruelty when we had a dressed poultry business on the farm and, also much later, when responsible for Australia’s live sheep exports to parts of the world where there are no such sensitivities. On the farm, at least, I could convince myself that the method of slaughter was very quick and painless. However, slaughtering got to me and I could not bring myself to chopping off the heads of ducks. Mum was a gentle person and always looked after the cats and dogs on the farm. I remember one of her favourite cats was named Dahlia, because she found her as a kitten in a patch of dahlias. Dahlia followed her like a dog. I also inherited from her some of my peculiar dry sense of humour, or sense of the ridiculous, which is the despair of my family and friends.

Because of the times, the area I grew up in and my family circumstances, I could not escape thinking about religion and thought about it a lot in my late teens. The Baha’i Faith, which is a tolerant Persian religion, had and still has, a Summer School in Yerrinbool. A family of professional chiropractors from Sydney named Bolton then owned the property, and were the financial mainstay of the School, living in Sydney for most of the year. The Baha’i community in Iran today is subjected to persecution by its theocratic Shia Muslim government. Peter Khan, who travelled to Bowral High School on the same bus as me, became prominent in the Baha’is and lived and worked in Haifa, Israel, at the headquarters of the faith. Retired, he lived in Brisbane, but has now passed on.

The local villagers were invited to the School in December/January each year. From what I could gather, the Baha’is taught respect for other religions, community building and the dissemination of truth, not necessarily religious ‘truth’, which sounded rather sensible to me as a kid. My mother thought that it was an admirable religion. Enid Belling, of the Junee wheat growing family of Bellings, worked at the School and at that time was the only local convert. She later married our neighbour bar one, Charlie Smith, who was a wise man I could always talk to and who lived to 96. At that stage I had no idea how religious truth was arrived at or the way it was perceived by others believing in alternative truths. It was only much later that I realised that there were at least four main religious ‘truths’ in the Middle East and that there are so many hundreds of religions and thousands of sects world-wide, all maintaining that they possess the one great truth. When you are a kid, it takes a while for you to understand that not everyone thinks the same way.

I have two younger brothers, Richard Joseph, born in 1940 now known as ‘Eli’, not religious, but who now subscribes to the beliefs of the Quakers, and Michael Francis, born in 1944, also not religious. All three of us are open-minded about religion and practice none in any formal
sense. I have become a lapsed agnostic-cum-atheist, perhaps a rationalist humanist (the problem with being an atheist is that it lets God off the hook).

More Family Background: Life, Times and Early Influences

My father left school as soon as he turned fourteen, not long before the Australian economy entered the years of what is still known as the Great Depression. He ‘went bush’ to find work when work in Sydney was no longer freely available. He worked on a dairy farm at Colac, NSW, and then on a series of sheep properties in the Central and North West of NSW including one at Lake Cowal, near West Wyalong and Buttabone Stud in the Macquarie Valley. He did not have a very high opinion of the station owners who, he said, he rarely saw, nor of the overseers, particularly on account of the way they treated their station hands and shearsers. He had many stories about intolerance, hot summers, the poor living conditions on properties – and snakes. It was at Lake Cowal (now the site of a gold mine), where tiger snakes were and still are abundant, that he acquired his fear of snakes. He went on to become a classic, Depression haunted and seared, insecure small farmer due to his experience of the 1930s as a farm hand. As we continued to work together on the farm after I left school, where I could see opportunities, he could only see impossible risks.

My father often talked of the Depression and what it had done to a generation. When I asked my mother about it she said that those people who had jobs or farms that survived did well during the Depression because costs went down. She also said that she fed a lot of the tramps/swaggies on the road looking for work with what she could from the farm.

My father also became embittered because his only sister, Alma, died of tuberculosis during childbirth with her seventh child, (who also died) as a result of the poverty induced by the Great Depression and the years following. She left four sons and two daughters to be raised by her husband, Bert Cousemacker, who was out of work for years and reputedly a gambler to boot. My father did not know Alma was so sick. Bert died three years after Alma. The later history of the Cousemacker family is one of distress, if not tragedy, but somehow it coped, as we mostly all do, but pity help those that don’t. As a society we tend to be oblivious to the levels of poverty in Australia and to those who ‘fall through the cracks’. Often, we simply don’t know about - or we rationalise - the plight of others. I remember Ray and Robbie Cousemacker, the latter now deceased as is another of his sisters, spending some school holidays on the farm. Robbie’s daughter, Donna Lea, has contacted me and she now lives in Armidale, having previously lived in Campbelltown NSW.

While visiting his grandmother in Bargo in the mid-1930s my father applied for a job he had heard about on the Yerrinbool farm. My mother had had to give up her nursing career at Bowral District Hospital when her father died and come home to look after her mother and try to run the small poultry farm and orchard. My parents married in 1936. While not sure, I thought that my father undertook to gradually pay out the half or perhaps a third value of the farm to Auntie Ruth, my mother’s sister and only sibling, which had been left to her in Charles Fuller’s will. The Will also provided for the care of his wife, Grandma Fuller, who continued to live on the farm. She eventually moved into an old person’s home in Ashfield, a suburb of Sydney, but still spent extended periods on the farm. She lived until she was ninety eight. She was very small and always told me that she the ‘runt of the litter’.

Auntie Ruth was usually known as Auntie Dodger because she, like my two brothers, always ‘dodged’ work on the farm. Auntie Dodger was a primary school teacher and was promoted to become a School Principal. She mainly taught in tough inner Sydney city schools such as in
Plunkett St, Woolloomooloo, Redfern and around Surry Hills, which were areas of grinding poverty, containing terrible slums up to and well into the 1930s. The primary schools she taught in were feeder schools to Cleveland Street High School, which had a reputation for toughness. She lived in a flat in what was then the Eagle Star Building in Phillip Street, Sydney, nearly opposite what was then radio station 2GB Macquarie, neither of which buildings now exist, they having been demolished as the street was transformed by the making of Chifley Square. My Auntie Dodge was a significant influence in my life but more of this later.

The old somewhat ramshackle farm house (built 1911?), with the fibro additions of the 1940s.

We visited her as kids with my mother, travelling by steam train through the then grimy inner suburbs of Sydney. I formed the view that Sydney was a horrifying place and I could not understand why any sane person would live there. The people in the crowded streets seemed haunted, harried and hurried and appeared to be unfriendly, a different breed altogether from we simple, slow, gentle bush folk. Although the city was not then overwhelmed by advertising or neon signs convincing us that we can ‘have it all’, dotted along the railway line were signs telling travellers how far to Sydney for Griffith’s Teas. I could understand this but I could not understand the blue and white signs advertising ‘Dr Morse’s Indian Root Pills’. I asked my father about this and he explained it was the reason why there were so many Indians. It took me a while to work this out.

I remember once going to the top of the AWA tower, which was then the tallest building in Sydney. We also spent some school holidays in Cronulla, Wellington Street, Bondi (where friends, the Watts, lived), Manly, Gymea Bay and Kiama in the 1940s. A neighbour to the Watts had a backyard, open air chicken processing operation. I don’t know how they kept the flies down or got rid of the offal, blood and feathers: would the sewer have coped? I taught some of the ‘useless’ city kids in Bondi how to throw balls over-arm. The beach seemed a long way down the hill and the surf was very intimidating so we walked through Cooper’s Park and then paddled around in Redleaf Pool in Sydney Harbour. The fences of the houses in Bondi were adorned with chokoes and I was told that they, along with rabbits, were good Depression food.
I remember a big haul of garfish being netted from the beach at Fairy Bower, Manly. Our room in the Kiama house was a walled-in veranda. The owners (Mr and Mrs Kirkpatrick) and all male members of the household were coal miners. The family was trying to earn some extra money. I hardly ever saw them as they left in the dark and returned in the dark, even in summer; double shifts? Mrs Kirkpatrick looked after us well.

My father could not usually go on holidays with us due to the demands of farm work. However, in the late 1940s, when the poultry operation had been run down, we all travelled over two days to Forster on the mid North Coast for a two week school holiday, recovering from mild whooping cough. We camped in the back of the truck and I still have childish memories of the giant trees near Buladelah and Bungwahl and the calmness and immensity of the Myall Lakes. When I was much older and re-visited the area, I found that the trees and lakes seemed shrunk and had changed in form and nature, if not primitive, beauty! We also had a holiday together at Gerroa on the NSW south coast. Once my father had bought the truck he would take us to the local motor bike races at the Mittagong Airstrip, which were later held at Braemar closer to Mittagong. I recall that a Jack Ahearne was the champion rider of that time and he impressed me greatly. The most skilful of local riders were Mervyn Wheeler and his side-car passenger Leon, both of whom worked in Merv’s motor-cycle business in Bowral.

My mother had befriended a fellow nurse, Beryl Cain, whose parents and uncle had a dairy farm north of the Mittagong Range and east of Aylmerton/Braemar. The farm and dairy herd were destroyed in the devastating 1939 bushfires leaving only half a house and a shed. These were the first dairy farmers I got to know. We often visited Beryl’s mother and Uncle Jack (her father died in the early 1940s). They had a Chinese farm hand, who was kept in food and clothing and lived in the shed. He was simply known as ‘Jimmy the Chinaman’. He was a very gentle, shy, friendly man, even if regarded as a curiosity; he knew his place in society far too well. Beryl married Stan Chantler who was a clerk/accountant with a Sydney firm which turned rabbit skins into men’s hats; everyone wore hats in those days. Beryl and Stan had two sons, Bill and John. They were one of the first families to move into a Housing Commission house in Sefton, in Sydney’s then outer suburbs, after World War Two (WW2). They had previously lived in a flat in Coogee. Bill became a Department of Technical Education teacher, but I have lost all trace of him and John.

The Farm Until 1952

The farm grew in the late 1930s through to 1950 when my father stopped poultry farming in an attempt to spell the sheds and yards to break the cycle of the disease known then as Leucosis, now known as one version of Marek’s Disease. The purchasing of poultry feed during and after WW2 was not easy and there was a shortage of animal protein. My father had the inspired idea of using ferrets to catch rabbits to be then used in the poultry rations as meat-food. He spent most of his time digging the ferrets out of rabbit warrens in the country at the back of Aylmerton, the next village bar Alpine south of Yerrinbool, where rabbits were in plague proportions. Len Kerslake, living in Alpine, had a bigger problem when his dogs became trapped in wombat holes under his house. He nearly collapsed his house when he dug them out.

At some stage (1947?) my father established a co-operative company to buy feed supplies for district poultry farmers. The secretary of the Company, who was a Mittagong poultry farmer, embezzled funds and the co-op collapsed. I also remember rail trucks in the Yerrinbool rail siding, which carried about 18 tons of wheat and which had to be unloaded quickly to avoid
paying demurrage. Bags of wheat weighed 180 pounds; I couldn’t carry them on my back until I was seventeen.

By about 1946, my father was moving from open range to semi-intensive shedding for the egg laying flock. Poultry farming in those days involved the raising of day old chickens in brooder houses from where they were put into two stages of rearing pens, where often the growing chickens had to be supervised at dusk so that they did not smother. The poultry were fed on a mixed mash every morning, basically of wheatmeal, bran, pollard, plant and animal protein and other available ingredients. This was followed by chopped or chaffed greenfeed fed during the day and with wheat thrown on the ground in the afternoon. Shell grit was supplied so that the hens could better digest the wheat and for calcium. Egg collecting was carried out once or twice a day with the eggs being graded and washed, if necessary, and packed to send to the NSW Egg Marketing Board in Lidcombe. In our case a carrier named Merv Burton, who had married a sister of Bert Cousemacker, and lived in Tahmoor, came to the farm twice a week to pick up the full wooden, thirty dozen sized egg boxes and return the empties. My father built an incubator room and bought a Multiplo incubator, trying to breed his own day-old chickens in an attempt to break the Leucosis cycle, but with little success.

My father began a firewood business in about 1949, having already bought a 1936 Chevrolet, three ton truck for the farm. He then bought a Hargan portable circular saw, which was basically a BSA motorbike engine, driving an up to 42 inch circular saw blade by V belts well away from the engine. The machine had a frame on wheels and a gimbal ring so that the blade and machine could be turned horizontally to fell trees. He did contracting work with the saw and moved into other forestry operations beyond block-wood for domestic fuel stoves, such as fence posts, pulp wood and the odd paling or mill log. He set up a saw-milling bench driven by
a Buick engine to saw block-wood from lengths of timber (cordwood) cut and collected from the bush. Laurie Gibbs from Yanderra worked for him for quite some time and a local villager, Ted Donnelly, also worked for him at weekends.

The farm went back three quarters of a mile from the Hume Highway and was 16 chains wide (352 yards). The main front quarter of 25 acres and a bit more had been ring-barked for some time and the wood business enabled the clearing of the land of the largest timber. The only farming enterprise at this stage was maintenance of the small orchard and cash crop cultivation - beans, peas, potatoes etc. We prepared the soil for crops with a Howard Rotary hoe and its attachments (the Howard Rotary hoe was developed by a Cliff Howard, from Gilgandra, at the then McLeerays Ltd in nearby Moss Vale).

No more than 15 acres of the original 100 acre farm were completely cleared by about 1952. The front northern quarter had been sold to Eric Carpenter at some stage to raise funds. Eric had a milk bar in Double Bay in Sydney's eastern suburbs and built a corrugated iron shed on the block as a weekender. He eventually built a house on the property and cleared it all. His wife suffered from schizophrenia and caused Eric and the neighbours a lot of distress when the poor woman suffered attacks of delusion. Eric was very caring and they had two wonderful children, Arthur and Gwen, who were quite a bit older than me. At some stage (1949-50?) my father put in a large dam close to the Hume Highway. This blocked a natural water course; one result was that the glade of maiden hair fern that used to grow across the road from the farm between the Hume Highway and Southern railway line disappeared. The impact of clearing in my local area could be clearly seen; in the very wet years of the early 1950s there were many land slips on the Razorback Mountain, north of Picton, caused by the removal of most of the trees.

My father had lent his mother some money in the 1930s and had never been repaid. After George Proctor died, his mother talked him into allowing her to build a tea room-cum-café on the front of the property fronting the Hume Highway in the late 1940s. The agreement was that when she moved from the front house and cafe, it would belong to the farm. The café and residence was architect designed but far too small. It was constructed by a builder named Godkalns from Mittagong, who had a difficult job obtaining building materials after WW2. However many interstate trucks stopped and some of today's firms still bear the original names of those early days. The Delmo Bros from Melbourne became regulars and they were a great Italian family.

The biggest problem with the site was that there was nowhere near enough land for trucks to park safely off-road. It was very wet in the early 1950s and bogging was a real concern. In those days we put the excessively wet weather down to sun spots. During the building of the Snowy Mountains Hydro-Electric Scheme, giant grey Public Works Department trucks crawled south down the highway with very large loads of machinery. My father's half-sister, Bonnie, who had left her husband, helped her mother and lived in the front house-cum-cafe with her daughter, Jane, who tragically died of aplastic anaemia when she was seven. Jane was a beautiful girl and I never believed that this was a result of God's will or that God moves in mysterious ways. It was a tragedy as it is for the thousands of people who die each day in the less developed world from easily preventable causes, and also from wars, famines, natural disasters, incurable diseases, misfortune - and hopeless, corrupt governments.
Earliest Memories

All my early memories are of being involved with farm activities. I followed my father or the farm hands everywhere. My story is that as soon as I could walk, the Old Man put a bucket in one hand and a shovel in the other and it was hard work from then on. I have the photograph to prove it!

As a toddler, I was put in a brooder house chicken yard, which was enclosed with chicken wire to keep the crows away from the small chickens. I do not know if I was playing with it or not but I have imprinted in my mind a brown snake with its head up as my mother came in and killed it with a shovel. I put my fear of snakes down to this experience plus the fact that I was attacked by another brown snake in my teens when I accidentally nearly trod on it. Most of the snakes on the farm were tame red-bellied blacks, which I didn’t hesitate to kill if I could. I have since learnt that it is stupid, if not illegal, to do this.

Is my continuing fixation with bush fires the result of remembering hurrying with my mother, who was pushing a pram with my brother Richard in it, to an open paddock on the property next door when a bushfire was approaching and my father was out fighting it? The fire was stopped but I would not have liked our chances if the fire had got into the dry grassy paddock. Mother was sure she could light a grass patch and then quickly move into it!

And drought: the 1940s were very dry and hot and father was required to cart water for the poultry. A deep quarry had been dug in Yerrinbool for rock for the railway embankment south of the centre of the village and it was always full of water. I used to accompany my father with his horse, Gypsy, and cart with a tank on it and an AJAX hand-operated pump to fill the tank.

I remember being carried on the back of Tom Esen, who came from Bargo and worked on the farm. My father and Tom were digging a well and using either gun powder or gelignite, which I apparently called ‘bushfire boongs’ when the charges were let off.

I remember the veterinary firm of Hungerford’s coming onto the farm every year to vaccinate the flock against laryngo-tracheitis. And I remember - not that I saw it - a railway pay car blown up with explosives on the rail line between Yerrinbool and Yanderra, to the north, in the War years, which caused quite a stir in the two villages. I think two people on the rail car were killed and that the criminals were never caught.

I remember when at Great Grandma Cartwright’s place in Bargo that I had a fall when I was three, which dislocated my right arm and it stayed that way for most of my life (one end of the radius was excised in 2002). There was only a Bush Nurse in Bargo in those days and the hospital in Bowral was a long way off and we only had a horse and sulky. I also fell out of a tree and broke both feet, but in those days it was assumed that as long as it wasn’t life threatening, bones mended quickly – though I live with the consequences today. I was always accident prone due to being so active, curious or stupid. My first nickname was ‘Dids’ because I was always doing something. I have never stopped being busy.

The main house had four bedrooms and a veranda on which my brothers and I often slept. Most of the original cedar furniture was sold after the War as we ‘modernised’ with Laminex furniture! I can remember electricity and the telephone being connected in the mid to late 1940s (Yerrinbool 26!) and that the local PO folk running the telephone exchange could listen to any conversation. Before electricity we relied on Tilly Lamps, Aladdin kerosene lamps and candles. We kept some food items cool by placing them in a ‘cool-safe’ or Coolgardie Safe, which was a device which dripped water down hessian walls. We also floated butter on a raft
lowered deep into a well. Undoubtedly the arrival of electric power and the connection to the telephone, along with cars and television, were the greatest inventions affecting my early life and probably still are, even allowing for the ‘digital revolution’.

During and after WW2 tramps or, ‘swaggies’, and gypsies often visited the farm; ‘swaggies’ for a hand out, a bit of food and possibly a bed for the night in a shed, which we generally provided. We had a lined shed on the farm which was elevated on piles, with a sound wooden floor and two windows, quite suitable as quarters, in which farm hands lived and shared meals and washing facilities with us. Swaggies were a carry-over from the days of the Great Depression, men who carried their bedding and all possessions on their back as they moved along roads seeking part-time work. Gypsies came too and sought to read our fortune, which we resisted. The gypsies usually bought anything we could sell them such as eggs, vegetables and fruit and they always paid.

As well, there always seemed to be many people coming and going on the small farm, either as casual employees, or as guests or relatives who wanted to have a weekend in the country, hillbilly style.

**School and Education**

I first went to Yerrinbool Primary School at the start of 1943 when I was six and went into first class. I had learnt to read well before going to school. Slates had given, or were giving way, to paper and inkwells. The advantage of a one teacher, one room school was that you could pace yourself and possibly jump ahead in some areas. I do not recall any class I was in as having more than two or three pupils in a school enrolment of no more than twelve to fifteen. I guess I was always top of my class because the other kid must have been even dopier than I was, but comparisons of who was performing best in such a small enrolment were never explicit.

Thomas Ray Scott, who came from teaching in the Cooma area, stayed as a boarder on the Gasson poultry farm. Fred and Jean Gasson were great tennis players and had a tennis court on the farm, where I first played. They had a red Willys car and Jean drove Mr Scott, son Jim and me to school every day until I was bought a bike. They were the first family in Yerrinbool to buy a new Holden car. Jean Gasson also once took me to Anglican Sunday School at Bargo with Jim, who was a bit younger than me. As a regular attendee Jim received a card with a colour picture and biblical quote on it. I wasn’t given one. Not having a great understanding of theology as a six year old (or since), let alone the practices of the Church, I didn’t think much of this and never went back.

The extra-curricular activities of the school centred on participation in the Gould League of Bird Lovers and doses of temperance from the teacher (abstinence in all things bad, moderation in all things good). I still try to be moderate with respect to the drinking of red wine, but not always with spectacular success. There were also visits by the occasional clergyman trying to instil some Christian values into we Yerrinbool heathens. I firmly believe my temperance learning and living in a non-drinking household was the reason for not discovering the outstanding health giving virtues of red wine until I was twenty five. Mr Scott was a good teacher but a bit old and tended to fall asleep after lunch. He was intent on his students learning reams of poetry, the purpose of which may have been to improve memory because I certainly didn’t know what things like ‘I shot an arrow into the air, It fell to earth I know not where’ ever meant! Was it about barbed insults; was it to be relevant to my time in politics?
There was a Farm Home for Boys in Mittagong for truants and badly behaving boys. Every now and then some would break out and run away and inevitably wreck the local primary schools in the area. This happened at least three times while I was at Yerrinbool Primary School.

I had sat for an entrance exam to Hurlstone Agricultural High School (HAHS) at the end of 1948 just before I turned eleven, prior to completing Sixth Class. I was successful in being accepted for the selective high school as a boarder. However Mr. Scott and my parents (I assume) thought I was too young to go to a tough agricultural boarding school so I was required to repeat Sixth Class. It was a wasted year; it might have been more sensible for me to have gone to Bowral High for the interim but this was never canvassed. The decision to hold me back was probably a wise one because I was then a skinny, light lad, not being too heavy for the six stone seven rugby union team. Jim Gasson was a school year behind me and he, a year later, sat for the exam and we were both eligible and accepted as boarders in 1950.

I did well at HAHS, scholastically. I didn’t sit for the half yearly exams in first year as I was home with a poisoned foot, a product of picking beans on the farm in bare feet at the weekend. At the end of the year, out of 132 students in the three first year classes, I came fourth. The boys who beat me were David Arkinstall, Michael Walker and Michael Gavin. David and Michael Walker were day boys, known as ‘Daygo’s’. I’m sure they did well in later life and Michael Walker, who I think became a medical doctor, was also a natural born athlete.

HAHS required boarders (Bed Bugs) to do compulsory ‘prep’, which was about an hour to hour and a half study after dinner, that is when the power was on; there were many blackouts in 1950. This time amounted to compulsory homework and was very beneficial. Discipline was a terrible problem and bullying was rife. At some stage a Bully List was drawn up and students encouraged to name the boys who were bullying them. This didn’t work because the bullies bullied those they were bullying into not signing. I complained to the Headmaster about a fellow boarder named Trevor Windus from Peak Hill who wasn’t coping with the bashing he was getting from second and third year boys. Worse, he had a brother terribly ill with pneumonia and not expected to live. He told me that streptomycin held out hope. The Headmaster, McNeill, said that this was part of a toughening up process and not a worry (he didn’t use the term ‘character building’, but that was the meaning).

One boy, Donald Kelly, a second or third year boy from Moss Vale, used to constantly give me ‘cork’ legs and arms, ‘Chinese burns’ and ‘crow pecks’ on the train travelling to and from home at weekends when I wasn’t on ‘squad’, which entailed working in either the dairy, the piggery, the poultry farm, vegetable garden/orchard or with the horses. Years later I found I was much bigger than him when my team played against his at hockey. My aim at the ball failed a few times that day when I got close to him.

Initiation ceremonies at school also caused some injuries. At Hurlstone, I was a ‘good boy’ but even I received seventy two cuts of the cane. On one occasion I received twelve cuts, after being made to stand in the quadrangle in the dark and cold for an hour for being in the wrong place at the wrong time, not knowing I should not have been there because I had missed receiving the latest list of ‘do nots’. Some other boys and I got our revenge on my caner, the Deputy Principal, Neale, by double sheeting his bed and putting a frilled lizard in it. I can still remember his shriek in the night, ‘There it is Geoff, hit the bloody thing’!

One friend of mine, John Gibbons, who was generally rebellious, took a set on a young maths teacher named Gerry Gleeson, who later became a top NSW public servant, heading up the
Premier’s Department. John received something like seven hundred cuts of the cane in first year and I was once told that he ended up as a technical expert in the RAAF. ‘Eck’ Wilcox, the Maths teacher, gave out serial cuts of the cane to all members of class if one person broke one of the hundreds of rules that the teachers made up. Strangely, he took particular exception to cotoneaster seeds being blown at him through pumpkin stalks, while his back was turned. He was a hopeless teacher, we could never hear what he was saying.

My dormitory prefect was Donald McDonald, who later became a top rice breeder, the sub-prefect was Keith Garling, who later became General Manager of Campbelltown City Council when I was the Member of the House of Representatives (federal MP) for the area. Both treated their dormitory charges well. The bullying at HAHS and my later experience of coping with my father’s behaviour, still the stuff of nightmares I still can’t talk about, left me with a lifelong opposition to being bullied and to authoritarianism. Perhaps what my wife has convinced me is an appalling sense of humour - terrible jokes and saying anything with a straight face - are coping mechanisms. But my total irreverence only came later, out of longer experience. Having been born on the 243rd anniversary of the birth of Voltaire, the satirical polemicist, this was perhaps an explanation?

I was not learning much agriculture or biology at Hurlstone and could not see the sense of learning French, eminently sensible though it may be had we lived in the UK. Many of the teachers were ex WW2. I joined the Army Cadets, the attraction being that you were kitted out and it gave you something to do after school. Mr. Brown, the history teacher, was ex-Army and in charge of the troop. At his invitation, we used to charge at him with a .303 rifle and bayonet, to be flung to the ground. He was better at unarmed combat than we were. However, in the May school holidays all the equipment was stolen and so ended my ‘military career’ even before I was issued with an Army jumper. I tried to join a school cricket team but when I was bowled out by each of the first three balls, the teacher in charge decided that my sporting skills may be better exhibited elsewhere.

There was a prize at the school swimming carnival for the House that had the most participants. We lined up at the North Sydney Olympic Pool but some of us bush kids hadn’t actually told anyone that we could hardly swim. I was put down for the 400 metres and managed to swim one lap before I was rescued. The school used to visit the Granville swimming pool once a week and the staff of Woolworths became alarmed at the thieving some of the boys indulged in as we walked back to the train to return to school. One of my friends stole a pencil but it broke in his pocket, which I thought was justice.

More and more demands involving extra expense were being put on the boarders and my parents were finding it hard to justify sending me to a school where I was being bullied and was not happy with the subjects taught. I should have been told to study Latin, as the only idea I had expressed about what I wanted to do on finishing school was to become a veterinary surgeon. My mother and Auntie also told me about agronomists but I didn’t know what they were and they didn’t seem to know either. My father had absolutely no ambition or expectation for me other than to come onto the farm as soon as I turned fifteen. My mother was dominated by him, his constant nagging and his bad temper, which was quite fierce. While I remember that my brother Richard received the odd belting when he misbehaved, I don’t recall this happening to me; perhaps I was too useful on the farm? My mother, brothers and I had to cope with my father’s behaviour, with my brothers being more affected by it than I was. It did not help that he had stomach ulcers, a hernia and generally poor health, which my mother put down to his upbringing and poor early nutrition.
I did not do so well, scholastically, at Bowral High School, where I went for second year from April 1951 and third year in 1952, and then left just before turning fifteen with the Intermediate Certificate. I didn’t, nor was I encouraged, to carry out much revision as had occurred at HAHS. I did best at Geography and Business Principles, which was about book keeping, and did well enough in Maths I and II and Science. (For some unknown reason, my mother was very prejudiced against the learning of algebra). I was not very good at English, French and History which I put down at the time to poor teachers and not to my lack of interest or application. Objectively though, Jean Gillies, the English teacher, and Helen Bembrick, the French teacher, were in fact exceptionally good. History was taught abominably yet it would be one of the main topics I now read. It is a pity that Economic History and Political Economy are in decline as subjects in our universities; perhaps if they were emphasised we would be more aware of the impact of greed and fear in our financial markets, where little is ever learned from generation to generation?

The girls were a lot brighter than most of we boys in classes 2A and 3A. I only fell in love with two of them; I am told this happens at the age of about fourteen or fifteen. Magically, I once got six wickets during an internal school cricket match, but everyone put that down to the state of the pitch. I played soccer and tennis for the school and remember being thrashed at soccer by Wollongong High School, which had many ‘new Australians’ in its team. We were also thrashed by the Marist Brothers Novitiate from Mittagong, which had some more mature boys who had been message runners against the Japanese during the War in the Solomon Islands. They could run twice as fast as most of us.
I am still in contact with my two best friends from the Bowral High School days: Roger Seville, who became a local mine surveyor and Jack Lawton, who became a lawyer. Jack was permanently quadriplegic and Roger and I used to help him get from class to class if a move was required up stairs. I still stand in amazement at what he has achieved since his diving accident when a primary school student. He married in 1960, was admitted as a Barrister of the Supreme Court of NSW in 1963 and moved to England in 1965. He now lives in retirement in Rugby, UK, with his wonderful English wife, Sue, where after practising law as a solicitor and barrister, he became the Chief Executive of the Rugby Borough Council, a position he held for eighteen years.

I wasn’t aware at the time that HAHS was probably a school of higher academic standards, it being selective. Because I didn’t achieve as much at Bowral High School I had the impression that those students who did so much better than me there would achieve much more in later life and that therefore Bowral High School was at least on a par with HAHS. A Bowral High School re-union in 1994 convinced me otherwise. Those I had admired so much and who achieved so much for the times they lived in had by that time given up seeking advancement or learning while I was just setting out on my fourth working life and on yet more learning curves in my life after politics.

Education outside of school consisted of reading books and listening to the wireless, but not yet to music. We had a small reed organ but music was not a large part of my life until much later. Jim Gasson had a wind-up gramophone and we had to change the needle after each record. Unfortunately, he only had four but we religiously changed them each time as we gradually ploughed into the discs. We turned the ‘Indian Love Call’ into a screech.

My Auntie Dodger strongly remonstrated with my father on the need for his children to study and read widely. I was not encouraged to study by my father, but nor was I discouraged from reading. I had some of my father’s books from his childhood including several editions of the British Empire Book of 1919 and early 1920s, at a time when the sun never set on the Empire and its native peoples were regarded as part of the fauna. I immersed myself in any book I could get hold of. Apparently, my father had been briefly in the Boy Scouts and I inherited some of his books, two of which I still retain, namely Rolf in The Woods and The Wolf Hunters, both adventure stories. I also have kept one of my mother’s books of poetry by Longfellow. She could recite reams of the poem Hiawatha and some of the lines still remain in my mind. My parents bought me a Pears Encyclopaedia when I was ten which I treasured. Later my brothers and I were given a full set of Arthur Mee’s Encyclopaedia. Many of the general books available for youngsters in those days were British in origin, as were many of the nature books. I knew more about elms, oaks and sycamores than I did about eucalypts, at first.

The Just William series of books were all about the travails of a British boy. I worked out that we didn’t have Roman ruins in Australia and that the village vicar didn’t play such a large part in our lives. The Biggles series was another reading staple. My Auntie gave my brothers and me books by Australian authors. Those by Ion Idriess were about Australia’s frontiers and quite racist and more than implied that if Aborigines speared your cattle you could take savage revenge. I also spent some of my pocket money on a regular British boy’s magazine, The Champion, which a Bowral newsagent regularly imported for me. I was fascinated by the exploits of Rockfist Rogan who was a fictional Spitfire pilot in the African Western Desert in WW2. The Germans and Italians never had a hope against him; even John Wayne would have been envious. As a youngster, I was simply engrossed in books - Tom Sawyer, Huckleberry Finn and Martin Rattler among many, many others. Thinking about it now, Huckleberry Finn was an anti-racist story.
Being a teacher, my Auntie knew how important education was and, as I have said, she supplied my brothers and me with many educational books and magazines. I particularly remember books on birds and wildlife and the nature magazine *Walkabout* and a book entitled *On The Edge of The Primeval Forest*. When I was nine I won a school prize, it being a copy of *The Last of the Mohicans*. I didn’t read it all then because it was bit too dense for me at that age. My Auntie was stridently opposed to the assumption that because I was the oldest boy, I would become a farmer. But I really knew little else and nothing about other employment opportunities and had been totally socialised into being a farmer.

**Work on the Farm**

I used to work on the farm before and after catching the bus to and from school and milked one or two cows each day. Some of my friends at HAHS were sons of dairy farmers and quite of a few of those at Bowral High, including daughters, were also. Ian McPhail, a friend at HAHS, was a dairy farmer’s son from Dapto, who later became a very successful real estate agent. I formed an enduring respect for dairy farmers because theirs is an occupation of unrelenting daily toil, as was poultry farming. Despite my constant encouragement for my brothers to master the art of milking, they failed to do so and also failed to learn how to separate milk into cream using a hand operated Lister Separator (we made our own butter). They simply had no interest in any farm activities while I thought of little else.

I planted 3,000 tomato plants in October 1951 and also looked after the extensive house vegetable garden. The tomato price crashed when they were ready for marketing to Sydney and the local lads and I had the greatest tomato fight of all time. They didn’t help me bundle up the 3,000 tomato stakes afterwards. No doubt if we had lived in Italy we could have made it an annual event and built a festival around it? I later learnt that the world’s largest tomato fight is held annually in Spain in the town of Bunol. It is named *La Tomatina*, so it looks like someone got in first.

The next year I planted a small patch of apple cucumbers and made a small, very small, fortune: I learnt about surpluses, marketing and the vagaries of the Sydney Fruit and Vegetable Markets early on. The auction market was not an auction at all. It was about estimates of supply and demand on the day, market power, daily climate changes, allocation and calculations made among the so-called leading auctioneers! The arranged bid paid by the buyer may not be the one the farmers receive. Colin Thiessen, our neighbour, proved this once by going to the markets and comparing what he received with what he knew his fruit had been sold for.

**The Village**

I am indebted to Linda Emery for information on the early days of Yerrinbool. What follows is an excerpt from her Pictorial History of the Southern Highlands:

>The area around Yerrinbool was known as Cannabagal’s Plains named after the leader of the local Aboriginal people, Cannabagal, who later died in the infamous Appin massacre, when fourteen men, women and children were shot or driven over

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a cliff by members of the 46th Regiment in 1816, as a reprisal against the killing of white settlers.

As settlement spread south from Camden, convict gangs were stationed along the Argyle Road and one such gang had a camp at what became known as the Little Forest on the southern end of the thick Bargo Brush. The area became notorious as the haunt of bushrangers who preyed on travellers passing to and from Berrima. Coach passengers heading south were pleased to reach John Keighran’s Inn at Little Forest, operated from 1829, having safely run the gauntlet of The Brush.

From the 1890s settlers began growing fruit. The apple, pear and cherry orchards made the area famous. One of the early families, the Dawsons, grew strawberries for the Sydney market. The freshly picked berries were taken by dray at night to Colo Vale railway station where they would be freighted to Sydney to arrive the next morning. Like neighbouring Aylmerton, Yerrinbool as a village came into being when the railway deviation opened in 1919. The Dawson property was sub-divided as the Yerrinbool Station Estate, ‘The New Southern Mountain Resort’, with street names such as Andes, Appenine, Sierra, Kiandra and Everest emphasising the high country theme.

Strathdon Guesthouse was opened in 1907 by John Simons and was later successfully run by his son after he returned from World War 1. In 1917, Simons opened the first general store in the village, just opposite the new railway station. A public school operated from 1922 until a lack of enrolments led to its closure in 1962.

There is a consensus that Yerrinbool is the local Aboriginal word for ‘wild duck’, but I cannot prove it.

The Yerrinbool village in which I grew up had a workforce mainly engaged in physical pursuits. I cannot stress too much that into my teens and early twenties, the people I looked up to most were those who could perform best in hard physical, manual work and I eventually became a very strong man! The carrying out of hard physical work develops a certain kind of pride.

The village’s population was composed mainly of farmers, fettlers, service providers and a few retirees. Towards the end of the 1940s some weekenders were built and fly-by-nighters were staying for various periods. Of these people, I can remember the family names of Cameron, Rigby and Wohglemuth. The property next to us on the south side had a grand stone German style house on it that was always owned by Sydney business people. It had a swastika on a totem pole in its garden, which worried anyone who knew about it because the owners were just about always absent and we didn’t know if they were supporters of Hitler or not. The owner, whose name I never knew, was interned in World War Two. A very successful Sydney businessman, Ern Slater, bought the property after the War and in the 1960s Dr Brian Hoolihan from Enmore bought it as a weekender and ‘Pitt St Farm’. Brian also later bought twenty five acres of the back portion of our property for the planting of pine trees. This block became isolated when the Hume Highway by-pass cut through our and the neighbouring Thiessen property.

Yerrinbool was and still is, roughly, a North East-South West running peninsula of houses and small farms in a sea of highly flammable bush. Bushfires were and remain a constant worry. When I visit old friends back in the village, I hear that bushfires continue to be of great concern in hot weather during the summer months (and now spring months). Both the Hume Highway, now Old Hume Highway, and the southern railway line also run, roughly, north-
south. To the east is the Nepean River, its Sydney water supply dam and catchment area. To the west is the Bargo River, near Bargo, which also had a weir on it once for the water supply for domestic consumers.

I became used to walking through the bush following tracks or electricity power lines. I could walk to the backwaters of the Nepean Dam by following an electricity transmission line and elsewhere learning how to keep safe from being lost by sticking to gullies. My younger brother, Richard, and friends and I none the less did things that today would seem to be highly risky, like scaling cliffs with ropes and swimming in rivers and waterholes of indeterminate depth and unknown snags. I grew to love the bush like my mother and Auntie Dodger who knew the botanical and common names of many of the wildlife species, particularly the many flowers. The landscape was one of a dissecting Hawkesbury sandstone plateau with a different collection of plants and trees in the deep gullies compared with the more typical stringy bark, bloodwood, snappy gum forest and those which we mis-labelled as mountain ash trees, but which actually were shining top ash (*E. Siberii*). Ironbarks tended to grow where the soils were poorest or where there was soil derived from shale. Flowers were abundant in spring but birdlife was not very rich in species as far as I could tell. Even though this was relatively high rainfall country, the soil drainage was such that the assemblage of plants was resilient dry sclerophyll (not that I knew this term at that time).

Until I was twelve, the village probably was no more than a hundred to a hundred and fifty folk. Running from the north to the south along the Hume Highway, the farms were owned by Sid Parsons (eggs); Fred Gasson (eggs); Joe Buchanan, which was then bought by Brocklehurst (eggs and fruit) and later sold to Colin Thiessen (fruit); our farm (dressed chickens, eggs and fruit); Charlie Smith (eggs, fruit and pigs at one stage); Steve (Pog) and Vince (Jinky) Chadwick (fruit). Then there was the village proper, where Colonel Reg Bath and Doug Charlesworth also had a few chooks; Chris Burkett (fruit and also a wood business); Jack Wilson (eggs) who was paranoid as a result of the War, followed later by Gordon Shiels; Hambridge (fruit); and lastly, Bert Kerslake, who sold out to Ben Ovington (eggs, fruit and vegetables).

Lawson Brothers, butchers from Mittagong, delivered meat to the village and the farms. Jack Owers also delivered fruit and vegetables from Bowral, once a week. A baker, named Croucher, from Bargo delivered bread once or twice a week.

The Buchanan/Brocklehurst/Thiessen farm was by far the biggest followed by Gasson then Hambridge. Colin Thiessen, coming from the Huon Valley in Tasmania, concentrated on fruit and was an expert orchardist. Colin kept on Tommy Thompson who had been a farmhand for quite some time on the property. He had most of the fingers on both hands missing but managed to prune apple trees well. Colin’s wife, Zeela was incredibly fast at wrapping apples in tissue paper to be placed in Canadian and Dump wooden boxes for sending to the Sydney market. Colin’s sons, Ray and Geoff, also quite expertly ran the farm when Colin passed on.

Colin Thiessen was a quiet man but a bit of a character. Some city people dumped a lot of rubbish in front of his farm on the Hume Highway but, stupidly, left a lot of identifying information in it. Colin bundled all the rubbish up and drove to the Sydney address and dropped it into their front yard. He told me that they had the hide to complain. On another occasion he and Ray found some people in the orchard thiieving fruit at night. They caught up to the two men in the dark and managed to belt them, while running, with lengths of spray hose. In the next week it was reported in the local newspaper that the leading fruit shop owner in Bowral had had to go to hospital with broken ribs, a strange coincidence. On another
occasion they managed to stop a car some way down the highway, which had been used by orchard thieves, by shooting a few bullets at it. The police were not amused. People would stop on the highway and shoot at anything. Kookaburras were known as ‘ha-ha pigeons’ by some migrant groups. I found that most people moved on if we fired a pea rifle high above their heads. The Thiessen farm, Tennessee, continues today as a commercial producing entity as a nursery, but at a lesser scale as an orchard, again with new owners. All the rest of the farms have disappeared.

Of the many Yerrinbool Railway Station Masters, Wright and Lihou are two of the names I can remember. The allegedly light fingered Jack Mann was the night Station Master at Mittagong but lived locally and there was also a family named Chalker, Mr Chalker also having something to do with the railway. There was a Primary School and teachers (Bolton then Scott), two Electricity Commission linesmen (Erisson and later Hill) and a Water Board ranger (Laws) and the owner of the local grocery shop and Post Office (Watts then Duncan, then Costello, then Robson, then Hanckel, then Wulf). Ernie Hambridge worked for the Mittagong Shire Council and lived at Little Forest. The village had a corrugated iron hall (still standing) and eventually a properly built Bushfire Brigade shed beside it. I built the first shed for the Brigade on our farm when I left school, once the local Brigade acquired a WW2 Chevrolet Blitz fire truck with a very powerful Myers pump on it. I was mainly friendly with Billy Blackhall and Jim Gasson and later Vince Chadwick. Billy, Richard (sometimes) and I used to sell waratahs on the Highway (plentiful in October after the previous summer’s bushfires) for three shillings a bunch. We made a lot of pocket money that way.

The fettlers were named Milne and Blackhall and their kids were all about my age. I liked Margaret Blackhall who was just a month or two older than me, but being painfully shy into my teens, was never game to ask her out. Anyway, I thought she treated my friend Billy badly, being an older sister. Ken Milne worked on the farm during the mid-1950s. There was also a railway extra gang that sometimes camped beside the rail line. I remember seeing inside the tents they had, when their wives and children moved with them. The corrugated iron walls were stuffed with papier mache to keep the cold out.

Steam trains were wondrous machines to see and there were two sidings at Yerrinbool Railway Station. The farmers believed that most of the bushfires were locally caused by the trains as they dropped hot coals. Charlie Blackhall, who was one of the most careful of people, was hit by a train while getting his trike, a three wheeled hand operated machine fettlers were required to use to check rail lines for any defects once a day, off the rail line. He was in a coma for a long time and recovered physically to some degree but never spoke again. His near death had a great impact on the people of Yerrinbool.

The Blackhalls had become the first wage earning family to buy a car, a new Vanguard in about 1954-55. I once went with them to Burrinjuck Dam and back in a day. While I was still at Primary School the Gronow family moved to the village and I knew Harvey and Clive, two of the boys. George, their father, became a carrier and provider of poultry feed and eventually Manager of Rural Grain and Produce, a farm supply company in Bargo. One of George’s daughters married Ted Fensom, who worked with George Rocky, who ran the trucking firm of Licensed Owner Drivers in Mittagong, that carted limestone from Marulan to the Picton Cement Works. This firm eventually became part of the TNT Company run by Bob Hawke’s friend, the late Sir Peter Abeles.

There was a family or two of ‘ne’er do wells’, one of which was the Kirks. I believe my mother also kept them alive at various times with the supply of farm products - eggs, poultry, fruit and
vegetables - we always had plenty, particularly of cracked eggs. The Kirk family’s pride and joy was a Delage (French) car which had been cut down to make it into a small truck. As farmers, we did not have the wit to hold on to the odd collection of vehicles we owned; there was an early, probably 1924 Essex and a 1926 Buick that Charlie Smith owned at one time. They would be worth a lot now. Dave Kirk, son of Percy and owner of the Delage had a ‘crook back’ and he and his wife, Ettie, earned some money by picking a ‘crinkly’ or ‘celery’ fern in the bush to send to Sydney for the display of meat in butcher’s shops; it was probably a species of grevillea. Later, Ettie, who had two children, set up a roadside stall on the Hume Highway, selling fruit and vegetables.

‘Knobby’ Clark was an expert woodworker and cabinet maker and a great friend of my younger brother, Richard. Muriel Vickers, who was an accountant, used to have a weekender which became her home when the rail service improved and she commuted daily to Sydney. My parents were very friendly with Bill and Clarice Andrews who were near retirement age. Bill commuted to work in Sydney by train in his later years. My father was at various times President of the Parents and Citizens Association, the Yerrinbool Progress Association, which was actually in favour of progress, captain or active in the bushfire brigade and later in the Bargo Branch of the Associated Poultry Farmers of Australia (APFA). As for the retirees who usually came from somewhere else, they kept to themselves and didn’t participate much in village affairs.

Prejudice was rife in those days of course but the worst early example of discrimination I can recall was kids’ cruelty to Kevin Hambridge. Kevin was a year or two older than me but had contracted polio, which delayed his schooling and required him to wear callipers. Polio was a constant concern of parents after the War. I didn’t meet an Aboriginal person until I went to high school and then only on one occasion. I wonder what the view of an Aboriginal family living in Yerrinbool would have been – or us of them?

It was in the years from 1945 on that we became aware of people migrating to Australia from Britain and Europe. We had heard about the ‘reffos’, that is people from Displaced Persons Camps or refugees, but had not seen any. The Brown family of George, Mrs. Brown, June, George Jr and John migrated from England and set up in the village in 1948. The Browns were regarded with some suspicion at first, they being ‘Pommies’ and therefore not quite like us. George Jr later became an academic in maths. It was in the 1950s that we all came to know about ‘new Australians’ and admire their work on the Snowy Mountains Scheme, even if only by reports in the newspapers.

Looking back at it, village society was pretty narrow-minded but probably no more so than in Australia in general at the time. Entertainment centred on functions put on by local organisations, such as card nights by the Parents and Citizens Association. Home dinner visits were also common. The advantage and disadvantage of growing up in a village is that everyone just about knows everyone else. It does not take long for cliques to form, often occupationally based, yet the turnover of the non-farming families gave us a slightly wider perspective. The greater disadvantage was that by living in a closed village environment we were hardly aware of the problems of people far worse off - or far better off - than us in those ‘alien’ cities and large towns where there was a far greater chance for diversity, creativity - and opportunity - to flourish.

The service towns of Bowral and Mittagong were seen as sufficient challenge and opportunity; Moss Vale was just a bit too far away! The wealthier and successful business families there attracted most status. I’ve never quite understood why being wealthy somehow means that
you are necessarily a better person or that wealth is something necessarily to aspire to, at least according to the business dominated media. Some established Sydney business families, for example the Horderns and Snows, who had large houses and properties in the Bowral area, were regarded as near gods. People who had worked on these properties later told me they were instructed how to vote by their employers - their jobs depended on it. Wealth always has its worshippers and the observation does not necessarily imply envy of or disrespect for the individuals concerned.

I formed the very strong view that schoolteachers and nurses were the very best people and accorded most status to them as well as to doctors and the police sergeants who clipped the ears of the local hooligans. I regarded scientists as gods, but did not know much about them. Our GP was Dr Watson in Bowral and I remember going to him in about 1946 for a vaccination for diphtheria. There were copies of the *The Illustrated London News* in his reception room and I read about the problems in Palestine; not much change on that front.

**War and ‘The War’**

The greatest cataclysmic event, globally and during my life, was World War Two (WW2), not that I was part of it, but some of my formative years were in a time of war. For a small settlement, there were many in Yerrinbool with war experience. I have very strong memories and impressions of the War and, because of this, the wars that followed: the Korean War, Konfrontasi in Malaysia, the Cold War, the Vietnam War (or American War, as the Vietnamese call it) and so on. Being so young and ignorant of the lead up to or causes of what became known as the War, may have meant that it had a greater impact on me, not that I had the remotest idea of the evilness of mankind in a time of war.

Percy Kirk, father of Dave of the Delage, had been to the Boer War and lived in retirement in a newspaper lined bark hut, caring for his horse(s). He always seemed to have a horse or two, so perhaps as they died he replaced them to keep himself alive? Many of the newspapers in his hut went back to the 1920s. ‘Old Man’ Smith had been in the British Navy in WW1 and talked of the Battle of Jutland, a great, indecisive, naval battle with the Germans. My mother’s two uncles had been in the Light Horse in Palestine in WW1 and although I never knew them, my mother talked about them a lot. I was never told if they had been killed or not. Alf Chadwick, had been wounded in the leg at Gallipoli and later in the shoulder during the battle of the Somme in France. There was a story that he had also been gassed in France, but I have not been able to confirm this. He certainly did not enjoy good health. Tom Esen, from Bargo, was called up, left his job on our farm and was sent to Papua New Guinea during WW2 with very little training. He was killed in the Lae campaign, having been wounded and removed to the field first aid station when an Australian fired 25 pound shell dropped short. I later looked for his grave in the Bomana War Cemetery in Port Moresby but it wasn’t there and I never gained access to the Lae War Cemetery, where I was later told that he was buried. Bill Chadwick (Buster), son of Alf, a radio operator, was killed in an RAF Lancaster bomber over Magdeburg, Germany. I visited Magdeburg many years later, when I was Trade and Overseas Development Minister, after the Berlin Wall had fallen. Mary (Chick) Chadwick, daughter of Alf, was in the RAAF at the end of the War. Bill Duncan was a commando and survived the War. Jack Wilson also survived the War but wouldn’t talk about it, being very traumatised. A man named Werner Wolinski came onto our farm as a farm hand in about 1944. He was from Poland and had escaped the Nazis but I never established if he was Jewish. I met him years later in Camden and he was very grateful to my parents for helping him to start a new life.
When people worked part time on the farm after I had left school I got to know George Brown, from Yerrinbool, who had been in the Western Desert with the British Army and Sandy McGregor, from Yanderra, who had been in the Pacific with the Australian Army. Neither George nor Sandy was very enthusiastic about their experience. George described the Western Desert as ‘millions of acres of sand coloured f… all’. Sandy had the idea that heroes were the first to be killed, but he assured me that he had fired off many bullets with his rifle once he hit the ground or took cover. Colonel Reg Bath had been with the British Army in India between the two world wars and was an air raid warden in Coventry and London in WW2.

All of these men who survived eventually would talk about their war experiences. None of them thought wars were a brilliant idea but they did have some exceptionally bawdy jokes as a result of their experience. My Auntie Dodger never married but in her later years had a partner, Arthur Dallimore, who had been captured by the Germans in Crete. With more than a little validity, he blamed his capture on Sir Winston Churchill. Dallimore had been a cartoonist before the war with Smith’s Weekly, a Sydney newspaper, and took up painting in oils in his later years. (My wife rescued three of his works which hang in her study today.) As a kid I can remember being at my Auntie Dodger’s in Sydney when there was a march of soldiers along the streets. They looked to be the toughest bunch of men I had ever seen. I remember seeing grey warships off Cronulla, which at the time had barbed wire on the beaches and some gun emplacements. I can remember fighter planes flying low overhead at our farm as there were airstrips to our north east on the road from Picton to the Coast, with the Mittagong airstrip being used occasionally.

The Watt family of Ida and daughters, Barbara and Margaret, lived on the farm for a while when they moved from Bondi after the Japanese had shelled it on 8 June 1942 from one of the three mother submarines or the other two also off our coast at the time. This occurred some days after two or three of its midget subs had entered Sydney Harbour. The shells mainly hit Bellevue Hill above Bondi, but the Japanese submarines were to wreak far greater havoc on our coastal shipping during the War. Bob Watt was an aircraft electrician who worked on Sunderland and Catalina flying boats at Rose Bay and Rathmines. Barbara Watt and I used to wave to the troops going past the farm in convoys on the Hume Highway, yelling ‘if you don’t wave we’ll kill you’! They generally waved back, which convinced us of our powers of persuasion. When I first went to primary school we practised jumping into a trench at the back of the school. The school had a disabled WW1 machine gun which the teacher, presumably, was supposed to wave at invading Japanese, thereby striking terror into their hearts.

My father and Charlie Smith were required to produce charcoal in charcoal kilns, because, being farmers, they were classified as being in ‘reserved occupations’. Charcoal was used to produce gas to power cars. I only ever saw one charcoal gas burning car. I understand that my father was about to be called up towards the end of the war but it ended first. There was always discussion on how to manage ration cards and whether or not we could afford war bonds. Swapping ration card entitlements with neighbours was a great market in which we all participated. Toys were in rather short supply so we made our own. I made many toy planes out of balsa wood and cardboard kits. I still think that the Spitfire was the most beautiful plane ever invented! Every time I see G for George, the Lancaster bomber in the Australian War Memorial, I continue to be amazed that young men flew such a vulnerable machine from England to Germany and back with German fighters waiting to shoot them down.

We lived constantly with the threat of ‘the Japs are coming’. The maps of the progress of the war in the Sydney Morning Herald, which showed sweeping arrows of the hundred day Japanese advance through South East Asia, were psychologically very powerful in portraying
the seriousness of the situation. The theory of ‘gravitational aggression’, aided by Mercator’s projection, was implanted early. It was subsequently used to great effect by the Liberal Government in their propaganda on the Vietnam War (China’s southward thrust and the Domino Theory). I remember the Bikini Atoll bomb test being broadcast on our battery powered wireless after the war but can’t recall either the bombing of Hiroshima or Nagasaki at the time.

I grew to believe that much of Australia’s racism came from our British heritage but was exacerbated, with exceptionally good reason, by our war experience with the Japanese who, from where we sat, were far more murderous and brutal than the Nazi Germans were with prisoners, but not much.

While at High School the Korean War broke out in June 1950 and continued for over three years. Cold War rhetoric was very strong; it was clear that we were fighting against Communism and for the freedom of the South Koreans. This war was a vicious cold, hard, artillery and infantryman’s war in which Australia lost about 300 men. Australia was becoming aware that we needed more than a volunteer army. National Service was introduced in 1951 and continued until 1957. The requirement was for all boys turning eighteen to enrol for about three months’ basic training and then to be in the Citizens Military Forces for a period of years. I would have been too young for the Korean War and too old for the Vietnam War, unless I had undergone training or had previous military experience. I was a member of a very lucky generation.

In later life I visited Waterloo in Belgium, site of the defeat of the French by Wellington and the Prussians, Tyne Cot, Gallipoli, some of the US Civil War sites and the highly militarised truce line between North and South Korea. Tyne Cot and Gallipoli made the greatest impression on me. Tyne Cot is in Belgium near Passchendaele. It is the site of the largest military cemetery in the world where 11,954 are buried, Australians included, from the third Ypres Offensive. There is still a field there with three concrete pillboxes on a gentle slope mounted with Germans machine guns which our people had to throw themselves against. Mechanised murder. To scale the cliffs of Gallipoli, once the Turkish troops commanded the heights comprehensively, was obviously just impossible to do as far as I could see, but the ANZACS nearly did (some New Zealanders got to the very top), and may have, if we hadn’t had incompetent British generals in charge. As deeply significant as WW1 was to us, especially in population terms, I believe that what Australians achieved in the battles of Tobruk and Kokoda was the most significant, militarily and nationally.

Early Social and Political Perceptions

I realised when I went to Primary School that the fettlers’ kids didn’t have shoes or boots as did the farm kids; Jimmy Milne always had stubbed and bloody toes. We also used to swap sandwiches because the fettlers’ kids had sandwiches of vegemite, chutneys, or tomatoes at best, and we generally had sandwiches of eggs, salad and mutton. At one stage my mother, via the Parents and Citizens organisation, made Cornish pasties for the school, which were a bit more nutritious than tomato sandwiches.

I also realised that wage earners tended to read The Daily Telegraph, which was virulently anti-worker but published a lot of sports news. The wage earners also listened to what we pompously considered to be ‘low grade’ wireless stations and serials. In terms of popular entertainment, there seemed to be a split between those who preferred Bob Dyer to Jack Davey on the wireless, and Frank Sinatra to Bing Crosby as a crooner. In today’s terms it would be
like watching ‘soaps’ on commercial TV or, alternatively, SBS documentaries about such things as the lies we were told about the war in Iraq. Popular radio programmes included the ‘Quiz Kids’, ‘Mrs. Hobbes’, ‘Yes What’, were all locally produced but the largest range came from the BBC via the ABC.

The better off families tended to buy The Sydney Morning Herald and listened to the ABC, as we did with some sense of superiority. Listening to the ABC’s serials, ‘The Lawsons’, ‘Blue Hills’ and the ‘Country Hour’ was obligatory, as was the ‘Goon Show’, for me at some stage. The ‘Country Hour’ gave the overwhelming impression that the only people who lived in rural Australia were farmers, an impression that had to be addressed in policy terms in my time as Minister. My father was particularly critical of The Women’s Weekly, which my mother bought, due to its constant adulation of the Menzies Liberal Government and the Royal Family. Articles on ‘Our Radiant Princesses’ used to drive him to distraction. The farmers were critical of the fettlers and other local wage earners who wouldn’t leave their jobs to fight bushfires. We later learnt that their pay was docked if they took time off.

Although nearly everyone in the village was relatively poor, it was very obvious to me that some people were poorer than others. Every generation, generally, tends to think that they are living in the best of times, even though it can be very tough and they have to buckle down and cope. People just a bit older than my parent’s generation, experienced a greater period of poverty, disruption and fear, living through the two World Wars and the Depression, and many more societal changes, than my generation. Poverty and happiness become relative to the conditions of the surrounding social environment.

As a schoolkid I was not cognisant of any class based analysis but I knew that there were divisions in society based on wealth and status. The stultifying Protestant versus Catholic contest was alive and well, even in our little village. I have the idea that my mother and Mrs Chadwick, a lovely woman and a Roman Catholic with a big family, didn’t speak that much because of some misunderstanding or argument about religion. Bowral was and remains a very conservative Anglican town but Mittagong and Moss Vale tended to have a more typical mix of Catholics and Protestants and were slightly less conservative in a political sense. In the 1950s and 1960s, Bowral was very much a town of affected ‘Englishness’. I am pleased that the sectarian bigotry entailed in the Catholic versus Protestant debate has now subsided.

Many of the senior students and many boarders in all the classes at HAHS had a lot of pocket money in 1950-51, particularly boys who came from large wool growing properties. I was given three shillings a week by my parents and this was probably enough, but many boys had pounds to spend at the tuckshop after school. I could understand where the money was coming from, but could not quite understand the higher respect paid to boys from very wealthy families and very large properties. What I really could not comprehend was the disdain in which many boys were held if they came from dairy or poultry farms or from horticultural enterprises. This was my first experience with the ‘born to rule’ attitude of Australia’s grazing aristocracy. The redeeming feature for boys from wheat growing properties was that they also had some sheep. Day students, coming from the dreaded city, were regarded as a separate species; sheep probably had a higher status.

The Mayor of Bowral, Bert Venables, used to visit Bowral High School and somehow he used to always work into his speeches the phrase, ‘In this town, if you don’t read The Sydney Morning Herald you are regarded as a communist!’ I did not understand the meaning of this at the time but I later learnt that he was a dedicated Labor man, even though a successful businessman. I somehow got the idea that my business principles teacher, Frank Seville, father
of Roger, was not an adherent to Bowral’s dominant conservatism, but I may have been wrong in this. The teacher I got along best with was Jack (Puppy) Taylor, my geography teacher, in which subject I did exceptionally well. Jack was an ex-WW2 navigator in the RAAF and had very worldly views on politics and the vagaries of mankind. Geography is an excellent subject for politicians to study, particularly industry ministers. I maintain this view now knowing full well that, unfortunately, economics and law are in the ascendancy as backgrounds for our parliamentarians.

My first party political recollection is of my father sticking ‘snipes’ on the two huge front gate posts to the farm for the ALP Member and 1946 election candidate for the electorate of Werriwa, Bert Lazzarini, who was later succeeded by Gough Whitlam – and later still by me. Politics was not talked about at home, sport rarely and religion only in passing. The farm’s activities were all engrossing. But the fettlers and George Gronow seemed happy enough with my family’s self-evident politics. With a re-distribution, the local area of Werriwa became Macarthur for the 1949 federal election and Jeff Bate, who had been Member for Wollondilly in the State Parliament, was elected for the Liberal Party. He once visited the farm trying to help my father with some agricultural problem. To have a politician visit you on the farm was very impressive and I remember him wandering through the house vaguely talking, or talking vaguely, to my parents.

The old farm house after the bank took over the property.
The work of vandals, not the relevant bank manager, I guess, 1990.
It was only after I left school that I learnt my Auntie Dodger was, shock-horror, a member of the Australian Communist Party. Perhaps this was one reason why politics was not talked about at home. Auntie Dodger was quite a radical and into occasional nudism and bushwalking too, but not at the same time. She used to spend much time bushwalking during weekends in the Royal National Park. She once persuaded our mother to allow Richard and me to accompany her and her fellow bushwalkers. We were bored witless and couldn’t see what it was all about, sleeping in a rock cave, eating poor food and splash bathing in a creek within just more bush. We believed it must be the sort of thing mad city people did and we already had quite serious doubts, if not profound prejudices, about city people. I did not know that all that would change one day.
Chapter 2: Cracking the chrysalis: learning, and learning about life and work

I became a full time worker and part time farmer at age 15, at the end of 1952. My father and I then set about re-establishing the poultry farm and orchard. From then until I was 21, I was mainly occupied in building up the farm and or working in the bush. I also worked at two outside jobs at various times. The first of these lasted three weeks and the other one nearly two years. Even when working off farm, other daylight and some night hours were spent on farm tasks.

For the first year or so I mainly carried out farming activities while my father and various employees carried on the wood business. We moved away from open range egg farming, which was labour intensive. The open range system, as then practised, was not good for hen welfare in wet and windy weather, eggs needed to be washed, birds were more disease prone and subject to predators. We next moved to semi-intensive shedding for the laying flock, with the hens still having yards for a run. This was followed by intensive shedding with hens completely housed (three square feet per hen). Gradually the flock increased, larger vegetable crops were planted as small existing paddocks were cleared and old fences removed. The original orchard was re-invigorated by heavy pruning.

However, when my father was working close to or on the farm, I also helped in the bush and gradually worked more and more there. I learned to swing an axe, use the Hargan portable saw by pushing it through the scrub and also to use a splitting gun, with some expertise. The very effective splitting gun had a hollow head into which gunpowder was poured and then driven into the centre of a log and fired by lighting a fuse. The logs were cut into six foot lengths and split for fencing posts. Dairy farmers on the Mittagong Range through to the Robertson area preferred bloodwood posts because they lasted a lot longer in the ground than other local species. Bloodwood trees were often nowhere near as straight-grained as other local trees and splitting out posts by hammer and wedges was not that easy. We charged 15 pounds a hundred for posts and one pound each for large strainer posts. There was no shortage of customers - mainly but not only dairy farmers.

Anyone who survived using a Hargan portable saw over an extended period was either very lucky or supremely skilled. Being even then a head down tail up, inadequate-thinking person, fear and being risk averse was all that saved me. My father had one accident with the machine when a tree he was felling was improperly ‘scarfed’ and jack-knifed back onto him and the machine. He was unhurt but the saw’s extended arm, which carried the V belts to the blade, was bent double. Laurie Gibbs, one of our workers, was nearly killed when a block of wood was thrown past his ear. By the time I was 17 I could swing an axe all day but, contrary to the perceptions of some, I have never participated in wood chopping competitions. A man named George Quigg from Canyonleigh, west of Moss Vale, was a champion axemen who at one time toppled the world champion, Doug Youd, from Tasmania. Much later in life, David Foster and I wielded a crosscut saw in a competition at an agricultural show in Tasmania. Even though he was also a world champion, I had to carry him a bit, but we won. By this time I was a Patron of the Axeman’s Hall of Fame in Tasmania. It seems irrelevant now, but knowing how to swing an axe, use a scythe and wield a shovel correctly, were all quite important in those days.

We also carried out contracting work off-farm with the portable saw and in hay baling and building fences. This was a mind broadening experience. We were once on a property at Mt...
Jellore west of Mittagong owned by a Mr Tuckwell who happily slept with twin sisters; they seemed quite happy too. I did not ask what his nickname was. He also had the 'advanced' farm practice of shooting horses bought from the local knackery for his free range pigs to eat. A sight to see was pigs walking out of the rib cages of dead draught horses. If we left the saw on the property for a weekend, we had to cover the tyres for fear the pigs would eat them. This could have been my first experience with holistic, organic farming?

I was working hard from early morning, sometimes spending most of the day in the bush and then working into the evening. My mother was also a near full time farm hand as well as carrying out all household duties. The males in the family were not very well trained in the need to help with household chores. It took many years to re-educate me into sharing housework and I fear I have not yet completely graduated.

I simply loved working in the bush and observed how resilient native bush was, if not cleared completely. Bulldozers became widely used after the War and the landscape was changing. That glen of maiden hair fern, on the other side of the Hume Highway from the farm, disappeared as a result of the farm dam we put in cutting off the water soaking down-slope. As more land was cleared, birds became more abundant on farms and parrots and flying foxes were particularly more apparent. A Sydney visitor fancied that he was a good shot and said he would shoot some flying foxes for us. I can still remember when he lined one up in the moonlight with a shotgun. He fired and it then fell on him oozing blood and other bodily fluids and wrapped its wings around him. He caught the first train back to Sydney early the next day with the 'horrors'. We never saw him again. I couldn’t see the sense in shooting parrots and flying foxes as we had provided the food for them. Neighbours spent a lot of time shooting them but I could not detect any evidence of more or less damage to our fruit, compared to theirs. Notwithstanding my observations on the deleterious impact of clearing on the natural landscape, if I had possessed the funds I would have cleared all of the property and planted it to orchard and pasture as soon as possible.

In the 1950s getting bigger was the only thing that farming was about. I was intent on producing more and more, assuming that I would prosper. Small businessmen had and still have the same ethic. At the time, wool was king. Government agricultural policies were very production based and designed to expand. Great Britain had food shortages, as did Europe, and export prices were high. Apple growers at Penrose, on the Southern Highlands, south of Moss Vale, ran some exceptionally well managed orchards and were getting high prices for their Gravenstein and Mackintosh apples in particular. The orchardists there were highly organised and had financed a co-operative packing shed adjoining the rail line with a siding to load railway trucks for transporting the apples to Sydney and the port. Most of the orchards were wiped out by a terrible bushfire in 1965, which started towards Crookwell. Some orchardists had used pine sawdust, as mulch, which caught fire. Most of the houses in Wingello, a neighbouring village, were also burnt down. Like most apple varieties, Gravenstein is rarely heard of these days and, in truth, it was not such a brilliant apple and the tree's trunks and boughs had an inclination to twist, due to some virus disease.

Farm work in those days involved the learning of many basic mechanical skills. I could drive the farm's Chevrolet truck by the time I was 16 and believed I knew enough about engines to give the engine a valve grind. A couple of times we over-hauled the engine completely replacing the piston rings and 'big end' bearings on the crankshaft. We did not engage in replacing the bearings in the differential, because this required professional expertise. Farms involve machinery and if you cannot fix or make things, you are in trouble.
We acquired a 1926 International truck which had a White truck’s transfer gear case and winch over its back wheels for bush work. I had been clearing old poultry runs with a Trewhella stump jack, a very slow process relying on one ratchet gain at a time, pulling on a long lever using cables and gears to pull trees out by the roots. The International was far quicker as long as you put the cable high up the tree and didn’t try to pull out stumps. I pushed my luck too often and broke the winch. We also used this truck to snig the odd paling and mill log when we came across them in the deeper gullies.

Eventually most of the clearing on the property was carried out by contractors using tractors, gelignite or bulldozers. Len Kerslake, from the neighbouring village of Alpine, cleared a lot of land for us, using a steel wheeled Fordson tractor and gelignite to blow out difficult stumps. A contractor, named Alf Ellis from Mittagong, with a Caterpillar D6 bulldozer did the rest.

Much of the first small orchard of newly planted peach trees was lost in 1954 when the summer rain was intense and the trees got ‘wet feet’ in the former poultry yards. The peach varieties planted were Hale Haven, JH Hale and Elberta. I replanted with plums, mainly Mariposa and Narrabeen. I was gradually planting more apple orchard and put in most trees over nearly 17 acres when I was nineteen and twenty years old. I planted a range of varieties to mature over a season, thinking that I would be able to sell these from a roadside stall and packing shed. The earliest maturing variety was William’s Favourite (William obviously had bad taste), with the latest maturing ones being Rome Beauty, which tasted like a pineapple, Stayman’s Winesap, Democrats and Golden Delicious, the former three of which seem to have disappeared. The majority of the planting were the then mainstays of Granny Smith, Delicious, Jonathon and Mackintosh (a Canadian variety). Years later, when I was in the Huon Valley in Tasmania, I found a variety known as Geeveston Fanny. I thought it would have great marketing potential.

The main planting needed a seven chain (about 154 yards-158 metres)) long drain about three feet (a metre) deep and wide, which I dug by hand. I often wonder if it is still there. I was somewhat over-active and once built a tennis court by myself (in my ‘spare time’?) using only a horse and cart and white ants nest. The error was that I sited the court too close to the farm dam and most of my would-be tennis opponents, whom I had encouraged, found swimming in the dam more to their liking.

In the early to mid-1950s there were plenty of rogues involved in the wood business. In some ways, it is a pity that so-called ‘no-hopers’ seem to have disappeared as casual farm labour. Some of these men I befriended were great characters, but were probably not on electoral rolls nor paid tax. We had people dodging the payment of maintenance to deserted wives, living in tents or under bark, cutting pulpwood, which we used to cart to Picton for on-carrying to the CSR plant in Pyrmont. Two brothers were probably city criminals. They used to carry guns with them, including revolvers, wherever they went. They told us never to let anyone know where they were. Both were very competent axemen. Another chap named Goldfinch could not cut enough wood in a day to feed a goldfinch let alone himself. We took pity on the poor bugger, fed him up and sent him back to the city from whence he had come. In very wet weather bogging of the truck was a constant worry but we knew of a few tracks into the Sydney Water Board Catchment Area that held up. It was illegal to cut trees down there and I remember one time, when we were driving nervously to get out quickly, the whole slippery load fell off. The re-load was very swift.

Alec Pattinson from Bargo had a contract to supply block-wood to the Army and we would cut the wood for him in the bush at an agreed price per ton and load up his WW2 Ford Blitz truck.
He would park outside the Bargo pub or at home leaving a running hose into the blocks of wood all night. He would then weigh the load at Casula Weighbridge and take it into the Ingleburn Army Camp. However, his mother lived in Liverpool so every now and then he would drop off a few blocks at her place until he had another load, which he would then take to the Casula Weighbridge and then into the Ingleburn Army Camp. I hasten to add that we were not beneficiaries of his scheme as Alec only paid us on the first weigh in. Alec’s Ford V8, side valve engine, which when well-tuned, ran almost silently, started to need more repairs.

The story was that his Bargo pub mates and he swapped it over one weekend for the new engine in an Army disposal Ford Blitz, which was being used by a NSW Railways extra gang.

Some blokes I worked with were expert axemen and perhaps the best was Ted Donnelly, who was part Maori and well into his forties. Ted was somewhat light-fingered so kept running foul of employers and coming back to us for work. He once accidentally spilled some tools he was stealing from the Maldon Cement Works out of his carry bag in front of his boss on the bus they were both travelling in from work: not a winning strategy. He lived in the former Strathdon Guesthouse in Yerrinbool, which by then was in a derelict state. His other main failing was smoking heavily, yet he still performed incredibly well at work, distressing cough and all.

There was a family named Angel in Bargo who also had a wood business. Laurie Gibbs and I were once unloading some wood for a domestic customer’s fuel stove and were covered black, head to foot from the charcoal of a patch of burnt bush where we had been working. The neighbour poked his head over the fence and asked if we were the Angels? Laurie assured him that we were only (expletive deleted) fairies, not angels at all. Some customers stuck with us for a very long time, one being Stan Sandry, who was a pastry cook in Bowral. We also won contracts via competitive tenders with institutions such as Anglewood Special School for truants in Burradoo. Much later, it was Stan who recruited me into the Bowral-Mittagong Rotary Club.

About this time my father, who already had a hernia, having to wear a belt, and suffered stomach acid and ulcer attacks, became quite sick and at one stage his lungs collapsed. He retired from any heavy work. The wood business had slackened by this time so when I was not much more than 17, I became more of a full time farmer as we steadily increased the egg laying flock. I worked for nothing for two years other than for ‘drawings’ if I wanted to go out or buy clothes. Investment in the farm took precedence. I did not buy and could not afford to buy a car until I was in my early 20s. For the whole time I was on the farm, until I was 34, I never received a proper or agreed wage as both my father and I were engaged in building up the farm and investing any surplus funds in getting bigger and in the buying of plant and equipment. My father constantly re-iterated that when he was gone ‘it would all be mine’. But as it turned out, it wasn’t.

**My Brothers**

When I turned 18 we bought a Panther 600cc motor bike with a side car so that we could take my brother Richard to and from work in Mittagong. Richard was an apprentice carpenter to the local building firm of Sell and Thompson. He was very good with his hands and became a gifted craftsman in wood as well as a skilled builder. The Panther motor bike, allegedly, fired about once every telephone post and had a spark advance or retard mechanism. If this was adjusted wrongly, it was likely to lift you well into the air when you tried to start the bike, if it back-fired. We later bought a Matchless 500cc motor bike, with Richard riding pillion until he was eligible to get a licence and motor bike of his own. This was a BMW, a superb machine,
faster and able to corner better than the traffic police could with their Twin Triumphs. Richard later put the police to the test and lost, losing his licence for 12 months.

The advantage of motor bikes was that most of the ‘hoons’ killed or injured themselves alone, unlike today when several people and cars can be involved in an accident. As an amateur ‘hoon’ I crashed the Matchless twice and the BMW once without any serious injury. Mechanical failure was the problem with the first crash (a brake rod dropped off) and the second was when I came round a tight bend on the highway in the village of Alpine to be greeted by oil all over the road from a car smash. There was little choice but to lay the bike down, though we had both managed to skid over a road covered with ice in Mittagong due to a broken water main, one early winter morning. I also laid the bike down when the core of the back tire tube pulled out of the BMW as my brother and I were going round a gentle bend. I just couldn’t hold it upright any longer and we were drifting into the path of oncoming traffic. Leather clothing and crash helmets are very effective in preventing injury in low speed crashes.

My brother Richard went to Sydney once he finished his apprenticeship working in the NSW Government Railways Everleigh workshop. My younger brother Michael also moved to Sydney once he turned 15 when I was 21. He first joined the NSW Police Cadets but later became a tradesman as a boiler maker. He was one of the top apprentices of the year and then became a Technical College teacher and after university study became involved from then on in computing and the information technology ‘revolution’. Richard was probably the most intelligent of the three of us but never quite gained a university degree, contrarily challenging every curriculum. Michael gained a degree and certainly achieved the most on his own without much parental support.

Work Off-Farm

There was a period of very wet weather when no bush work could be done so I got a job with the Highlands Dry Cleaners in Mittagong. The manager said I had to get there by 6.30 am on my first day to get up steam pressure for the plant, which started at 7.30 to 8.00 am. The boiler ran on green wet sawdust which would only burn if some kind of fire could be started and then two screaming high velocity fans were switched on. The Manager had not told me when to switch the steam on but luckily he came out in time to save me from blowing up the boiler. That morning there was also a Chevrolet delivery van that had been badly damaged in an accident. I was required by the works owner to polish the wreck with cutting compound to convince the insurance company that the van had been well looked after. Once I had polished the wreck and could also master the boiler, I then had to go inside and go through the pockets of clothes to be dry-cleaned. It was amazing what I found and I don’t know what was done with the haul of odds and ends, money and condoms. The next task was to run one of the two dry-cleaning machines. I thought if I stayed much longer I would be doing the ironing as well. The weather brightened up and I quit; they seemed sorry to see me go. Years later when I was in the Bowral-Mittagong Rotary Club, I was invited to the owner’s grand house but I did not accept because I felt awkward in my past boss’s presence. I had never seen him doing any work.

When I was 20 and my father had almost given up the wood business and the farm was taking more of his time, I got a job at Bowral Brickworks to earn some money to plough back into the farm. An added motivation to seek outside work was that 1958 was a drought year and most of the apple crop dropped off the trees. It proved to be a very educative experience. The first task I had at the brickworks was in the ‘loft’, which was the bin that received finely ground shale and clay from a large nearby pit, which was then fed down four tubes to the four brick-
making machines. This, according to my calculations, involved another worker and I each moving, not actually shovelling, 64 tons of ground material a day to feed two machines each. Sometimes the brick-makers would complain about the dryness of the ground shale and clay. My man on one of the two grinding pans was named Nazzareno from Naples, who spoke little English.

I asked his friends Gino and Mario how to ask him to add more water to the mix. They gave me a phrase which I duly yelled at him, because the noise on the grinding pan was deafening. Apparently, I had asked him if I could sleep with his beautiful sister. I had a job to talk myself out of being slain, especially as he was bigger than Sylvester Stallone on steroids, and used a crowbar to move large lumps of shale around under the grinding wheels. Mario, also from Naples, was a great joker and I eventually learnt ‘Aqua you dumb bastard!’ was the best phrase to use. I never swore much at all until I worked at the brickworks. Some of my fellow workers thought I must have been a ‘Pommy’ because of the way I spoke, so I thought it best to learn how to swear from then on. Once I learnt to swear I was known as ‘Lofty’. I am still trying to give up swearing but it proved later to be a help in some political situations.

Thankfully, I quickly graduated from the loft and became a wheeler to the ‘face’ and ‘OK common’ brick kilns. This job entailed wheeling five to six thousand wet bricks a day, fifty at a time. Fifty wet bricks are quite heavy at about 9 pounds each and the trick was to lift the handles and balance the load as one wheeled forward and then up and down to the kilns. When the tracks were wet from rain, wheeling was a very difficult task downhill and any spills had to be accounted for with extra trips. The furthest kiln involved running some 17 miles a day, as far as I could calculate. I thought after some months of this I would have muscles in my ears. By this time I was playing district first grade competition hockey and a very hard game of hockey at the weekend amounted to little more than light exercise.

One day a steel staging of unfixed sheets of steel on a steel frame outside the upper level of the face brick kiln collapsed and I injured my back permanently, which required the wearing of a corset-like device for some years. It felt as if it had been designed by the Spanish Inquisition. The insurance company was Queensland Insurance and after endless visits to doctors and specialists, with the company maintaining I did it deliberately, I was awarded nine pounds a week for the six weeks I was off work. Years later, when I was briefly Treasurer, QBE, which I assumed was the successor to the Queensland Insurance Company, wrote to me on some issue. I wrote back saying that I would never forget them. They, in turn, wrote back saying how pleased they were. They did not actually get my meaning. The injury is permanent but as long as I do not carry out hard physical work with a trousers belt on, it is manageable. The brickworks had a requirement for union membership to be employed there. The Communist run union, the Federated Brick, Tile and Pottery Industrial Workers Union, was not all that interested in my case once it learnt that I was a farmer earning extra money.

One of my fellow workers, Bill Prest, ruptured himself when a track into the clay and shale pit suddenly collapsed while he and a group of men were dragging out a large electric motor. There were plenty of witnesses to the accident. Bill was at the insurer’s Sydney office on one of the days I was there and a smallish clerk accused him, across the counter, of deliberately causing the accident. Bill leaned over and picked him up by the scruff of the neck and asked him how would he like to be ruptured? This quietened the clerk down and showed me the benefits of direct action.

One of the coldest things I have ever done was when ‘Chicka’ Ritchie, the works manager and I dived into the sump of water in the pit to remove the foot valve on the pump, which prevented
the pit from slowly filling with water. It had become blocked and we took it in turns to dive with a Stillsons spanner to get it off. Before we warmed up in one of the kilns, I had the distinct feeling of two small objects choking me. ‘Chicka’ was crucial to the plant’s success and he was a very good manager of a very mixed group of about 80-90 men.

I graduated even further and became a brick-setter in the face brick kilns. There were four of us, Ken Pope, Bill Prest, Tony Warren and me. Each of us set six thousand bricks a day in the kiln preparatory to firing. I was closest to Ken and his wife Nancy and I became Godfather to Ian, their first-born child (of five), not that I later did anything to supervise his religious training. Bill and Dot also became friends, Bill being originally from Wombat near Young and Dot from a farm north of Goulburn. Ken, a plasterer by trade, stayed with the works for all of his working life but Bill and Dot moved to run a pub in Ganmain, in the Riverina, and last I heard they were living in Wagga Wagga, after running a taxi business.

Most of the jobs in the works were paid at piece rates and I was earning twenty five pounds four shillings a week, after tax, as a setter, which was slightly more than as a wheeler. This was very good pay, comparatively, for the times we were in, 1957-8. The self-promoted elite in the works were the setters in the continuous Patent kiln, which turned out the most bricks until more face-brick kilns were built. Sometimes the burnt or fired bricks were being quickly dragged out for loading onto trucks, which meant that the setters were working in close proximity to the fire for the next round of the continuous process. These setters worked in very hot dusty conditions and were skilled enough to set fifty bricks in two minutes and then walk out into cooler air for two minutes, before the next barrow arrived, through the ‘wickets’ which provided entry and exit. They stood on planks of wood when the floor was very hot and sometimes these would catch on fire during lunch-time.

Burners had the round the clock job of firing the bricks with coal, face bricks from the side and bricks in the Patent kiln from above. The works engineer was a man named Wally Arnull who seemed to be able to rectify any machinery breakdown. ‘She’ll be right mate, we’ll weld her’, was his stock phrase. This was a great discovery to me as I was more familiar with ‘farmer’s weld’, which was a loop of 8 or 10 gauge wire twitched around broken parts. Later, on the farm, I became adept at electric welding.

I learnt a lot about Australian working men during the nearly two years I was there. It seemed that there was a particular virtue in drinking beer all weekend and having a good clean out by being sick. I don’t think everyone behaved like this but hard, hot, monotonous, physical work did lead to a beer drinking culture. The use of the universal ‘f’ word seemed to be obligatory in all verbal discourse. Some of the younger men played in local rugby league teams and would arrive on Mondays more than a bit worse for wear. The Bowral first grade team’s half back worked in the brickworks and I once accused him of being a ‘mesomorph’, because he was somewhat square in appearance - an excellent scrum half. He replied that he wasn’t sure if he should hit me or not.

It was very clear that many of my fellow workers were of high intelligence but lacked education and were either working there because of the good money (some were qualified tradesmen) or a lack of opportunity. Some were probably uneducable but there were plenty of jobs for non-skilled people in those days. There were also men who had come as immigrants from the UK, Italy, Holland, Poland, Yugoslavia, White Russia and Germany. They fitted in well, especially the Italians, and seemed to have no problem relating to fellow workers. I remember Marion Kawka, known as Mark with good reason, a Pole, asking me why knife was spelt with a ‘k’. The White Russian was a burner on the face brick kilns, named Ivan Shaliapin, who also lived in
Yerrinbool. He came from Harbin in northern China. I befriended Ivan, although he was a difficult character and strangely both Asiatic and Slavic in appearance. I often wondered if that was his real name as there was a famous Russian singer of the same name.

The union representative was a man known as ‘Mad Old Frank’, who was one of the four, later five, brick-makers and spent most of his spare time polishing his machine. I asked what he did when he went to union meetings in Sydney on our behalf? He told me I was too young to understand. In two years I was never asked to vote in any union election. I asked him could I move a motion in the crib room and then, if agreed by our people, would he take it forward? He looked at me blankly and when I consulted my work colleagues none of them could see any sense in rocking the boat especially as Frank was the only ‘mug’ game to take on the job of union delegate. None of my fellow workers talked politics other than the occasional reference to how hopeless all politicians were. It is best for those in power to have people thinking this way, I thought. I never worked out how my fellow workers voted, even those I was close to.

The Communist Union Secretary arrived at the works one day, with his nephew as his driver, in a large, black 1956 Packard car. After drinking whisky for an hour or two with Ron Baker, the owner of the works, he talked to the assembled workers. I asked him could he explain what were the implications for employment of the soon to be introduced wire cut process of automated continuous brick-making? All he would tell me was that the process was no good because it ‘f…. the bricks, mate’. I persisted but this was all I could get out of him. I was not all that impressed by being a member of a trade union.

I understood the negotiating limitations placed on unions in a compulsory arbitration system and the reason why some were militant and authoritarian. My problem with trade unions was that they represented, or purported to represent, the existing people employed but had no concern for other workers or the workforce in general, in terms of additional jobs being created in a changing economy. Although at the time the role of the unions was to take the fight to the employers in the Arbitration system, I had thought that if unions concentrated on broader aspects of the industries they represented, other than wages and working conditions, they would gain greater credibility. Counter to this I understood where the media was coming from and I used to say I would die before the Sydney Morning Herald ever came out with a headline ‘Wage Claim Justifiable’.

There were probably worse bosses than Ron Baker, the boss/owner of the works but he would sack people for no obvious reason, particularly if he had a sore head from drinking too much whisky over the weekend. Some people, who were largely unemployable, probably deserved to be sacked and some were so accident prone that they were dangerous to work with. One bloke had a nickname of Cocaine because he was a slow working dope. When you saw Ron Baker coming, looking hot under the collar, the best tactic was to address him quickly and start up a conversation. Asking if he ‘still had shit on his liver’ always seemed to divert him. He also had a sense of humour. His mates put a pair of slightly worn riding boots under his wife’s bed when he was overseas for a month. He came home, tried them on, found they fitted and wore them until they wore out. One employee was stealing a few bricks every day to build a BBQ at his home. When he had a pile large enough for the job, Ron sent a truck round and picked up the lot without saying a word to him.

The works owned a fleet of trucks but increasingly used contract carriers who had an incentive to work long hours to maximise their income. Some of these men were very interesting people. A father and son from Moss Vale had the idea that they would roll their old truck over the edge of Macquarie Pass for the insurance and upgrade to a better truck. The only problem was that
the driver on the day caught his trouser leg in the truck and was nearly killed. Some contractors started with old trucks and worked their way up into bigger newer trucks and for a while I was thinking of trying this myself.

I befriended a German who had a new International truck and was one of those who carted two thousand bricks at a time to Canberra and elsewhere. Canberra was the main destination for bricks from the mid-1950s on, this being the time when the Menzies Government accelerated the building of the city. George Prusa was tall, fair and blue eyed and his truck ran immaculately. I nearly believed theories of German racial superiority just looking at him and hearing his truck running and how well he kept it. George was planting an apple orchard in Penrose and we had this in common. One Monday lunch-time, when I was helping him load his truck, he was in a rage because a small bushfire had destroyed part of his planting over the weekend. He asked why this had happened to him and not to me? Although I explained that bushfires were random events and that we lived at least 40 miles apart, he was still not satisfied.

I realised that he felt persecuted, and was possibly still indoctrinated, so I asked him what did he do in the War? He outlined the classic story of undertaking glider training when at school in the 1930s and then being recruited into the Luftwaffe, where he assured me he flew Me 109s. I asked him in which theatres of war he was involved and he said on the Soviet front. They would wait until Soviet convoys would bunch up in villages and then they would dive on them, strafing as they dived. He then said, angrily, ‘They would shoot at us!’ I said, ‘Fair go, George, what did you expect?’ This brought on a diatribe about how at the end of the War he flew west and landed his fully armed plane behind what he thought were the American lines and the Americans that captured him nearly killed him. This time I didn’t volunteer the opinion of what did he expect. Years later, I met Mrs Prusa in Brisbane at an ALP function. She told me George had died and that he had always voted Labor ever since he’d met me. It’s not often that one recruits a Nazi to the Labor cause.

Coincidentally, at the same time a Paul Szusznik was calling in to the farm on his parcel run between Sydney and Canberra picking up eggs and fruit for his customers. He assured me he was Ukranian and that he had fought in Stalingrad, which he described as, in Australian terms, ‘just like football’. He told me that no Australian he had ever met had any idea of European politics, of the terror of the War in the Soviet Union, or particularly of life in pre and post war Ukraine. The nature of post-War European politics, was also confirmed to me by Vladimir Vincourek, a former Czechoslovakian textile factory owner I later knew, who had been deliberately sent broke by his Communist government and expelled. Paul told me one hundred and five of his fellow soldiers went forward one day in Stalingrad for only six, including him, to survive. Again, he had a classic story to tell about the horrors of being in the Soviet Union during collectivisation in the 1930s. Having defected, he was in Displaced Persons camps for years in Germany and Italy after the War until he came to Australia, which he regarded as heaven. He was a complete extrovert in contrast to my German friend. I do not think that either of them was lying to me.

**More Farming Experiences**

I registered for National Service when I turned 18, advising that I preferred to be in the winter intake, between the farm operations of harvesting fruit in summer and raising pullets from day old chickens in spring. I received a letter stating that, for the reasons stated, my application for deferment had been granted. I wrote back saying that I had made no such application and that I was keen to be militarily trained and wanted to meet up again with my
school friends. My then non-application was deferred permanently by the authorities. This was the second time that my potential 'military career' had been thwarted.

When I was 18-19 I wrote my first letter of protest or complaint. Inghams and Tegels, were two large stud hatchery and poultry farms, which had combined. I had known Ross Tegel at HAHS boarding school. I wrote to Jack and Bob Ingham saying that I wasn’t going to buy their day old chickens as it was very obvious that the very large players in the industry would quickly gain the upper hand and why should I support people who were engaged in an inevitable process of sending me broke? Inghams probably had the best broiler day-old chickens available and were the largest egg producer in NSW at the time. It was common knowledge that Egg Board inspectors could never count all their hens in a day and were unhappy with the situation as they wanted accurate statistics.

This was part of the NSW State Egg Marketing Board regulations and part of the regulatory mindset, which eventually led to what was known as the Commonwealth Egg Marketing Authority Levy, under a Colonel McArthur, entailing all Australian poultry farmers paying a levy on their laying hens in an effort to control over-production. Jack and Bob Ingham invited me to their Casula farm and headquarters and, although I was quaking in my shoes, we had a civil conversation along the lines of ‘if not us, then who?’ They had a point. Years later I had to deal with the firm on the issue of the Torrens Island Maximum Security egg quarantine facility in South Australia. I had it in my mind that some of the original highly productive broiler strains had been smuggled in egg form from the US. The reason for the quarantine facility was to protect the poultry industry from diseases potentially introduced by pigeon breeders and bird fanciers. Inghams later built their own quarantine facility.

Work proceeded on the farm apace. I bought a lot of second hand corrugated iron and early design laying cages at auction and personally built a large sawtooth shed of three lines to house cage birds as we expanded. As we moved into freshly dressed poultry we had to rear 600-1000 birds a week over a range of sizes for the local market. This was a good way to learn about the science of allocation. We bought a Mann Gamble hot water brooder, which had two levels enabling us to handle the requisite numbers by buying day old chickens every two weeks and then at a month old putting them in rearing facilities until they reached 10 to 12 weeks of age. In those days, the feed conversion ratio was about 2.8:1, dry weight. Kerosene brooders needed a lot more attention, though electric ones were reliable as long as there was power available. We dressed poultry on Tuesdays and Thursdays and delivered the processed birds around Mittagong, Bowral and Moss Vale every Wednesday and Friday along with eggs and fruit, when in season.

The hours worked on the poultry processing days were long with an early start to get water boiling and the small plant organised, as well as carry out regular daily egg farm tasks. Once the dressed birds were chilled and drained and placed in plastic bags in the cool room, they then had to be allocated by size and customer requirement. Sometimes I was working 18 hours non-stop and on holidays and at Christmas the work was even more constant.

My Apex friend, Patrick Hynes, a maths teacher at Picton High School who had an honours degree from Queens University, Belfast, insisted that we put up a sign stating that all chickens were plucked and dressed by graduate labour (by the end of 1967 I had an Arts degree). We thought this should impress the rather well dressed people who called into the farm from either Sydney or Canberra to buy eggs, chickens or fruit, who probably regarded us as much from another world as I did them. Men driving Saabs and Volvos and dressed in cord trousers
and with suede shoes always looked a bit odd to me. Such visitors prompted me to wear funny hats to re-assure them they were buying from a hillbilly.

We had three or four women working for us on a part time basis. Pearl had an invalid husband, a large family and was always complaining about how poor they were. When I ventured the proposition that perhaps the problem was so many kids to keep, she said ‘But if I hadn’t had them, where would poor little Alwyn be?’ Alwyn was the last of seven or nine children. I had no answer to this and Alwyn always agreed with his mum. Ruby spent the money earned, in what was an unpleasant job, on recreation and poker machines at local clubs and Pam was using her earnings for the education of her two daughters.

To cope with fluctuating demand we also bought in ready to dress birds from other people in the same game such as Michel Rozer (a Frenchman), who also had a dressed poultry business and fellow Apexian, John Digger (an English man) from Thirlmere. I met Michel many years later when he was acting as a chef on a small cruise boat on Sydney Harbour, when the Governor General, Sir Ninian Stevens, and I were hosting Hans Blix, who was then head of the International Atomic Energy Agency. I went below and found cabins with mirrored ceilings and rather exotic decorations. Sir Ninian and I have had a chuckle or two since about our night on the floating brothel. John Digger, now passed on, had a very bad truck accident and he had to give up farming. He and his wife, Meg, then conducted a furniture business in Picton, with John in a wheelchair.

I knew that we had to get bigger, a lot bigger, if we were to survive as egg and broiler chicken producers. We banked with the Commercial Banking Company of Sydney Branch in Mittagong. When my father wanted the overdraft extended he would buy a new suit, have his hair cut and as good as go on bended knees to see the local manager. The manager, a Mr Monckton, would not extend the overdraft beyond 600 pounds but when Mr Dowell succeeded Monckton he immediately extended the facility to 1200 pounds. This made all the difference and we were able to quickly expand.

Towards the end of the 1960s poultry feed was delivered to us in bulk and placed in silos. The feed pellet providing companies, in our case from Crest Mills in Sydney, were also extending finance to promote customer loyalty. We put in a 10,000 bird broiler shed under contract and assembled a brand new cage shed for an additional 2,500 egg laying hens. We were making good money but the orchard was suffering and after a while I could not keep up with the pruning. Some of the surviving peach trees would take an hour or more to prune. I, by far, preferred orcharding to livestock, but the time constraint meant that I was not doing it very well, if at all. We had bought two tractors, one being a Fordson Major, on which I rigged up an orchard sprayer and the other a Fiat 411R for general farm tasks. We also bought a series of vehicles for deliveries and eventually concentrated on VW Kombi vans. We also bought an International truck to carry water for the farm and dressed poultry business.

One of the great advantages of transistor radios was that I was able to listen to Parliament when pruning fruit trees, dressing poultry and on other farm tasks, never thinking for one moment that I would ever become a member of that august institution. I remember being impressed, in particular, by Shadow Treasurer Frank Crean’s sound speeches in his Budget Reply to Menzies Coalition Budgets.

The enduring lesson I learnt from my father was that farming, particularly poultry farming, was about attention to detail and that it was always necessary to plan the daily and weekly routine ahead. These lessons have remained with me in whatever context I have worked. But
as I learnt more, the need to think longer term, and to think strategically, became apparent. To think creatively was probably always beyond me. But, then again, my father had convinced me that I was pretty useless at absolutely everything.

The experience of working in the bush with so many rogues, on the farm with farm hands, some of whom I had the distasteful job of sacking for various reasons, and then the brickworks, also gave me the idea that I could judge people on their merits. I still respected those people who best performed hard physical work, and believed that I could discriminate between those who were lying, bull-shitting, embroidering, dissembling and those simply pulling my leg. I learnt to discriminate between stupid, real, proper, ignorant and educated bastards. However, this in no way prepared me for life in politics where I met experts in lying. Some people would lie knowing that you knew they were lying but knowing you could do nothing about it. Once I left the brickworks, I worked nowhere else other than on the farm until I turned 34.

A bit taller now that I have left school, but still not a tennis star.
Sport, Women and Music

I was very keen on tennis and for this and for my love of music, I am indebted to Vince Chadwick, my then near neighbour. Vince, a bit older than me, had a 1939 Chevrolet car and he and I were in a team of four players who were competing in the Third Grade District Tennis competition. I’d had a little bit of tennis coaching on some Saturday mornings in Bowral when in third year High School. My early tennis heroes were Adrian Quist and John Bromwich, then Frank Sedgman and Ken McGregor, then Ken Rosewall and Lew Hoad. Vince once drove the four of us to Goulburn, where we witnessed Frank Sedgman and Ken McGregor play Tony Trabert and Vic Seixas, the then US Davis Cup players, in an exhibition match. The tennis was simply superb. Vince and I also played the odd game of golf and skied in winter, he more than me because I was more pinned down with constant farm work. I gave up skiing when two fellow skiers were injured, one with a badly broken leg. I knew that I could not afford six weeks or more off work.

We also went to night tennis in Bowral to practice on Bill Walsh’s court in Ascot Road. The other two in the team were Winsome (not her real name) and Lisa (not her real name), both of whom worked in the Bank of NSW in Bowral and were a bit younger than me. I fell head over heels in love with Winsome. To me she was the sun, the moon and the stars and it took years for me to dismiss her from my mind. It takes a long time to realise that being madly in love is different from loving someone madly. I had a hillbilly kind of background, living on what was then a ramshackle farm and worked every weekend, with sport being the only day time off. I wasn’t much of a prospect and had little time, let alone opportunity, to woo women. To have no car in my late teens was a major impediment to having a love life. The car culture was the focus of much attention of the young in the mid-1950s and I recall hill climbs on Oxley’s Hill in Bowral when MGs, Triumph TR 2s and Austin Healeys were the cars of choice. The around Australia Redex car trial in 1955 and in following years held the attention of the country.

Once my father had bought a Willys utility/light truck, I had a bit more mobility and was able to play first grade district hockey (I played right half for the Mittagong Penguins) and later, as well, basketball in a night competition based in Moss Vale (I played centre for the Untouchables). The Scottish Association dance in Bowral every Saturday was one of the main meeting grounds and the youth of the towns usually went there or to the pubs. Like a useless so and so, I often took Lisa to various balls and spend most of my time moaning about my unrequited love for Winsome. Then Winsome went to Papua New Guinea with the Bank of New South Wales for two years, and we corresponded, but nothing came of it. Winsome later married one of my workmate’s brothers. Lisa and I got on very well and it has been on my conscience how churlish I must have been. I was very protective of her. The 1960s sexual revolution totally passed me by and I was absolutely terrified of getting a girl pregnant and knew that I could not possibly afford to get married so tended to worship girls as untouchable princesses. I had a condom in the glove-box of one of my cars, a VW, but it perished, unused, in the heat. With the coming of ‘The Pill’ single girls did not become pregnant as often and if they did were no longer as viciously ostracised by the community. Sex before marriage became more relaxed, if not more common, not that I was an expert on the topic. The Catholic Church was known to place illegitimate babies out for adoption but I did not know the extent of this cruel and heartless practice until much later in life.

I was hopeless with women and I was also a bit too serious and interested in too many things for many of the girls I talked to at dances. I must have been regarded as a bit of an oddity. Conscious of my awkwardness I took ballroom dancing lessons with the Beverly McLean
Dancing School in Bowral. After three months I found that I could dance well enough with Beverly McLean, but no-one else. The 1960s were the rock and roll years and I still regard it as a privilege to have lived at that time when popular music was so good. I recall Bill Haley as the first of the rock and rollers. Buddy Holly was my favourite singer but the Beatles were by far the pre-eminent group—by 1964 I was 27 so they were not quite part of my growing up—they were good. The Vietnam War provoked some great and thoughtful protest songs. I could not relate to the ‘hippy generation’, the ‘flower children’ and people who did not believe in hard work. I have never smoked tobacco or marihuana, so never had a need to say ‘but I didn’t inhale’.

I became fascinated by the skill of a senior student at Hurlstone Agricultural High School who played the piano supremely well. There were some recorded music sessions put on for students and for years Rachmaninov’s Piano Concerto No 3, haunted me but I could not find out what it was. Vince Chadwick first introduced me to the wonders of music by playing Grieg’s Piano Concerto on his gramophone. I could not stand it at first but then it ‘clicked’ and I have been keen on classical concerto, symphonic, chamber, some opera, some ballet and other music ever since. To gain an appreciation of music is a wonderful thing. Vince and I once drove to the Elizabethan Theatre in Newtown Sydney for my first live opera, Rossini’s ‘Barber of Seville’. The old theatre nearly resembled a ladder in terms of the placement of the seats around the walls. It was a magic night. The first ballet I saw was ‘Coppelia’ and my first symphony concert included Beethoven’s Ninth Symphony with Dean Dixon, an African American, conducting in the Sydney Town Hall.

Having an innate belief by this time that anything could be learnt from books, I bought a pre-war Zimmerman piano from a reputable piano tuner and seller from Lane Cove. The instrument was a converted player piano with grand piano tones, so I was told. I also bought the Shefte Piano Playing method. I had been fascinated by one of Beethoven’s bagatelles and believed that I could master it. After several months I could play ‘Chopsticks’, ‘The Teddy Bear’s Picnic’ and ‘Sailing’ but not much else and certainly not Beethoven’s bagatelles. I later found out that the bagatelle in my mind was by Schubert. I sought help from the music teacher at Bowral High School paying for a few lessons. She was a lovely and sympathetic person but convinced me that my short fat farming and woodcutting fingers were not made for playing classical piano and that I was probably tone deaf, which I dispute. I much later gave the piano to one of my staff when I was a minister, (Ann Bunning) and it remains in Adelaide, as far as I know.

My brother Richard introduced me to the wonders of the best record playing sound systems and I finally acquired a system with an expensive turntable and speakers (Wolfesburg?) which could nearly bring the walls down, if I chose to turn them to full volume. When my grandmother moved to Bowral from the house-cum-café, which my mother then ran for a while, I had the old farmhouse to myself and one room devoted to record playing. There is never enough time in life to listen to anywhere near enough music. I once told John Button that listening to classical music kept me sane. He sagely advised me that I should play a lot more music.

Shortly before I left the brickworks I bought my first motor vehicle. It was a sky blue Armstrong Siddeley estate wagon, which had two rows of seats and a small utility back. It was cheap and had been carefully reconditioned by Cliff Cole, a very good mechanic and garage owner in Mittagong. I was now in a better position to take girls out but the vehicle was a bit of a curiosity. It had an engine approximately the size of a Spitfire’s and torsion bar suspension, but unfortunately the torsion bars had lost tension. This meant that the vehicle basically sat
on the chassis. I once tried to adjust the tappets but then found the tappets hydraulically adjusted themselves. After my effort, the engine sounded like a sewing machine. The car, or whatever it was, could go like the wind and corner almost as well as a Porsche. I once left a gaggle of Austin Healeys and Triumph TR2s behind when I plunged into a sharp corner in the Blue Mountains on the way to the Bathurst car races. My three passengers were on the floor at the time, just because I didn’t know one very sharp corner was there and they had no confidence in my machine, or me. There was also a strong smell of petrol above 80 miles an hour so this kept me driving sedately? Being a slave to conformity, I eventually traded it in on a German built Volkswagen, registration number BNO 437, which was indestructible. I quickly came to the opinion, though, that pregnancies, or the steps leading to such, were hard to accomplish in ‘Beetles’, unless one was a contortionist.

I later fell madly in love with Louise (not her real name) who was a beautiful, convent boarding school educated Roman Catholic. But, I was a heathen. Louise’s parents were people I respected and with whom I got along well; they were accomplished and community active. Her father had manned anti-aircraft guns in Darwin during the War. He was the local Moss Vale bank manager for the English Scottish and Australia bank and her mother was very active in the church. Louise’s brother entered the priesthood.

Louise and I both played basketball and in 1959 I tore the cartilage in my right knee while playing in a grand final, which my team still won. Our relationship eventually became serious. While I was prepared to agree to children being christened Catholic, if we ever could afford to marry, I was against them going to Catholic schools. I took some Catholic religious instruction, but by this time I had started reading Aldous Huxley and Bertrand Russell and was starting to be aware of the problems of philosophy, the nature of reason (and how very limited my education was). Catholicism in my area was heavily Irish influenced and there was a lot of fundamentalism and emphasis on the notion of guilt. On a very foggy night I offered to show my instructing priest the way home from Moss Vale to Bowral but he assured me it was his duty to ‘show me the way’. By this time he had concluded that I had read too much and had too many smart-aleck questions for him. It seems I put too much store in logic, fact, reason and evidence to accept the notion of faith. I have always believed that priests are very well trained and generally highly intelligent and that to discuss religion or some of life’s conundrums, such as a ‘just war’, with them would be more productive than doing so with Protestant ministers.

But as things turned out, Louise met another young man, who did not have my deficiencies, so we split up. In trying to forget her I entered a new phase in my life devoted to the farm, the quest for knowledge, to study - and to continuing virginity. Although I had a few girlfriends through the 1960s, including a High School teacher who thought I had some meagre prospects, I concentrated on study: no relationship survived the examination time at the end of each year.

Perhaps one bad experience trying to woo a sophisticated, exceptionally competent city girl who had been a bridesmaid at my friend Stan and Elva Plantzos’s wedding is worth recalling. She smoked and had accepted my invitation to dinner at the Chevron Hilton Hotel in King’s Cross where Howard Keel was singing, among other songs, ‘Some Enchanted Evening’. I borrowed a cigarette lighter from my school days friend Jim Gasson, and, not knowing any better, I filled it with petrol. As I gallantly leant over to light her first cigarette for the evening, with the lights down low, the resultant three flashes of flame and wisp of black smoke heading for the ceiling caused some pandemonium. Once waiters wielding fire extinguishers departed, she quietly suggested that perhaps I should use her lighter in future. The evening did not end up being enchanted!
Further Education

When I was 17-18, I first began some external study. I enrolled in a farm course with Hawkesbury Agricultural College and once spent a week on campus. All the other students were exceptionally keen on farming and we were all imbued with the idea of needing to produce more and develop bigger enterprises. Wool production was the agricultural pursuit of choice at the time. The course was pretty basic and included descriptions of horse drawn machinery, horse breeds and their care. I could not see much sense in persisting with this when nearly every farm had tractors and did not think a detailed knowledge of Percherons, Shires and Clydesdales would help me all that much. Early in the piece, we had a draught-horse on the farm but the poor animal died when it broke out of its paddock, ate wheat and bloated. It took a lot of wood and time to cremate him.

A bit later I enrolled in a correspondence course with Hemingway and Robertson to qualify for membership of the Chartered Institute of Secretaries (ACIS). I found the accounting in this relatively easy to absorb during my night study but concluded that I would never be able to remember all the corporate and various other laws such as contract, torts etc. I gave up but was required to pay for the course in full. I became a voracious reader.

After Louise and I split up I was in mental decline and it was Jim Gasson, by then a primary school teacher, who told me about Picton Evening College and how it might be possible for me to matriculate by gaining a Leaving Certificate. So, in early April 1962 I started studying ‘to forget’ and sat for the Certificate in November of that year. The topics I studied with the College, which was composed of Picton High School teachers, were English, General Mathematics, Science and Geography. I thought I would attempt to sit for Agriculture off the top of my head but I had to provide a project book. I asked Jim about this and he showed me the one he had submitted, which was mainly about crops, their origin and weeds. Using this as a guide I quickly built up my own project book. The agriculture teacher at the school, Eric Scobie, also gave me some private lessons and I gained some insights into the nature of the examination format. I knew I would do well in Geography and then had the idea that I would also try to do Economics off the top of my head too. About a month before the examination I read a book, ‘Student Economics’, which I recall was yellow with black print on the cover. I am sure it was the first edition of a text published by Bob Brown in 1962. Bob was an economics teacher who later became the Member for Cessnock in the NSW State Parliament and, later, Member for Hunter and a Minister in the Australian Parliament with me.

I had never been much good at English, but the teacher was a man named Ken Newton who was so inspiring that I became enthusiastic, especially about Shakespeare’s Julius Caesar (I learnt that the mob never accepts the King being assassinated). General Maths was basically general knowledge and not tough and I loved Science, knowing that it was the basis of all agricultural production. The Leaving Certificate Examination for Agriculture had a question about poultry diseases. I could not believe my luck because by this time the eminent veterinarian Tom Hungerford’s book on the Diseases of Poultry had become my bible.

At the end of the year I achieved ‘A’s in English, Geography and Agriculture and passed General Maths, Economics and walked through Science. Unfortunately, I had not carried out enough laboratory experiments to be awarded a pass in Science. Given that I was trying to put two years of study into less than one, it would always have been impossible to carry out the required experiments in under seven months. The teachers at the College told me that the University of New England (UNE) offered degree courses by external study. I was interviewed by a man from the NSW Education Department about the possibility of becoming a school
teacher. I was told I qualified, but I stuck with the farm, not wishing to leave my parents in the lurch. I was not eligible to study Agricultural Science so enrolled in a Bachelor of Arts degree aiming for majors in Geography and Economics thinking that economics cannot be all that hard, considering that I had matriculated with hardly any study. Between 1963 and 1967 I passed five courses of Geography and also majored in Economics. I also studied Economic History and Philosophy but only at first year level. It was necessary to study Geography 2B and 3B and get a credit or credits to be eligible to study for a Bachelor of Letters degree, the Honours Degree able to be taken by external study. In 1968 I passed the examination part of this degree but was not able to submit a dissertation in time in 1969; by then I was heavily involved in the 1969 Federal election campaign. I found it possible to work physically on the farm by day and study at night but the 1969 campaign for the electorate of Macarthur in the Australian Parliament also involved night work and took a lot of time.

I will say it many times in this book: education is by far the best agricultural and rural policy. Education transforms lives. Education provides options. Education is the means for the individual - and society - to combat inequality in income and wealth.

And it was the way forward for me.
Chapter 3: Getting involved: from community to politics

*When bad men combine, the good must associate: else they will fall, one by one, an unpitied sacrifice in a contemptible struggle.* Edmund Burke.

Public Awareness and Involvement

To call it a search for knowledge, the development of a critical capacity and a corresponding commitment to community action would have sounded pompous to me then. But, looking back, this is clearly what it all was: ‘Dids’ was always doing something.

Over the years I had gone to quite a few of the organised village meetings, participating in a euchre competition to raise minor funds for the school, the Progress Association and the Bushfire Brigade and so on. I also joined a poultry farmer organisation, the Associated Poultry Farmers of Australia (APFA), of which my father had been a member for some years. However, I was not game to move a motion at any of these meetings and simply went along and observed.

The President of the APFA for quite some time was Roy Carter, from Sutherland and the Secretary was Don Syme, from Milperra. Though he was never openly public about his political allegiances, I believe he was a Communist or at least had very radical left-wing views. The Liberals were running very strongly on the line of ‘Reds under the Bed’ and by implication that the ALP was Communist, or tainted with Communism, due to its connection with unions which had Communist executives. Don Syme was one of the most honest men I have ever met and he and his very supportive wife, Cath, had four daughters, one of whom, Nellie, was deaf, but coped well. Don had fought in Papua New Guinea in the War and later became an Alderman on the Liverpool City Council. Don told me once that he had been ordered to shoot two Japanese prisoners but found one could speak English. Don was very sick with malaria and did a deal with them saying that if they helped him to get well back behind the lines to an aid station he wouldn’t shoot them. The authorities were not impressed but they could not do much about it.

He also later told me that he used to hand out copies of the Communist paper, *The Tribune*, on Liverpool railway station in the morning rush. He said that the commuters, on average, took one Tribune to 80-90 *Daily Telegraphs*, at a time when it, *The Telegraph*, was even more virulently anti-ALP than today, but not by much. Yet the ALP vote has always been high in Liverpool and it was one of the safest ALP seats; Don believed that the commuters were mainly interested in the sports pages. That’s when I started to think that perhaps newspapers were not so influential in persuading voters to the views of the media magnates - in this case the Packer Family - after all?

The APFA tended to take the view that the NSW Egg Marketing Board (EMB) was the source of all financial misery for poultry farmers and that a higher price could be extracted from domestic consumers, who were subsidising the export price, so that the egg surplus could be sold at a discount on overseas markets. I must confess that I did not question our alleged victimisation by the EMB, yet had some vague concern about the fact that we were also paying a higher price for wheat on the domestic market than what it was sold for abroad. (Some formal knowledge of economics, gained later, dispelled my simple, peasant views.) It was then compulsory to register as an egg producer if you had more than 19 laying hens and in the early 1950s there were some 33,000 registered egg producers in NSW. Backyard chooks were common and I cannot remember how many farms were commercial operations, perhaps three to five thousand. The industry scaled up very rapidly from the 1960s on. Today there are probably about 200 egg producers in NSW - a classic case of autonomous adjustment under
the pressure of technology and broader spans of management. My father and I were concerned that the EMB was always run by ex-union officials as chairmen (of course men), who we thought knew nothing about farming and were appointed by the long term State Labor government of the day. The industry paid for the new egg marketing and handling facilities at Lidcombe in Sydney; we once inspected them and were ‘duchessed’ by our hosts.

At one stage we joined The United Farmers and Woolgrowers, which had a poultry division, to understand their alternative policy approach. This organisation took a larger farmer, market oriented view, hated the APFA and was the pre-cursor to the NSW Livestock and Grain Producer’s Organisation, which, in turn, was the pre-cursor to the NSW Farmer’s Association of today. One of the other farm organisations in those days in NSW was the NSW Graziers Association, which tended to represent graziers from the pastoral zone and the elite of the wool growing industry. Membership of this organisation then carried with it automatic membership of the Country Party. The Land newspaper, which I bought to look at the machinery advertisements, was also closely connected to the NSW farm organisations. It still takes a fair degree of courage for me to buy The Land due to its editorial content, although it remains an absolute treasure trove of relevant farm information.

I became somewhat of a ‘compulsory joiner’ in the early 1960s joining several organisations and subscribing to many journals such as the New Statesman and The Spectator (for balance?). I joined the Humanist Society and the Council for Civil Liberties, being influenced by my brother Richard who was by then working in Sydney and could actually go to Society meetings. But then he convinced me that Humanism had become a religion in itself, even though opposed to many aspects of conventional religion. I also joined the National Parks Association and the Australian Conservation Foundation in the mid-1960s, becoming very interested in conservation issues and involved in the many campaigns of the time, such the Kanangra-Boyd National Park-Colong Caves issue, extensions to Morton National Park and the Stanwell Park coal loader proposal. I had formed views on the resilience of dry sclerophyll forest but was very much aware of how the landscape was changing under the impact of clearing. Like so many others of my generation, Rachel Carson’s Silent Spring made a big impression on me. In about 1969-1970, I formed a Branch of the National Parks Association on the Southern Highlands, which still functions today. In those times we campaigned very tamely; the Vietnam protest generation had not yet shown the way.

It was about this time that I joined the Picton Apex Club, which had a profound and beneficial impact on my life. Until I joined Apex and acquired enough confidence to speak publicly, I had never been prepared to move any motion at a public meeting. This and my now long friendship with Stan Plantzos, a then insurance salesman for the Colonial Mutual Life Company, who recruited me into the club, proved to be a crucial factor in my later life. Stan also sold me an insurance policy which only protected me from wild buffalo charges and attacks by the IRA. This is my version of the policy, but denied by Stan to this day. Stan and I later bought some relatively cheap blocks of land in Camden, which he had located.

I was quite active in Apex, which was really a young man’s drinking club but which carried out some good, civic minded work. I learnt that it was not always possible to get 100% reliability from young professionals and youngish local ‘influentials’ once placed in a voluntary and democratic organisation. I had the same experience when I became the local Bushfire Brigade Captain. It became apparent that the span of control in a dangerous situation was that one person could lead the activity of four others. My first door-knocking experience was to raise funds for the Picton Memorial Swimming Pool. Except for one beautiful woman dressed in a negligee who told me to ‘piss off’, I enjoyed it; door-knocking that is. I became President of
Picton Apex and my mate Patrick Hynes became Secretary. Among the many things we did was to carve out of chipboard a relatively accurate relief map of the local area to scale, which was displayed outside the Picton Post Office for many years. We also set up a grouping named ‘Where Old Friends Meet’ for old people using the model which had been established in the Bowral area by Connie Venables, daughter of the former Mayor of Bowral. I used to cart a bunch of ‘old biddies’ to meetings once a month to Picton in the farm Kombi van.

As a fundraiser, we organised an historical re-enactment of the ‘The Bargo Brush Murder’, it being an event when bushrangers had held up a stage coach in Bargo in the then last century. We decided also to put on a wood-chopping competition and stalls etc. It is my recall that I cut most of the blocks for the event, but then again I was more used to this form of work than my colleagues. A Sydney based historical society, which conducted re-enactments, were keen to be involved with us, were professional in their conduct, and aimed for accurate interpretations of past events. Unfortunately, we decided to run the event on a Sunday. The Picton Anglican Minister, the Reverend Schofield, threatened to arrange a procession of witness against our calumny and accosted Patrick at his School. Patrick was a devout Irish born Roman Catholic and had no problem with the event. But the Reverend’s congregation was involved in speaking in tongues and was quite radical in many ways (probably the fore-runner to the Pentecostal movement, if not the para-normal?). The whole event lost money as it turned out, and so the club remembers me well. When questioned by the Sydney Morning Herald, Patrick told them that he thought that 5,000 people had attended the function. When this was later challenged he referred people to the Herald article for verification. Newspapers were perhaps a little more trusted then? Patrick later lived in Majors Creek, near Braidwood, before moving to Goulburn and we are still in contact.

Politics

In the early 1960s my father and I thought the world of John McEwen, the Leader of the Country Party, Deputy Prime Minister and briefly Prime Minister. My father also thought that Henry Bolte, Premier of Victoria, at least spoke his mind (but gave him away when he insisted on hanging a man named Ronald Ryan: you are either in favour of capital punishment or not - no exceptions.) We were not all that happy with Premier Cahill in NSW, mainly on the issue of shopping hours at the time, but still voted for him. Jack Renshaw seemed to us to have been a good Labor Premier and my father had told me that Bill McKell had been an excellent NSW Labor premier in the 1940s. Like many people on the land, we liked strong leaders.

It was only university education and later experience in the Public Service that woke me up to the economic flaws in McEwen’s approach to policy, which was basically protection and subsidy assistance all round for all industries and endorsing and legislatimg the farm organisations’ demands once they were agreed. Nonetheless, McEwen was a man of and for the times, when agriculture was such a large part of Australia’s export earnings and when we desperately needed foreign exchange. I gradually grew to understand that the Country Party and its successors had a keener awareness of farmer politics than Labor ever would. However, to devise enduring policies reflecting changing reality, and not the past, was a lot harder for them.

While on the farm and studying at night, I started to form strong views about our political parties. I fundamentally believed that the Country Party and its successor parties (the National Party and now the Nationals) had always been economically populist and reactionary on social issues and a ‘user party’, even though I admired and respected many of the prominent
individuals in it. The political promise of populism rarely delivers in the long term and while it’s possible to respect conservative values, the world does change.

I also understood many of the issues that the National Party and farmers were and are still faced with. In a very metropolitan country like Australia, it is a truism that the majority of city people do not understand farming and rural life and are therefore often prey to activists who like to portray farmers in a bad light. It is equally true that many farmers do not have a clue about city living. What is important is not to play up the so-called city-country split. It is simply the way things are and I see little sense in spending money to somehow convince city dwellers that milk comes from cows and that farmers do it tough; like politics, no-one is compelled to do it. Promotion of the product is a better strategy than defending the farmers, but it needs to be done cleverly. For example, agricultural organisations could easily portray agriculture as being a modern enterprise, as it is, with science and technology to the fore, which has an enormous capacity to adopt and adapt to change and form the economic underpinning for much of our rural population. But this is the benefit of hindsight.

My father’s politics were very understandable if his life is taken into account. The experience of the Depression, the economic impact of Britain’s self-interested policies, and a realisation that the Soviet Union had played the major part in the defeat of Nazism, led him to reject the ‘right’, where the overwhelming majority of farmers sat and still sit. It was only when I worked with my father in the bush that I learnt that he was very opposed to British imperialism but equally contemptuous of the treasonable behaviour of Australian trade unions and workers in the War, such as the wharf labourers. Perhaps the unions and workers did not know of the barbarous behaviour of the Japanese towards Australian servicemen and women who became prisoners of war? It was only much later that I learned the coalminers had gone on strike in the Hunter Valley, just after the Japanese submarine attack on Sydney Harbour; unforgiveable.

I started to read a lot about politics and political philosophy. My political attitudes were not as clear as my father’s. If anything, I would say that I was and am a liberal in the John Stewart Mill tradition: ‘the greatest good of the greatest number ...’. What Mill was writing in his time was quite radical as it was then thought that common people could not have electoral rights. I was particularly taken by Mill’s books On Liberty and On Representative Government. Australian political parties are parties of interests. It is a pity that we still do not have a liberal party in the true sense of that word, let alone a radically intellectual one based on evidence and analysis.

From the 1950 to the 1970s, the Cold War was very much a constant concern; the threat of nuclear war was real. Having a questioning mind, I embarrassed or annoyed some of my Estonian poultry farming friends from Thirlmere when I arranged for Norm Docker, a Communist union official of the Waterside Workers Federation, to address Picton Apex. The Communist Party is legal and as the Executive of the APFA, of which my father and I were both members, was very left leaning, I was interested in what he would have to say.

Docker was a very clever, powerful and intelligent speaker and put forward a Marxist, class based version of the Australian polity with lapses into jargon. Because of my socialisation, it was beyond my comprehension that Communism had any future in Australia. To me, by now, Communism was about bureaucratising what were the perceived deficiencies of the industrial structure of Britain in 1848 (as described by Karl Marx) and something which would inevitably become authoritarian and totalitarian. I knew that institutions were very hard to change or reform and that a one party state would be nearly impossible to get rid of, once established.
with all the powers possessed by governments. The ‘dictatorship of the proletariat’ did not appeal to me. At the time, we did not know how bad the situation was in the USSR. By the later 1950s, following the Soviet invasion of Hungary, my Communist Aunty ‘Dodger’ had woken up to the authoritarianism of the Soviet Union and passed on her disillusionment to me. However, I was also always very certain in my own mind that the Australian electorate was the most conservative in the world of the developed economies, except for South Africa at the time, and always pragmatic if not self interested; the ‘hip pocket nerve’ as Chifley put it. I once read a book of Chifley’s speeches; many of his views are still apposite today even though on many issues he was very ‘right wing’.

I befriended some of the Estonians who had established themselves as poultry farmers in Thirlmere after the War. Thirlmere was a village not far from Yerrinbool and where my second daughter now lives with her family. Estonians were in the position of having to, with perhaps some choosing to, fight on both sides in the War to survive. Often it is not ideology or religion but survival that forces people to do what they do in crisis situations. At the end many tried to flee from the oncoming Soviet Army. Many were killed by Soviet planes as they tried to cross the Gulf to Finland and some formed new families out of necessity and the need to protect surviving orphaned children. Most arrived in Australia with nothing and worked their way up - and most became successful. One woman I knew existed at first by grazing milking cows along the sides of the roads, selling the milk and sleeping in the houses of fellow Estonians. I visited one good friend one night and found that he and his wife still lived in their fibro garage rather than the big house that they later built. He told me that after all the struggle they found it hard to adjust. The Estonian community contributed to the establishment of an old peoples’ home in Thirlmere. They were and are a fine group of well educated people.

I never contemplated having anything to do with the Communist Party because I believed Marxism, particularly as practiced by the Soviet Union, was the antithesis of democracy; bureaucracy perfected against the interests of the people in the name of ideology. The workers never had a chance to unite once the regime was installed. I knew central planning for agricultural production would have been disastrous; how could anyone predict what could or should be produced in a particular year? At the same time, in a democracy it is a duty to dissent. However dissent, no matter how factually based, has always been denigrated by the most powerful forces in our very conservative society. My only class-based consciousness was that the rich and powerful will always get their way. I was also acutely conscious of the Menzies/Liberal smear of the ALP as Communist, which as far as I could see, was not even socialist, in the European sense of centring on the concept of collective power. This was not to say that Australian Communists might not make valid points on some issues (such as indigenous rights and social justice at the time). But all up, given that I was a farmer involved in trying to establish a bigger farm and, with my father, an employer, I was not in any class sense likely to be of the ‘left’.

However, the affiliation of communist led unions, whether Stalinist, Socialist or Trotskyite, or whatever their domination in some State Branches of the ALP, and the split leading to the Democratic Labor Party (DLP), gave plenty of justifiable grounds for the Liberals and the then Country Party to run their smear campaigns. My reading of the New Statesman and The Spectator also gave me a good idea of the mess that the more socialist (than the ALP) British Labour Party was in. Those leading figures imbued with a purist interpretation of various socialist and Communist doctrines were responsible for continuing to keep Labour out of office until Harold Wilson secured enough support, became leader, and won an election in 1964.
Politics in the Electorate of Macarthur

The ALP candidate for Macarthur in 1961 and 1963 was Don Nilon. Menzies/the Coalition only just won the Federal Election in 1961 due to the impact of a credit squeeze and was still in trouble in 1962 and 1963. Nilon had a union affiliation but he was a moderate and for some reason visited me on the farm as he door-knocked the electorate. I thought he must be desperate, misguided or excessively assiduous if he was door-knocking farmers. I had a good conversation with him but only gave him a small donation by way of support; I could not afford much else. I was not all that happy with Jeff Bate, our Member for Macarthur. By then Jeff was rarely seen or heard of, but the electorate was so safe for the Liberals that there was little reason for the party to campaign.

Nilon was the candidate again in 1963 when Menzies called an early election on the basis of what became known as the ‘faceless men’ controversy – and won. The ALP’s central decision making body, the Federal Executive of 36 men (six elected from each State), was meeting to decide Labor’s policy on foreign military bases in Australia. The parliamentary leadership, Arthur Calwell and Gough Whitlam, were photographed waiting outside the room in which the Executive was meeting, to hear the decision. Thereafter Menzies and the Coalition campaigned heavily on the theme of the Party’s domination by the ‘faceless men’, and ever did so thereafter, notwithstanding that Whitlam changed the structure of the Party once he became leader in 1967. (There is some irony in this, given that the Parliamentary Liberal Party decides policy with little if any input from the broader Liberal membership.) In that 1963 campaign, as well, the Government arranged for US B67 bombers to fly around the country, giving everyone the idea we were going to buy them and thereby they would be ‘strong on defence’.

Some of my Bowral dressed chicken customers somehow got the idea that I was interested in politics. One very rich man, whose family had, allegedly, been instrumental in establishing the Bank of New South Wales, told me I ought to think of joining the Liberal Party. I asked him what was the Party’s policy? He told me it was ‘to keep Labor out’, that the Liberal Party was based on the philosophy of free enterprise and that policies were determined by the leadership when in government. I then asked him what was the strategy for achieving this and he said that you must always attack the leadership of the ALP and also consistently work to destroy the unions. ‘Once the unions are destroyed, then the Labor party will fail’, he informed me. In those days, the Establishment propaganda view was that the ALP represented the uneducated, the labourers and uncouth workers generally. As I write (2013) this has been turned on its head and Liberal propaganda implies that the ALP only represents the city elites (Chardonnay socialists) who have nothing to do with ordinary people – ‘battlers’, ‘aspirationals’ and more recently, ‘bogans’. The way things have turned out, with the ‘faceless men’ in the now controlling unions of the ALP having no hesitation to use the media, it is more likely that the unions and the factions and State machines based on them will bring the ALP down.

My neighbours, Vince Chadwick and Colin Thiessen had attended a few local Liberal Party meetings and told me of the goings on in this very conservative part of the country. There was not much concentration on policy and much more on social events and fund raising. All up, the Liberal approach in the mid-1960s did not seem to me to be a basis for looking to the future or addressing the obvious problems that our society faced, much less be able to respond rapidly to changing circumstances.

I attended two public meetings of the Democratic Labor Party (DLP) in Bowral when Senators Jack Kane and then Frank McManus were the speakers. They were full of bile, made vicious
allegations about the ALP and simply went ‘over the top’ in their allegations. Some people I
mixed with in the local hockey club were Roman Catholic and were keen DLP supporters. But
the DLP was simply a negative party devoted to keeping Labor out at Federal and State level
and in this it largely succeeded in the Commonwealth and some State parliaments. The DLP
was heavily under the influence of Bob Santamaria, who was strongly Roman Catholic, the
hero and intellectual inspiration for Tony Abbott, current leader of the Federal Liberal Party
and the Prime Minister (2013), along now with Cardinal Pell and the radio ‘shock-jocks’, Alan
Jones, Ray Hadley and Andrew Bolt, intellectual giants all, bent on perpetuating popular
prejudices at the same time demeaning and insulting the intelligence of their listeners.

Some of my father’s attitudes must have influenced me in my basic, perhaps primitive, political
beliefs: neither he nor I could see the sense in having an English Queen as our Head of State
for example. It is also possible that my mother’s Methodism and ideas of mutual obligation
were also formative though she only ever quietly expressed her views. I thought the cabinets
of Menzies had some great and experienced men, but life was a lot simpler then. Even so, the
statement by Sir Richard Casey that the foreign policy of Great Britain was Australia’s foreign
policy, and of Sir Robert Menzies, that he could not contemplate an Australia not being part
of the British Empire, did not appeal to me.

The events of the War and the decolonisation of the world that followed it had fundamentally
changed the world order. That said, the success of the Menzies Governments and the man
himself has to be acknowledged: it is no mean feat to survive 17 years as the Prime Minister in
Australia. When I grew up in the simpler times of the late 1950s-1960s, university education
was very much a privilege for the few, but Menzies expanded university education. Gough
Whitlam was an admirer of the man, even if opposed to the general nature of his conservative
liberalism. Menzies, of course, was more of a liberal, in the strict sense of that word than many
of his successors were to be. One of the reasons for this was to be the increasing dominance of
economics as the guide to national policy.

The way I saw things was that if you were to be involved in politics why join up with the forces
which were simply interested in furthering the benefits of those who, basically, had already
made it – a case of ‘to them that hath it shall be given’? It did not take long to work out that
those with wealth, education and power can control the debate and entrench their attitudes
and values more easily than those who are poor, uneducated and not empowered. I did not
think a political party should be only one of economic management. The much heralded
Australian concept of a ‘fair go’ never seemed to extend from the better off to the
disadvantaged. The philosophic appeal of initiative and freedom and choice did not seem to
apply equally to my mind. I have never really understood the conservative theory that says
giving tax cuts to the rich benefits the economy because, to my mind, our richer consumers
mainly buy imports or spend conspicuously. One can certainly have a better work/life balance
on $7 million a year than a person on the minimum wage. The theory of ‘trickle down’ has
been comprehensively shown not to work. As Churchill once said, ‘Where there is no hope,
there will be no thrift’.

At the time I was forming my views, the emphasis given to economics in policy making was
nothing like it is now. But early on I did form the view that we should pay fair taxes and that
our taxes should pay for basics such as education, health and social security. If we, as a society,
demanded more, then we should pay more tax. I had not articulated the notion of equal
opportunity but I was sure that the Liberals, National Party and DLP were not about this. I
was coming to the view that politics should be about a contest of principles and that policy and
programmes should be about social and economic change on the basis of facts, analysis and evidence – and to be serious about politics, you need to be informed.

**My Political Education**

So I kept on reading – widely – things like Bertrand Russell’s small book on the *The Problems of Philosophy*. Once I started studying Philosophy 1 at university my views firmed up. The course was in three parts. Firstly a gentle canter over the field of the great moderns from Hobbes to Marx and Leibnitz, as I recall, followed by a semester of symoblic logic and then a semester of moral philosophy. I believed that it is more important to adopt the position of a moral philosopher than it is to adopt that of a moralist. In political terms this can be represented by trying to find a policy solution acknowledging how things are rather than simply saying this is the way they should be from some ideological point of view. The course on logic and moral philosophy taught me what *non sequiturs* and arguments based on the excluded middle were. This proved useful when I was elected to the national Parliament, later.

Having a grasshopper brain, I dipped into some of the Greek philosophers too, which was not a great strategy given the need to acquire a very rough idea of what the likes of Locke, Berkeley, Hume, Mill, Burke, Rousseau, Bentham, Descartes and Marx were about. A proper study of any one of these philosophers would take decades and I was absolutely certain that I never properly understood any of them.

However, as I naively understood it, there was a split between empiricists and rationalists about the acquisition of knowledge, with Locke, Berkeley and Hume being empiricists and Descartes and Leibniz rationalist, that is with ideas additionally independent of experience. Berkeley also wrote on idealism, which I thought was not absurd if one wanted to explore the theory of knowledge. I briefly studied Hume’s views on causality and became an empiricist; he was also non-sectarian. This also helped me to understand religion. There are many things that are unseen and, in the religious context, one such could be God and I do not doubt many people believe they experience God. I thought this might be psychological because God was not able to be proved by individual direct experience. And people seemingly will believe anything in the name of God, or a god. Miracles? Accessible virgins when killed in a jihad? On the other hand gravity and electricity are invisible but can be proven to exist by simple experiment; empiricism. Naive views, but plausible?

Perhaps as evidence that a little knowledge is a dangerous thing, I arrived at some exceptionally naïve conclusions, these being a mix of empiricism and the ensuing political philosophy of Hume and Burke, who was a conservative, but with well-developed views on representation and the nature of politics. I learnt that Burke was one of the few sensible English parliamentarians in being opposed to Britain’s decision to put down the Americans in the US War of Independence. I also thought that John Stewart Mill wrote the most sense and that his ideas on education were sound. I read a lot of philosophy outside of degree requirements, even some of the more current philosophic work of Professor John Anderson, of Sydney University, not that I understood it all.

I believed that economics should also be subject to empirical tests rather than innate ideas or faddish notions. During my tertiary studies in two degrees and two unfinished, I ‘grazed’ elements of Marx’s work in philosophy, politics, economic history and economics. I believe that what he was able to demonstrate from the industrial revolution in Britain could have been empirically shown. His contention that the economic will eventually defeat the political is still debateable today. Some people now believe that all economics is political where economic growth is the be all and end all, and others, *vice versa*. The British situation in 1848 was not
the situation in Australia in the 1960s nor was it in Britain. I later did a course in modern political thought as part of a Master of Economics degree which enabled me to gain a better idea of the philosophers I had briefly tried to grasp in the Arts degree. Two books became very important to me. One was *Language, Truth and Logic* by A J Ayers, which was about logical positivism, and *Social Principles and the Democratic State* by S I Benn and R S Peters, which was about social and political philosophy and very handy for some of the political issues I later wished to reflect on and had to deal with.

I formed the view from my university and other reading that good policy needed to be evidence based; that synthesis of thought through ideas should form the basis of policy; that intellectuals have a place in policy formation; and that informed public debate on issues was essential. I did not believe in simply adhering to conformist, consensual views, or necessarily going along with the conventional wisdom of the day. I believed there was a limit to how much comfort or how many insights could be tilled from re-iterating the Gallipoli story, or how effective adoration of cricket and the Ashes was as a placebo - and I do not drink Chardonnay. I was told that cricket teaches the young the realities of life. I thought I could learn more by reading a book and not sitting down for five days to watch one game. I thought that people elected to our parliaments should be the very best people from a range of occupations and not come mainly from the law, unions and farming. I knew that politics was a contestable activity, within and between political parties, and that you need to be sceptical. The problem with being a sceptic for scepticism’s sake, though, is that you then have to be sceptical about both sides of the argument.

The nature of conservatism can be variously described, but to me it was about holding onto to the *status quo* and this usually meant bolstering the most powerful forces in a society. The leaders of the Soviet Union and the Soviet Union’s satellite states in Eastern Europe were conservative in this sense, maintaining virtual police states, as were the dominant players in earlier times in Britain and the US who supported slavery. Politics is about the possession of power more than adhering to a particular philosophy or ideology. Further, many ailments in society or impediments to progress are obvious. To ignore this in terms of ‘you can’t rock the boat’, seemed quite wrong to me. This all may be seen as too simple but university study and my wider reading of such texts as J K Galbraith’s *The Affluent Society* and *The New Industrial State* opened my eyes to many new ways of thinking.

I believe I would have benefited from actually going to a university rather than being an external student and reading set texts, other books, attending a few brief summer schools and tutorials and simply passing exams. Perhaps I am naïve about what I believe a proper university education should be. With the time constraints I had, I did not think enough about what I was supposed to be studying. It seems to me these days, with the Higher Education Contribution Scheme, that many students are often working up to three part-time jobs as well as running from lecture room to lecture room, campus to campus, or doing as much as is possible ‘on line’, and still have a large bill to pay off for their education. I later became a Deputy Chancellor of the University of Western Sydney and it became very apparent to me that the students there were not in a position to indulge in my idealised version of university study.

**The Trigger for Political Commitment**

By 1964 I was studying, externally, South East Asian geography at the University of New England. In that year or the next I read Southeast Asia: A Social, Economic and Political Geography by Charles A Fisher, which had a chapter on the States of Indochina. Again, having
a grasshopper brain, I started reading about S E Asian history, things like A History of South East Asia by D G E Hall. From these, it became very apparent that the black and white terms in which the war in Vietnam was being fought and Australia’s participation in it justified, was far more complex than we were being led to believe by the Coalition Government. In other words the simple explanation of the ‘southwards thrust of Communist China’ and the ‘domino theory’ were probably far removed from reality. Parts of the US administration at the time were adherents to the theory of the economist, Walt Rostow, on the Stages of Economic Growth, which I regarded as nonsense. This was also being propounded partly as a rationale for US involvement in Vietnam.

The Vietnamese had always resisted invaders – Chinese, Mongols, Indians, Chinese again and most recently Japanese – over the centuries, and now it was the French and the Americans. But looking at the situation post WW2, it became apparent to me that the Vietnam War was essentially a civil and post-colonial, nationalist war. It was the Communists who were at the fore in resisting Japanese domination in 1944 and the US had assisted Ho Chi Minh through the pre-cursor organisation to the CIA. But the US then backed the French when the French decided to retain Vietnam, a source of rubber, rice and coal, until they were eventually defeated at Dien Bien Phu in 1954. Apparently, the US, which had fought its own colonial war with Britain and was fiercely anti-colonial, nonetheless supported colonial France because it was opposed to Communism, above all else.

Australian military advisers were sent to Vietnam in July 1962 and Australian troops were committed in April 1965 with the First Battalion arriving in May/June that year. Conscription was later introduced and young men picked by ballot to risk their lives in a senseless war, not in our interest. Wars are generally popular in the democracies, at first; once the body bags come back, the situation changes in the minds of the electorate. By the mid-1960s the war was being waged ruthlessly and with great barbarity by North Vietnam and the Viet Cong and with growing barbarity, ignorance and incompetence by the US and a corrupt South Vietnamese government. The peasants and other Vietnamese were caught in the middle and did as all people do in such situations; try to survive. At one time North Vietnam turned from China to the USSR for weapons; the southern expansion of the Soviet Union?

I did not think that Australia should be involved in this war. I understood that Soviet and Chinese Communism was a real threat to world peace and stability, but that this war would not help combat the ‘Communist Threat’ in the long run. What Australians did not hear much about at the time was of events in Indonesia where, following an attempted coup, thousands of Indonesians, especially those of Chinese origin and alleged Communists, were slaughtered by the generals who had taken over the Sukarno Government, with US approval.

History bears out my judgment about the Vietnam War. Conservative politicians love a good war; ‘bloods the troops, old chap!’ It was not until I became a politician that I realised all governments present a simple and easily comprehensible version of issues because complexity is beyond the attention span of the mass media and few people have the time or the inclination to study issues for themselves. It is only in recent years that I have read analyses of the Vietnam War which have given me a deeper understanding of the thinking, or rationalisations, behind the US’s decision – and ours. We are led to believe that we must ally ourselves with the US because if we assist them in their misguided wars, the US will come to our aid if Australia is again threatened. The SEATO and ANZUS agreements tell us so. But a close reading of these important documents does not make this absolutely clear and nor does experience bear this out (witness their rejection of our support for the Netherlands in its dispute with Indonesia over the sovereignty of West New Guinea, now Papua). I had (and have) doubts whether the
US would always be there to defend Australia because the absolutely fundamental rule of international politics is that countries will always put their own interests first.

I joined the Australian Labor Party (ALP) in October 1965 because I deeply believed that the government was lying to me about the reasons for our involvement in the Vietnam War and that young Australians were sent off to be killed on the basis of lies. To commit a country and its young people in the armed services to a war is the most serious decision a government can take. A citizen needs to be very sure that we are making this commitment for sound reasons, not on the basis of a lie. But we never learn, as evidenced by our complicity in the invasion of Iraq and Afghanistan forty years later and, hypocritically, not being prepared to take refugees fleeing the chaos we have helped cause.

Two significant ALP parliamentarians influenced me to join the Party. One was Kim Beazley Senior when speaking to an Apex Forum in Penrith on the recognition of China. I thought that a country recognised another if there was a government in effective control, whether you liked it or not. Kim was not of my view, but the conviction and intellectuality of his words had a powerful affect on me. I thought that if the ALP had people of this intelligence, this conviction, it must be worth joining. When Kim spoke to the Forum, he began by saying, ‘Mr. Chairman, Ladies...’, at which point a large balloon exploded on stage but he went on without missing a beat ‘...my own Assassinator, Gentlemen’. The other person who influenced me was Dr Jim Cairns with the position he took on the Vietnam War. Jim was an economic historian, not an economist as we later learnt. I believe his academic discipline and knowledge of Vietnamese history was the basis for much of his opposition to the war. This was well before the Moratorium Marches of the later 1960s. I also had the view that some ALP members in the dominant left faction in Victoria wanted the North Vietnamese to win, which was not where I was coming from. Also I don’t recall Cairns ever saying a word, anti-communist.

Later, in mid-1966, I wrote to Senator J William Fulbright in the US for copies of his speeches on the war. He became opposed to it and seemed to have good, but different arguments, for his position. He had first supported President Johnson and the war, but then realised that he had been lied to (some time later, say 1968, I bought his book, *The Arrogance of Power*). When I received a large envelope from Senator Fulbright’s Office, I found that it had been tampered with and many parts of the speeches and documents cut out with a razor blade or blacked out. All of these were publicly available in the US and Fulbright was receiving hundreds if not thousands of requests daily for his views at the time. I complained in writing to the Post Master General and was visited by two dark suited men, who said they were from the Post Master General’s office in Goulburn. They admitted that they had cut out parts of the documents but then asked me what was the basis of my complaint? I showed them the documents. They were singularly unimpressed, indicating that I was not to complain again because ‘this country has censorship laws’. They asked me if I would do it again, whatever ‘it’ was, and I said, ‘probably’. Somewhat bemused, they left.

I suppose I should have understood that Australia had very tough censorship laws during Menzies’s time but no dire threats were uttered. I didn’t get a chance to look into their car to see if they had trench coats but they did not have dark glasses on during my ‘interrogation’. No doubt the Commonwealth Government feared that I might bring it down from my chook farm in Yerrinbool if I was exposed to non-Liberal Party thoughts. After all I could read and write and maybe I was getting beyond my station in Menzies’s Australia. This incident confirmed me in my decision to have joined the ALP. I resolved to become more active – and to bring the government down, but by peaceful means, even though the farm possessed a
Martini lever action ‘Mexican Revolution’ rifle (but out of bullets), a .22 calibre pea rifle and a shot gun (for snakes) at the time.

Without Vietnam and our government’s commitment to its war, it is probable I would never have joined any political party. I just don’t know. What I did know was that the Liberal Party and the local Liberal member, Jeff Bate, Member for Macarthur, were revelling in all the votes that could be gained by joining with our great and powerful friend, the US, in this war.

For a while I was involved by way of correspondence with Gordon Barton’s, Sydney based, Liberal Reform Group, because I agreed with what they were saying about our involvement in the Vietnam War. But they were mainly a single issue group and only vaguely looked like becoming a political party at the time, though it eventually became the short-lived Australia Party.

I joined the Mittagong sub-branch of the Australian Labor Party, though it took me a while to track it down. It was literally four or five men, and only an occasional brown dog, who met once a month in Mittagong’s bottom pub. I never found out who owned the dog. I never knew how we had a quorum, though 13 people had been eligible to vote in the 1966 pre-selection of a candidate for Macarthur- Pat O’Halloran. The branch once had a much higher membership with many railway and other manual workers and service industry employees, but most were getting old and felt that they had fought the good fight long enough. When I sought them out and spoke to them, they said they were drained and no longer wanted to be active in such a decidedly conservative area. I started writing a newsletter for the branch on matters such as foreign investment. I became a Vice-President in 1967, then President and later Secretary of the sub-branch.

The Secretary of the branch when I joined was Pat O’Halloran who taught at the local public school. He became Labor’s candidate for the 1966 federal election, when no one else offered to do so and at a time when we all knew he would be slaughtered. I did not involve myself heavily in the campaign, but provided Pat with some money I had saved. Pat, along with the ALP nationwide, was indeed duly slaughtered. The primary vote for the Liberals in Bowral was above 73% and the swing against us immense.

I later became a Federal Electoral Council (FEC) delegate and, as we were a right wing branch (the other three or four attending members followed Pat), I then had to go to Council meetings, represent the branch’s motions and vote in favour of not rocking the boat on Vietnam. This was to combat the ‘Coms’ in the left-wing Camden branch who wanted stronger action to be taken and for the party to mobilise more in opposition to the war. Most of the other ALP branches in Macarthur were also right wing. Once you join a political party you do not adopt an independent stand at every turn and I learnt about compromise very quickly, but I found the irony of this a bit hard to take. Idealism quickly hit the realism wall. In a political party, if you are active, you never stop learning. However, in politics, it is an ongoing task to judge what is misplaced idealism, and what ideals and principles should be held onto, regardless of those opposed.

The NSW branch of the Party was not all that exercised by the Vietnam War and I put this down to the fact that the DLP had never really split from the branch but was still largely contained within it. The NSW ALP branch was heavily Catholic influenced. I was also aware that the Victorian branch was strongly against the Vietnam War, but run on totalitarian lines by some people I regarded as crazy (Bill Hartley and George Crawford). I thought that Victorians were well identified with the ‘Dandy Nongs’, the Dandenong mountain range east
of Melbourne. I honestly thought that the ALP would never win a federal election again and that Australia was the most conservative outpost of the British Empire. The only bright light on the horizon was Don Dunstan who won government for the ALP in South Australia and showed that it was possible to enact policies that concentrated more on the public good as well as encourage a lifestyle more in keeping with the mores of the times.

I became more active and started writing a newsletter for branch members on a range of topics, taking positions most of which I would probably now disagree with, for example on economic nationalism. People do not understand now, but in commercial and financial terms, Australia was still then exceptionally State based and colonial in outlook. I became wedded to the view that for the ALP to be become effective at the national level, then organisation, per se, at every level, had to be emphasised, particularly in democratic policy formation.

At some stage early in my membership, I was in Sydney one day and decided to visit NSW Labor Party headquarters. I went up a steep flight of stairs above a Greek restaurant in Elizabeth Street. There I met Bill Colbourne, NSW branch secretary, who could have been regarded as a medieval monk or at least someone out of a Dickens novel, a crusty individual who didn’t seem to have had much acquaintance with the sun. I was then passed on to Charlie Oliver, NSW branch president and Australian Workers Union ‘heavy’. Charlie was a man I could relate to as he seemed very well versed in the characteristics of working men and women and had a good knowledge of the bush. He was very friendly towards me and spoke of the need to be pragmatic and take a longer term view. But, at the first State Conference I attended in Sydney Town Hall, an old lady besides me informed me that because I was new, I had to realise that an absolutely terrible Labor government was always ten times better than a first class Liberal government. I acknowledged her objectivity and thanked her for the advice.

I became president of the branch in 1968 and secretary in 1969 when Pat and Monica, his wife, went overseas to live with their son Michael in the US. Michael was very keen on these things called computers and tried to convince me that the US was the place to go to be at the forefront of their development. I hardly knew what he was talking about and thought I would stick to the chooks. I sincerely trust that he is now a retired billionaire living in Silicon Valley in the US?

Being the secretary of any local branch of the ALP accords some power to the holder and I immediately set about making contact with the Moss Vale branch which, like the Mittagong branch, was only a small group of people with regular attendees at meetings being four men, one woman and no dog, which met in the woman’s small clothing repair shop. With their concurrence I approached many friends and acquaintances and we established the Southern Highlands branch of the Party, which at one time grew to exceed 65 members. Remarkably, I managed to recruit some people from Bowral where there never had been a Labor Party sub-branch, to my then knowledge.

I am unsure of the exact date of the formation of the bigger branch but it was most probably in 1970. I am sure in my mind that the reason people were interested in becoming more politically active was due to the ascendancy of Gough Whitlam to the parliamentary leadership in 1967. He was simply a breath of fresh air, was articulate, and full of progressive ideas and, with a lot of help at the highest levels in the ALP, especially Mick Young and Clyde Cameron

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4 A Labour Electoral League was formed in Bowral on 13 June 1891, two months after the League’s formation. The League also established a League (branch) in Moss Vale on 21 July 1891, and later in Mittagong. No doubt these were precursors to the formation of the Australian Labor Party.
from South Australia, had achieved genuine internal Party reform. Whitlam’s policy ideas were eclectic but well based intellectually. His articulation of the principle of equality of opportunity appealed to me immensely, as it did to so many others. He stressed contemporary relevance.

For reasons that will become clear, I moved to Canberra in early 1971 and lost contact with the Southern Highlands branch except at FEC meetings, which I continued to attend. The branch did well because of the quality of the people in it such as teachers Joan and Phil Yeo, Peter and Sue Stuckey (who later moved to Kiama and continued to be active) and Ralph Brading, an architect. My school friend Jim Gasson joined as did some of my other friends and the branch thrives to this day, under the influence of Rodney Cavalier, former NSW ALP government minister. Rodney writes for and edits the *Southern Highlands Branch Newsletter*, the only continuing ALP newsletter in Australia, now that the ALP’s political class sees little need for the party’s rank and file.

**The 1969 Campaign for Macarthur**

Cyril Wyndham, Secretary to the National Secretariat of the ALP, was intent on having better educated people with a wider skills base as parliamentary candidates. A man who fitted this description was Bob Whan, who was an agricultural scientist-cum-economist who worked for the Bureau of Agricultural Economics (BAE) in Canberra. The Member for Canberra, Jim Fraser, was interested in Bob running for his seat when he retired, or at least Bob was. But Australian Capital Territory (ACT) members pre-selected Kep Enderby. Later, when the Canberra seat was split at a redistribution, Ken Fry was pre-selected for the newly created seat of Canberra in 1974, which he won in May of that year. Ken had been a Canberra public servant, but he had had a larger poultry farming business in Bathurst than mine and was also a WW2 veteran. Ken proved to be a very sound member. By this time Bob had become the member for Eden Monaro, but this was later.

How did this come about? It was decided by the powers that be (Cyril Wyndham?), or Bob himself, that Bob would attempt to get pre-selection for Macarthur in 1969. I somehow had it clearly in my mind that Bob was running for Macarthur as a ‘dry run’ and if he didn’t succeed he would then contest pre-selection as candidate for Eden-Monaro when Alan Fraser, Jim’s brother, resigned. Given that he was a Canberra academic, or so seen, Bob set about wooing the Macarthur branch members, winning most of them over and particularly Don Ferguson, who was president of the Macarthur Federal Electoral Council. In those days it was obligatory to have electorate based pre-selection ballots and outsiders had to win over the local members entitled to vote. MPs and would be MPs then attended sub-branch meetings. Don was the son of Jack Ferguson, former chairman of the NSW Milk Board, and very knowledgeable of the dairy industry as a result of his professional experience managing Sydney University farms in Camden. Similarly, Bob came from a dairy farming background in north east Victoria and on King Island in Bass Strait. Macarthur was then an electorate with dairy farmers spread throughout its length and breadth. Bob gained pre-selection, unopposed, but the task of winning the seat seemed formidable, if not impossible.

I may have spoken to Don Ferguson about the possibility of acting as campaign director and, if so, it is probable that he conveyed this to Bob. My version of events is that Bob came onto the farm one day and, like a fool, I said that if he could not find anyone else to run his campaign, I would. I remember standing on a sward of pig-face on the pile of rocks and soil excavated from digging a well when I volunteered. He turned up six weeks later saying he could not find anyone else: I would be his campaign director. Bob has it clearly in his mind that Don Ferguson had assured him I was the person for the job. In 1969, the seat of Macarthur’s
northern boundaries were from Warragamba Dam east across to Sackville St Ingleburn and south to Tallong, south of Moss Vale, taking in Minto, Leumeah, Campbelltown, Camden, Picton, Mittagong, Bowral and Moss Vale and many small villages. On the coast the northern boundary was Mullet Creek just north of Dapto then south to Wandandian Creek, south of Nowra taking in all of Dapto, Albion Park and Albion Park Rail, Shellharbour, Kiama, Berry, Bomaderry, Nowra and the Jervis Bay villages, as well as many other, villages, but not as far as Sussex Inlet.

Being campaign director involves a lot of work and there is no sense in waging an election campaign unless you have a core of people you can rely on 100%. I first had to get all branches on side and identify those people who could be depended on. Bob also had people from the Canberra branches of the party who were willing to work in the electorate on the weekends. There was a surfeit of people available in the Wollongong based electorate of Cunningham, but the sitting member, Rex Connor, was keen to keep his army of campaign workers in his seat. We gradually got a campaign team together, not all of whom could be depended on 100%. Bob and I ran the campaign centrally to some extent and we wrote and published three campaign newspapers for distribution throughout the electorate. I would deliver them and all campaign material to ALP branch campaign directors in the electorate at night. They then had the task of distributing them to people for letter-boxing and to report back on how much progress had been made.

It was not possible to doorknock or letter box every house in the electorate in 12 months, but we tried. One chap I dropped our second edition off to, hadn’t put out the first lot saying that he hadn’t understood what he had to do with them. I patiently explained what was intended and what the logic was behind our grand plan, and suggested that merely casting thoughts into the air in some Mao-like fashion was not very effective. Bob worked assiduously, working every weekend, and many party members spent many hours on the campaign. One fellow was so enthusiastic that he glued up ‘Vote Whan’ snipes on telephone posts and electric light poles well outside the electorate’s boundaries. I remember letter boxing in the village of Robertson, after midnight, with dogs barking, seeing a few lights go on and hearing people saying that there must be someone wandering around and someone should ring the police. I shot through before I was shot.

The electorate as a whole threw itself into a more effective and hard working attempt to win this seat than had ever been tried before, particularly by the ALP. The Liberal Party had always taken the electorate for granted as their own and the Vietnam election of 1966 had given them a good buffer of votes. A lot of public meetings were held and third party groups recruited to endorse Bob. ‘Farmers for Whan’ were short of a grazier so I put down J King, being short for ‘joking’. No-one asked who J King was but if challenged we had a fallback in Moss Vale in Jack King, a branch member who thought he once had a pet sheep. Fund raising was mainly at the local level with only a few ‘stars’ being recruited to run events that might make some money. Branch members also put in a lot of their own money as well as working hard in all the hundreds of tasks involved in a campaign.

Then Jeff Bate staged a coup and married Zara Holt, widow of the late Prime Minister Harold Holt, who had disappeared off Cheviot Beach on the Mornington Peninsula in Victoria. We were aghast and I managed to get a letter to the editor published in The Australian jokingly complaining of our dismay. Zara then employed Harry M Miller as her promotional agent and Zara worked hard for Jeff but not as hard as she did in the 2 Dec, 1972 election. We could not think of anything Bob could do to counteract the Zara factor, but we battled on. What we had on our side was Gough Whitlam and a re-vitalised Labor Party. The Liberals had John Gorton

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as Prime Minister, who by that time was less well regarded, even by some of the conservative media. I quite liked John Gorton’s nationalism and larrikin spirit and, after all, he had been a fighter pilot and an orchardist. Gorton had taught me a lesson in politics. In September 1967 allegations were being made about the ‘rorting’ of the use of the VIP aeroplane fleet by ministers. This was being covered up and became a long running *cause celebre*. Once Gorton, as government leader in the Senate, found out the allegations were true he tabled the relevant papers. The issue died. This taught me that when a blunder occurs in a political decision or in the administration of policy, it is always best to get the issue out into the open as soon as possible and it will usually go away.

Bob Whan and I campaigned hard in that 1969 election; there was a belief that Labor was well and truly on the way back with Whitlam as leader. Bob won 42.4% of the primary vote and a two party preferred swing of 12.6% from the low base of the 1966 result, still 3.6% short of winning. In itself, it was a good result when compared to other swings. Even though Bob fell short, the result gave us hope of perhaps winning the seat next time. Although Labor overall performed well and clawed back much of the pro-Vietnam war vote, the party did not win the election, falling eight seats short, increasing its numbers in the House of Representatives from 41 to 59 seats. Bob went back to his job in the Bureau of Agricultural Economics and I continued to feed chooks, pluck chickens and prune fruit trees.

**Back on the Farm**

Quite a few other things happened during the late 1960s beyond farming and politics. I had an operation (meniscectomy) on my right knee as a result of the basketball accident in 1959 and met a nurse, Barbara Large, who was divorced with three children, Tracy, Suellen and Andrew. Barbara was mature, knew the ways of the world and was determined to raise her children well. I admired the way she was prepared to work hard and for her attitudes on matters of social concern. We married in September 1970 and I lived in her house in Bowral for some of the time while still farming and politicking.

I had joined the Bowral-Mittagong Rotary Club, formed a branch of the National Parks Association in the Southern Highlands, joined a rate payers organisation and ran for Mittagong Shire Council in the election of 20 September 1970 winning a place in my ward of the Shire. Barbara helped me letter box in the Mittagong town area where she was well known as her mother, Mrs Dorothy Large, had previously been a Mittagong Shire Councillor from 1964 to 1967.

At the first meeting of the new Council, the Shire president gave the newcomers a gentle and paternalistic talk on how wise it was to settle in for a year or so before becoming active Council members. I asked were Councillors allowed to move notices of motion? He checked with the Shire Clerk and I was told that this was in order. I proceeded to move, firstly that we commence discussions with the two neighbouring Councils on amalgamation, secondly that we consider the pooling of machinery to save funds in the interim, thirdly that we introduce a rebate for pensioners for their rates payments and, finally that we stop sacking the outside or casual staff each December only to re-hire them in late January. Len Hawkins, the Liberal voting Shire president, blanched and said, ‘Christ, have I got problems with you!’ The idea of amalgamation had first been raised in 1934 and eventually came to pass with the formation of the larger Wingecarribee Shire Council in 1981, on which my old friend, Jim Gasson served when he, having given up teaching, ran the Mittagong Caravan Park.
I was rather full of theory and principles in those times and had carried out a comparative economic analysis of all local government areas in NSW. I naively pointed to where Mittagong was not performing well but George Elliott, a quite conservative councillor, pointed to some of the errors in my thinking. George became a good friend. The Council had been dominated by farmers and graziers. I pointed to the fact that Bowral Municipality was only 12 square miles, that due to central place theory (gained from my geography studies) it was becoming the dominant shopping locality and that our and the then Moss Vale based Wingecarribee Council’s ratepayers were paying for the roads from the feeder towns and villages into it. Tom Lewis, State Liberal member for Wollondilly and later Minister for Lands and Premier, quietly supported amalgamation and there was some general support. The ultra-conservative Bowral Council decided not to discuss the matter, because it was ‘too political’ and that they never discussed ‘political matters’. I won on the other two proposals.

The Shire Clerk, Rev Darch, was well respected and held a leadership position among the organisation of NSW’s Shire Clerks. He was a bit too conservative for me, but was very sound. I gave him a bit of trouble on a sub-division, but only in terms of hard questioning. He didn’t stay long after I came on Council and we then appointed Bob Brown who later became General Manager to the Gold Coast Council in Queensland. He was a younger man, capable and decisive and more to my liking. The other councillors and I were offered a bribe to buy a particular brand of grader when the price was about $30,000. We bought the alternative on offer. Remarkable as it may now seem, there was only one other hint of a bribe in my political lifetime and this was when I was a member of the Commonwealth Parliament - but none in areas where the stakes were high: what did I do wrong?!

I learnt quite a few lessons on Council. There were three other councillors who weren’t hide-bound conservatives, and at official level there was Bob Brown, Clyde Henderson the Engineer, and Leon Manx, the Health Inspector. We actually had some good debates on issues. I objected to a man making concrete Aboriginal garden ornaments outside Mittagong and wrote to him saying I didn’t think it right to make concrete Aboriginal people and Mexicans as garden ornaments. He did not reply so I called in on him one day. He showed me the inside of his truck, which was full of unopened letters and he told me he couldn’t read. I explained my case. He said he would not stop making his ornaments, even when I offered to buy the moulds, because Aborigines were best sellers. He didn’t have the wit to ask me about my attitude towards traditional Italian sculptures of naked women and nymphs for pool ornaments. I decided to see my three like-minded fellow councillors to ask what their attitude was. As I walked up the steps of the first fellow councillor’s house, I saw that he had just purchased the latest model of the noble warrior, spear in hand and foot poised over stump. I stuck to the more mundane issues from then on and ignored more sensitive, if not principled issues.

I had befriended Ron and Lyn Wild who were living in Burragoo. Ron was studying and researching his doctorate on sociology in the local area from 1967 to mid-1970. Lyn was a nurse who later gained a law degree. Ron’s study, basically about Bowral, was published in book form in 1974 but I was familiar with his work well before its publication. The book, Bradstow - *A Study of Status, Class and Power in a Small Country Town*, was very informative about the political realities of the Southern Highlands. Again with a grasshopper brain I started to read work by Weber, Talcott Parsons, Mills, Dahl, Dahrendorf, Aron etc in sociology and realised how important some acquaintance with sociology was in understanding typically conservative, agricultural and rural societies.

As with all the women in my life, I’ve always got along well with their parents; better than with the women in earlier times. Barbara’s father was English and had been in the Honourable
Artillery Company, the oldest continuing English regiment. In World War One he had been blown up in the battle on the Piavi River in Italy, close to the Slovenian border⁵. Once he had returned to health, he went on to serve in St Petersburg, trying to put down the Russian Revolution, and in Ireland as part of the Black and Tans, trying to put down the Irish independents. He had an uncle who had been a NSW Labor senator in the Australian Parliament, William James Large, from July 1941 until March 1951. Although a successful businessman, he once quietly told me that he always voted Labor. His wife did not but she was a very intelligent woman, committed to causes and very active in the Country Women’s Association. She showed me the agendas of the Annual Conferences of the NSW Branch. The motions, requests and demands matched those of the Amalgamated Metal Workers Union in terms of their scope, but not content.

**More Political Involvement and the Decision to Leave the Farm**

After Bob Whan’s performance in the 1969 election my standing in the local Labor Party branches was high. I took on being secretary of the Wollondilly State Electoral Council in 1969 and the Macarthur Federal Electoral Council in 1970. It wasn’t very hard to get the positions that required work. The duty senator for Macarthur was Tony Mulvihill, a tough old railway worker who normally spoke in twenty minute long sentences, but had a great love for the environment and the plight of newcomers to Australia. He was great friends with Joe Hurtak, a Slovenian member of the local ALP. Joe told me how in WW2 that they had taken messages past German guards on roads by sticking closely folded messages under the tails of cows close to their back passage. Tony led the campaign to save Leadbeater's Possum in the Victorian Mountain Ash forests. He always accused me of having ‘peculiar’ ideas about the best and most qualified people being the ones who should enter politics and carry the responsibilities of office.

There seemed to be no candidate offering to run against Tom Lewis in the State election of 13 February 1971, so I stood but did not campaign hard. The main thing was to try to pin him down in his electorate and I was becoming well known on account of my involvement in so many organisations and because over the years I had written so many letters to the editors of the *Southern Highland News* and *Berrima District Post*. Hec Lamond, editor of the *Southern Highland News* was heavily in favour of any conservative cause including unyielding support for the Vietnam War, or any war for that matter. Unsurprisingly, his editorials clashed with my letters on the idiocy of the Vietnam War, if published. I’d gone to school with an and was a friend of his son, Ian. But then the ownership changed and Mac Cott became editor with Colin McPhedran also working and writing for the paper. Colin later wrote a very touching, sad and dramatic book, *White Butterflies*, of his walking journey out of Burma in the War with his mother and siblings. Colin’s son, Ian, is a journalist too who has also written many great books, mainly in the defence area.

Even though working, Barbara and the kids again helped me letter box as did the revitalised members of the Southern Highlands branch. Being known to some of the dairy farmers we had supplied with fence posts, I had been asked what I would promise for them. I told them that I promised rain. It did rain but I doubt that I was the reason or that this changed any of their

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⁵ The battle of Caporetto took place between 24 October and 7 November 1917. The army under the command of the Italian General, Cadorna, was mauled by the Austrians and Bulgarians and forced to fall back to the Piave River. The battle cost 45,000 dead and resulted in 250,000 soldiers and 2,500 guns being captured. General Cadorna was replaced by General Armando Diaz, who managed to stabilise the line at the river. These figures are absolutely astounding but in the blood bath of WW1, the battle was only a minor side-show!
votes. I managed to win 36.23% of the primary vote, which was a slight swing to Labor. Even though I thought Tom Lewis was always a bit too certain in his views, he was basically a good member of parliament. I once said, once too often, that having Bate and Lewis as local MPs was sufficient and necessary reason to join the Labor Party. Tom objected to being paired with Jeff Bate. He had a point. Those of my friends in the Liberal Party told me that he was loved by the little rich old ladies in the Bowral Branch who liked to run their hands through his hair. I do not recall this ever happening to me. Tom later became NSW Premier, after having done much to reform NSW’s land laws, when Minister for Lands.

In 1970 Bob and Gill Whan invited me to their Canberra home and put on a dinner party to which many of their friends had been invited. I got into conversation with Dr, now Professor, Stuart Harris, then Director of the Bureau of Agricultural Economics (BAE). In conversation I extolled some of my naïve and primitive ideas on farming and agricultural policy. As I had a major in economics, he and Bob suggested that I should think of applying for a job with the Bureau. This confronted me with one of the hardest decisions of my life. I had new responsibilities with a wife and a ready-made family. I had stayed too long on the farm, if anything to protect my mother from my father’s temper and failing health. I could not persuade my father to take on a lot more debt so that we may continue in farming. Although we were making good money by this time I could not see that the farm had a future. The other issue was that we couldn’t get enough water for the farm and the dressed poultry business unless we carried it from a public standpipe in Bargo. It was these issues, among others, that decided me to give up farming and move to Canberra. Ron and Leila Kitto were working on the farm at the time and I thought that they could substitute for me. Leila was from the Watt family I have referred to earlier and loved my mother as her own. There were a few other complications and one was political.

As it turned out, Bob would seek pre-selection for Eden-Monaro when Alan Fraser retired. However, the Liberal/Coalition government was in a mess and it was thought that there may be a snap election if Prime Minister Gorton was sacked by his fellow Liberal parliamentarians. It was agreed with ALP NSW Head Office that I would seek pre-selection for Macarthur and that if there was a snap election, my endorsement could be quickly switched to Bob. There was a fear by Head Office that Don Barr, a Mine Mechanics Union member from the Camden sub-branch, might seek and win pre-selection. Of the prominent ‘lefties’ in that sub-branch, I favoured Carl Doyle, who was an organiser with the Amalgamated Metal Workers Union. Carl was very intelligent and if he hadn’t had a stutter he would have been a very powerful candidate. Don was a bit more dogmatic. I gained pre-selection, the Liberals had their spill and Billy, later Sir William McMahon became Prime Minister. There was no snap election. I rang Peter Westerway, the then secretary of the NSW branch (who I very much supported), and asked him how to go about becoming dis-endorsed. I can still remember his charitable and somewhat frustrated advice as he informed me in his ‘gentle’ way that no one, literally no one, ever gives up pre-selection for a possibly winnable seat in the Commonwealth Parliament (!!!). Peter already knew that I was a bit wet behind the ears because I had sent him an analysis of the performance of the branches, Bob and I, and lessons learned during the Macarthur campaign. He advised that too much honesty can be a dangerous thing and that it was best not to have my written analysis subject to possible scrutiny within the Party, no matter how accurate.

Bob gained pre-selection for Eden-Monaro. So, we had two candidates for the price of one.

I was interviewed for the job with the Bureau and had to inform them I had pre-selection for a seat in Parliament. Apparently this was acceptable, but I might have pushed my luck too far
when I was asked to name two people as character and security references. I nominated Gough Whitlam and Jim Cairns. But I got the job! I thought that the Bureau must be desperate.

My friend Stan Plantzos comes back into the story. I took no money from the farm when I left, other than some savings, but I did have the block of land in Camden he had encouraged me to buy. I sold the block for $2,550 and with this sum I ‘restructured’ myself off the farm. One of the reasons why I believe that education is by far the best agricultural and rural policy is that it gives you more options. If I had not had a Bachelor of Arts degree, I do not know what I might have been doing today. Still farming? I doubt it.

As to ‘the education of John’, because I have never gone to university ‘properly’, I have always regarded myself as poorly educated – so I continue to seek to learn. Nonetheless, my personal debt to the University of New England and to the Australian National University where I was to go on to do more study, remains immense.
Chapter 4: From Bureau of Agricultural Economics to Member for Macarthur

Me, a Public Servant? – Chicken plucker/axeman to shiny bum?

Work and Life as a Public Servant

On a Sunday afternoon in April 1971, I drove to Canberra and became ensconced in Lawley House, a Commonwealth Government Hostel in the suburb of Barton, as had been arranged. My room, or cell, was overheated centrally and the bland ‘Commandant’ dolefully informed me that I was to eat at one table, exclusively. This turned out to be with three people, with whom I had absolutely nothing in common, nor they with me. Life in an institution commenced, my life in open skies ended.

On the Monday morning I drove to the then new NRMA House on Northbourne Avenue, Braddon, and discovered the Bureau’s Wool Marketing Section in a corner of the second floor of the cavernous, largely empty building. I had brought my pen. Bob Whan was my boss and I met the other members of the team he had assembled. The group formed the Bureau’s contribution to, if not inspiration for, the Australian Objective Wool Measurement Project (AOMP).

The first task I was given was to process columns of figures relating to the measurement of wool samples, using a hand cranked adding machine. At about 10 am the machine jammed. I went down to my trusty Volkswagen and carried my tool box with screwdrivers, pliers and spanners to my desk. I quickly found the problem and was re-assembling the machine when a fellow, but much more senior officer came over, red in the face and confused, and asked me what the hell was I doing? He, somewhat anguished, informed me that you phone a mechanic to fix adding machines as per the phone number on the contact label stuck on the side of it. I told him that while this may be well and good, I had actually fixed it. He went off in perplexed disgust. I judged that he was typical of the ‘foreign’ Canberra people who used to call in to the farm in their Saabs and Volvos, but I could no longer wear a silly hat to further confuse him. I checked, he had a Volvo (I later bought one - to confirm the stereotype?).

At 10.30 am a tea lady came to us with tea, coffee, biscuits and cake. The particular lady from Bungendore, a Mrs Stehr, looked after us fabulously well. I found this very acceptable, but amazing none the less. Ever since I have been of the absolute view that in all the changes inflicted by Commonwealth governments on the Australian Public Service (APS), the elimination of tea ladies has been the most retrograde. I now understand that there are not even typing pools, which we all then relied on. This is the second most misguided and tragic decision imposed on the APS. I used to love the smell of white-out in the early morning, it was the smell of effective administration.

It is now accepted administrative practice that ‘half-digitised’ senior executives type, or word process, their written work by the ‘eagle claw’ method, once known as ‘hunt and peck’. This is after they have answered more conventional forms of communication, including emails, facebooks, YouTubes, blogs, and have tweeted and scrolled their Blackerries or Iphones or Ipads, while listening to their Ipods - all preparatory to ‘googling’ or logging on to search engines and data-sets? Or do they? In the primitive days when I was a research member of the APS, we actually talked to people to check against the paucity of the written information and data that we had. We picked up a lot of relevant information and insights that way. Although still a
troglodyte in all things digital, I do concede that what is available to us by way of information and communication, if not wisdom, is truly wonderful.

Then came 4.51 pm and suddenly I found that I had been deserted. I was just starting to get the hang of things and gaining a very vague understanding of what I could possibly be employed for. So, I went to see Bob and asked what had I done wrong? He told me that it was knock-off time and this was how the system worked. I headed back to Lawley House and thought that, with all this spare time, the best thing I could do was enrol in an economics degree with the Australian National University (ANU), which I proceeded to do. The major in Economics and Economic History 1 from UNE was given credit for four tenths of a BEc degree. However, I needed to study additional economic topics by semesters. In 1971, I passed two semesters of economics on the topics of Agriculture and the National Economy, and Agricultural Production and Prices, but withdrew from Statistics 1. In 1972 I studied Political Science 1 only. I had to withdraw in June from two courses, which I had valiantly enrolled for in 1973, due to the pressure of work once I was elected to Parliament in December 1972.

Canberra was some kind of shock to me in terms of what the populace thought and did compared with my more narrow background on the farm living on the NSW Southern Highlands. The Canberra Times was the local paper. It had a lot wider coverage than any other local paper in the country. Many people knew a great deal about government, administration, economics, science, defence, trade and foreign affairs.

There were public protests, which upset some of the more conservative thinking people. A shipping container had been set up on a block of land adjacent to the South African Embassy and you tooted your horn as you passed, if you were opposed to apartheid, something the government of the day was not. One of the local scandals was the ‘bastardisation’ of Army cadets at the Royal Military College, Duntroon. What comes around goes around, the scandals there have continued to this day.

In those days, there were very few restaurants in Canberra. The ones I found were The Charcoal Grill and Zorba’s, both in Civic. The few hotels were the main ‘watering holes’, for the after work hours imbibers. The ‘Wello’ (Hotel Wellington), Canberra City Hotel and the Deakin Inn were central to the main population, all gone now as I write.

Each weekend, I headed home to Yerrinbool and Bowral. Being stricken by conscience for leaving my parents in the lurch, I worked weekends on the farm, which was not very fair for Barbara and my new family. I was also keeping in touch, locally, with those I would depend on during the coming 1972 election campaign. It became very important to buy a house in Canberra and we bought one in the suburb of Latham in the Belconnen area for $15,500, putting down a $1,550 deposit. Latham was then known as ‘East Yass’, but Canberra was growing very quickly. The family moved to Canberra, mid-year, complete with our black Labrador dog, Fiona.

Once living in Canberra I joined the local ALP branch, which in my case was firstly Belconnen, which then split to form the Ginninderra Branch, which then later split to form the Mt Rogers branch. I was not game to say a word at first because I firmly believed that many of Australia’s foremost thinkers and senior policy makers were in attendance. Debates soon dispelled this belief, but there was a core of very well educated people. There certainly were plenty of academics, middle level public servants and very experienced people as well as those whose factional persuasions were their only reason for membership. I eventually became president of the Ginninderra branch and was more than ably supported by Bob and Carmen Sercombe,
Bob later becoming Member for Maribyrnong (Victoria) in the Commonwealth Parliament. Wayne Berry, from the Firemen’s Union in the ACT, was also in the Ginninderra branch and later became Speaker in the ACT’s Territory Assembly. His daughter is an Assembly member today.

In 1972, I also joined the Royal Institute for Public Administration to gain some idea of the theory and practice of policy formation within the Public Service and also attended some of the Institute’s conferences. John Nethercote was my Political Science Tutor at ANU and public administration was his specialty. Though a fiercely committed Liberal Party supporter, he taught me a lot and became a friend and daughter, Heidi’s, godfather. We still have dignified arguments, but I maintain that he has poor political judgment. He is also a ‘cricket tragic’; say no more. It is not that I am against cricket but I am against the way conservatives, and perhaps especially Prime Minister John Howard (1996-2007), use it as a surrogate for conservatism. Appropriately, John Nethercote worked with Dr Nugget Coombes on the Royal Commission into Public Administration which was established in mid-1974, after the May 1974 re-election of the Whitlam Government.

The Australian Objective Measurement Programme (AOMP)

Bob Whan had an MSc in wool technology and had studied for a PhD in this subject at the University of Leeds in the UK and then in Australia. Much of the initial work in wool measurement had been carried out in Leeds as far back as 1937 and was later developed in the University of NSW, Sydney, in the 1960s. The task of the AOMP group was to show to the various parties in the wool chain from property to port to end customer, the benefits of objective measurement in wool processing and the potential for industry cost savings. Objective measurement of wool not only entailed the application of science and statistics to illustrate savings to the industry and a better specified product, but also involved engineering. An example of this was the core testing machine used to get a sample to assess the qualities of wool in a bale in a laboratory. The wool industry was and is one of very entrenched participants and attitudes. We first had to show that while there was a continuing and essential role for wool classers in the industry, their ability to accurately assess fibre diameter visually and thereby put fleeces into uniform lots and classify the many types of wool, was deficient. To demonstrate this involved visiting properties at shearing time, working with graziers, shearers and wool classers, taking samples of wool for scientifically accurate measurement and assessing the variations in error. This was to demonstrate the potential under and over-valuing of clips and mistakes in conventional classing. Fineness of wool had been mainly judged on the basis of crimp and experience and training, with some other values - softness, feel, colour etc, thrown in - all very subjective. Some of these characteristics really meant nothing to the downstream processors of wool. Another officer, Peter Kidman, and I became convinced our overseas customer wool processors knew more about wool than we did and that it would be best to start at the processing end of the chain. My throw-away line was that the top makers knew how to combine steel wool and silk to make a wool top perfectly suitable for spinning and weaving. To have conducted this study would have entailed expensive stays overseas for a period and there was a lot of work to do in Australia in the interim. However, we were aware of the entrenched views of wool users in Europe and how little concern they had for wool producers in Australia.

I was very privileged to visit sheep stations in NSW, the ACT, Victoria and South Australia. The property owners were co-operative without question, but wool classers were understandably more cautious. I learnt a bit about wool industry politics, the conservatism of
the industry and how vested interests played on this. I also learnt about some of the legends that continue to this day and the nature of the players in the industry off-farm. Although the wool industry has many elements of myth and romance attached to it, I formed the view that there was not all that much money to be made in wool production—certainly not at the time. Most wool producers were not large landholders. It was a time of disastrously low wool prices. As with many primary industries, it is the middle men who make the money, in not too transparent ways. Wool brokers and wool buyers were and are very powerful in the scheme of things.

It became clear to me that property management was a key factor in making money, or not. I went onto one property with 22,000 sheep in the Victorian Western District, where the owner told me that he was hardly making any return on his investment. An analysis of the quality of his clip quickly showed why: too many poorly cared for, lice-ridden flocks. A close neighbour had 4,500 sheep, well looked after and was surviving financially. The outstanding property I visited was Habbies Howe, owned by Dick Webb, in the hills to the east of Seymour in Victoria, which in the year I visited it, produced close to 1,000 bales of wool and nearly turned off 1,000 head of Hereford cattle. The property’s boundaries were contained within a valley about ten miles long. I later learnt that a future friend, who became Deputy Secretary of the Department of Foreign Affairs and Trade, the late Peter Field, had once worked on the property as a jackeroo. Dr John Stocker, who was the CEO of the CSIRO when I was Minister, later became Chairman of the Board of the organisation. He was Chairman during the time when I was on the CSIRO Board (2008-11), and now lives nearby on his and his wife’s vineyard and property.

There is now a considerable literature on the science and economic benefits of objective measurement, clip preparation, more accurate bulk classing and operational savings in wool handling. One of the tasks I was given was to assess the benefits that would come from fewer wool store operations as a flow on from objective measurement. I visited every wool-store in the country, explaining to store workers that I was not an operations researcher or consultant working for the firm. I discovered that there was a lot of variation within wool stores run by the same firm and, more amazingly, that the managers in the States in the same firm had never sat down together and discussed their particular operational practices. At least the Elders South Australian wool stores, at management level, had the commendable practice of having a Cooper’s beer with dry wholemeal biscuits at knock-off time! It took me a while to estimate in-store cost components, but eventually one senior wool store manager of the firm AML&F, Jack Allerding, said that I had an accurate picture of the operational costs and potential savings from objective measurement for wool handling in his firm’s stores. The wool brokers were reasonably efficient but could see the advantages of less in-store operations.

I went to a few conferences on the subject as well as on the wool industry generally, and first met the legendary Sir William Gunn when he burst out of some wet hydrangeas at the University of NSW with a few shaving cuts covered by cotton wool and band-aids. Sir William was an icon in the industry and as an agri-political leader had taken a courageous and massively unpopular leadership role in the late 1960s when he championed increased wool promotion expenditure. He also acted to promote the establishing elements of a floor price scheme to try to get price stability. I liked working in the field better than being back in Canberra writing up our findings. It was Bob who mainly dealt with the entrenched forces in the industry at senior level, every aspect of which from production to utilisation was

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6 Bob Whan was in the process of writing a book on the subject.
traditional. I labelled him an objective measurement ‘evangelist’. Without his drive we would not have succeeded.

What this experience did teach me was a lesson that I have never forgotten and that is how science and technology can be utilised for the greater financial and economic benefit of an industry and can assist with the development of policy.

I do not want to indicate that I was intimidated in any way, but the Bureau of Agricultural Economics (BAE) experience gave me an insight into the nature of the Australian Public Service (APS), its quality, its corporate memory and the competence of the many individuals senior to me, who possessed vast professional expertise, corporate memory and sound academic backgrounds. I admired and respected the ethos of service so apparent in many senior policy makers. However, it is a mistake to think that the APS does not have its own ideological or philosophic hang-ups about industry policy, nor does it fail to endorse or absorb some of the opinion making community’s overall directions. Treasury, for example, will have a rather different attitude to policy than an Industry department. Inter-departmental committees can be marked by departments wishing only to advance their particular view on an issue. The Department of Primary Industry was certainly well attuned to having Country and National Party ministers and many public servants had rural if not farm backgrounds. Public service policy advisers will always be conservative in the sense of being careful not to get ministers into trouble.

The years 1971-72 seemed to me to be a turning point in Australia’s public administration, as it seemed to be in Australian society generally. By this time, professional agricultural economists were more than convinced that agricultural subsidisation and primary industry protection were no longer appropriate or beneficial to the farming and grazing industries or the Australian economy. The ‘economic priesthood’ in the then two major policy co-ordinating departments (Treasury and Prime Ministers), were even more convinced of this but seemed to me to have anti-farmer attitudes. We had become world experts in perfecting every kind of subsidisation and protection and it was doing us no good. The value of subsidies quickly became incorporated into property values and created distortions in the allocation of resources within the broader economy. The BAE experience opened me to the long running opposition to the prevailing ‘protection all round’ conventional wisdom and the role played by the Tariff Board from the early 1960s under its Chairman, Alf Rattigan, and by the prominent academic, Max Corden. I was being educated, quickly.

The 1972 Federal Election Campaign

Bob Whan and I were both candidates for Federal office in 1972 and we compared notes on our weekend forays into the boondocks and our experiences with that strange breed of people known as voters, that is the general public or the man in the street. It is a blood chilling experience to sample the political views of the most uninformed. At the time, the variation in views on issues was rarely as consistent as it was on political party allegiance, which often had no objective basis in fact. I could never understand why people voted against their interests. Was it because of some deep philosophic commitment, ideology, propaganda gullibility or stupidity?

We wrote and published a campaign newspaper which was used in each of the Macarthur, Eden Monaro and Hume electorates. Frank Olley was running as the ALP candidate in Hume. In one of the three editions, we neglected to substitute Frank’s name but no-one seemed to notice that Bob Whan was apparently a candidate for Hume as well as Eden-Monaro. As we
all eventually won, this gave me an inkling that most people have made up their minds six months before an election.

It was not possible for me to take much time off in 1972 due to the time and costs of setting up house with a ready-made family and I was working out in the country a lot. Barbara had taken a part time job but when Heidi Elizabeth was born on 13 August 1972, there were more reasons for us all to be home. Most of my campaigning took place on weekends. I made many journeys into the electorate and back in a night, some 500 kilometres or more. I could travel to any part of the electorate of Macarthur in three hours from Canberra. I was also still studying for the economics degree at the ANU.

Organisation became very important. The late Roger Graham, a bus proprietor and later fleet manager and transport expert, took on the job of inland Campaign Director but mainly concentrated on the more populous Campbelltown end of the electorate. The Southern Highlands branch was well on side with the work of Phil and Joan Yeo among many others, including Ralph Brading, an architect, who later became an MP in the NSW Parliament. It was beyond any anticipation that the ALP could win the three main Southern Highlands towns, but all ALP members worked extremely hard. As I have said, it’s essential to have some people in a campaign that you can depend on 100%.

Out of the woodwork came Ken Gully from Fairy Meadow, living in Rex Connor’s seat of Cunningham, centred on Wollongong. Ken was from Ireland and a maths teacher at Figtree High School. Rex had finally released his troops and Ken ran the South Coast campaign with a driving intensity. It was Ken who made the difference and I will always owe him a great debt. It is to my great regret that I have lost all contact with him. He believed that I did not support his bid well enough when he stood as the ALP candidate for Cunningham when Rex Connor resigned, but Stewart West had the nomination sown up. Ken recruited many people for doorknocking for me and also knew the key people in the coastal unions and South Coast Trades and Labour Council. The Secretary of the Council was then Merv Nixon, who was very politically active and attuned to the city’s workforce and industrial relations battles, particularly with BHP.

Towns south from Dapto to Kiama were voting Labor, as were the Jervis Bay villages, but it was from Kiama south, essentially the key dairying area, where most of the effort had to be put in. There were very good people working for me in Dapto, (three Dutch people, Louie Zom and the Hendriksens I well remember), Albion Park, Albion Park Rail, Kiama, Jamberoo and Shellharbour. Two of my strongest supporters were Bob and Ann Harrison. Bob later became an MP in the NSW Parliament. Bob and I used to drive past blocks of housing units with loudspeakers on my car, uttering such pearls of wisdom as, ‘he who drifts with the tide ends up on the rocks’! There were so many good people in the ALP and supporters working for me and I can still remember many dozen names. John Iremonger from Canberra, who later became a publisher, is just one who worked exceptionally hard for me. We established a new branch of the Party in the Jervis Bay area, known as ‘The Three Cs’: Culburra, Currarong and Callala, with some very strong supporters in the Vincentia and Huskisson area. I even found a handful of dairy farmers who voted Labor with some being ALP branch members in Jamberoo, where there was a dairy factory. Some had a distant Irish background. This gave me courage and hope that I could increase the vote in dairying areas like Kangaroo Valley from above 17%, or above 4% (that is two people) in the small booths where nearly all the voters were dairy farmers.
To come to grips with the South Coast industrial scene was another quick but informative learning experience. The dominant unions were the three maritime unions: Seamen, Waterside Workers, and Ship Painters and Dockers. Also significant were the Miners, the Ironworkers and Amalgamated Metalworkers Unions. The Teachers Federation was also active as were the power station workers in the Electrical Trades Union, the Australian Workers Union, which I later joined, and many smaller, more specialised unions in the area including academics. Members of the Ship Painters and Dockers letterboxed a lot of houses for me but also placed their Socialist literature in the letter boxes with mine. Most of the blue collar unions were Communist or left wing Labor-led; only the Federated Ironworkers Association was right wing Labor-led. Laurie Short and Harry Hurrell (Newcastle branch) were the leading lights in the Ironworkers and effective in working in the interests of their membership. They were also anti-Communist; Short had wrested the union out of Stalinist hands in 1952.

There was a regular, short, stop work meeting once a fortnight or so on the Port Kembla wharves so that the three main maritime unions could co-ordinate their activities. Ken arranged for me to address the meeting and it was with some trepidation as a farmer/amateur economist that I spoke to the gathering with Elliot V Elliot, Communist Secretary of the Seaman’s Union, as Chair. I had studied some of the issues and absorbed Labor’s maritime policy, such as it was. I quoted this stating that a future ALP government’s policy was to have a certain percentage of Australia’s exports shipped in Australian ‘bottoms’. After some questions Elliot spoke saying that, ‘You’ve done OK boy, but we call them ships and here is a donation of $1,000 to your campaign’. Taffy Smailes was Secretary of the Miners Federation and again a Communist. Not that I agreed with their ideology or necessarily all of their activities, I found that both Taffy and Elliot were scrupulously honest in stating where they were coming from and what their policies and activities were for their wage earner members. You could rely on their word, once given. I could not say the same for every union official I have met.

Wollongong was a very politically active, radical place in those days and many people had legitimate causes, including with BHP’s Australian Iron and Steel steelworks management. Opposition to the Vietnam War was also exceptionally strong. It was on Ken’s judgment that I should participate in a few marches on the streets of Wollongong, to be photographed by strange looking men. I have since found out that I do not have an Australian Security Intelligence Organisation (ASIO) file: in my more paranoid moments I wonder what a bloke has to do to get one. It was generally thought at the time that ASIO was aiding and abetting members of the Liberal Government in most unscrupulous ways against the ALP, but no-one could prove it. The Liberal Party at the time did not trust writers, academics, artists and intellectuals - what’s new? It is the same mind-set that is directed against the Australian Broadcasting Corporation (ABC) today. ASIO was obsessed with any Communist activities in Australia, to the exclusion of other threats to our national security.

I had not participated in the Vietnam Moratorium marches back when I was on the farm, due mainly to distance and time constraints. Friday, the day of the marches, was a farm produce delivery day. But I did once stand beside the music teacher from Bowral High School on the main street corner in Bowral at lunchtime. His name was Ray Cross and he had a sign simply saying he was opposed to our participation in the Vietnam War. Quite a few people abused us and tut-tutted, including two little old well-dressed ladies to whom we said ‘boo’. They hobbled off in fear for their lives - the Red Menace alive and well in Bowral?
The exceptionally fortunate thing that happened for the ALP and me was that Jeff Bate, our local MP, lost Liberal pre-selection for Macarthur to Max Dunbier from Campbelltown. Max's father had been a state MP and the family was wealthy and well known. The Liberal camp split when Jeff then decided to run as an Independent. A group was set up backing Jeff and a few of my supporters infiltrated it to get some idea of what was going on. I hasten to add that they were not ALP branch members. The late John Marsden, barrister, local activist in sports and culture and a prominent civil rights and anti-police corruption campaigner, ran Jeff's campaign. Although a bit of a political chameleon, John was not averse to me winning and I got quite a few of Jeff's preferences on 2 Dec 1975. For two weeks before election day, when I had to resign from the APS, my family and I stayed *gratis* in the hotel owned by John's parents, Guy and Tibby Marsden.

Political campaigns are engrossing and there is a lot to tell but you would need to keep a diary to capture all the highs and lows, the tedium and the hard work. Every campaign becomes a roller-coaster ride. These were the days when there were public meetings in town halls, and when debate, discussion and dissent within political parties were accepted, to some degree. Although the media always played up 'Labor Splits', I thought debate and exchange of firm, well argued views was preferable to mindless conformity. At least issues were discussed and political parties kept their elected representatives honest. It was completely different from what we have now: dominance of 'the Leader', of computer technology (tweeting, blogging etc), TV, image, celebrity candidates, constant polling, talk back with luminary right wing radio shock-jocks, focus groups, superficiality, playing on perceptions etc. etc. Political parties have now become some kind of job promoting corporation, run by 'professionals' interested in plumbing the depths of the electorates' behaviour, attitudes, ignorance and psychology.

The media now subjects governments, ministers and politicians to continuous assessment and constant opinion polling (fortnightly) during the all too short period of the three year life of Commonwealth parliaments. The fifteen minute and twenty four hour news cycle are now, regrettably, facts of political life. My views on the media concur with those of Lindsay Tanner, who in 2011 published a book entitled *Sideshow*, which documents and analyses this phenomenon far more thoroughly than I can do here.

At the time, I realised that there were two crucial problems in democracy at a local level. The first is that anyone at a political party meeting can have a motion accepted if they have three prepared arguments and the idea seems feasible. But the second is that most important policy issues involve staggering complexity, which is often beyond the capacity of the rank and file to develop into workable policy. Politicians, after a time, actually get to understand and know much more about the depth and complexity of policy and policy making than the average branch member. This does not mean that the rank and file should be ignored. They too keep their representatives honest and in my time the work of the rank and file membership was absolutely crucial.

I will relate only two or three highlights of the 1972 Macarthur campaign. Academic, professional and teacher friends in the Campbelltown Parents & Citizens organisation arranged a meeting in the Campbelltown Town Hall for all candidates, with education as the topic. Professor/Dr Alick Lascelles, scientist, of Sydney University and the CSIRO, was I think President of the local P&C Association. All the candidates were on stage except Jeff, who came in, late as usual. He plumped down beside me asking who I was. I introduced myself and his response was a 'harrumph'. He then started vigorously scratching his stomach and nether parts, so, I asked was he alright? He quietly informed me that he had been herding cattle all day and he thought he might have a tick or two. For a second I thought I should inform the
Chairman and gathering that the Honourable Member was tick ridden, but Jeff would have only turned this into a good news story, particularly as the publicist, Harry M. Miller, was backing Jeff. Zara Holt, now Bate, was also very active and talking to many groups. However, even this ran in my favour because after Zara had told a few polite, conservative women’s groups of what a ‘bull Jeff was in bed’, they later get a bill from Harry, so I was told. Bob Whan and I had grown to know Jeff, somewhat fondly, over the years. He was a unique character, a raw one-off, with very strong rural roots.

At another public meeting I had said that I was philosophically opposed to State Aid, because I believed children should be taught how to think, not what to think and not be fenced off from others. I have always been in favour of public education freely available to all. Education, to my mind, should be secular. More philosophically, I believed that education should be about promoting equality and equality of opportunity, not about taxpayer funding of private schools. I didn’t think that State Aid should ever be given on the basis of what non-mainstream denominations, sects and other religions want, or in response to the demands of what are essentially, private organisations designed to perpetuate privilege. But this was a vote winner with neither the very poor Catholic schools nor the rich private schools such as Frensham, Tudor House (the primary school boarding part of the Kings School), Sydney Church of England Girls Grammar School, Annesley, Our Lady of the Sacred Heart in the electorate. I believed that the rich private schools were using the poor Catholic schools as a stalking horse to advantage themselves. I attended a meeting at Chevalier Secondary College in Burradoo and was attacked by the Priest Principal on the questions of justice and rights. I was rather relieved when Labor’s policy on education was released and Archbishop Carroll of Sydney said that it was safe for Catholics to vote Labor. On the Sunday before polling day we placed our policy and the Bishop’s endorsing words, printed on green paper, under the windscreen wipers of the cars of people going to church.

On another occasion I was at Chevalier when Sir William (Billy) McMahon, now no longer Prime Minister, and I was a public servant again, returned to open the Thomas McMahon wing of the school. Unfortunately he thought the wing had been named after him and told the absorbed throng that he would always be remembered for his incredible memory and his three very important policy breakthroughs – but he couldn’t remember the third one.

A lot of outside help came to us. Tom Uren campaigned for me in Campbelltown and on the coast and Clyde Cameron also visited the coast with me. Stupidly, I asked Clyde what he had against Tom Dougherty, a former National President of the Australian Workers Union. I learnt nearly everything possible about Tom Dougherty over the six hours of the car journey – according to Clyde that is. Lance Barnard visited HMAS Albatross in Nowra to try to assure the sailors and airmen that we weren’t going to close the base down within a month if we won or immediately turn Australia Communist. Having Gough Whitlam and Rex Connor in the adjoining seats was also an advantage.

The last few weeks of the campaign were hectic. At one stage I darted back to Canberra to sit for university exams and for the first time in my life I failed one, Statistics, but my academic record says I withdrew, so that is what I must have done? I went to the now legendary ‘It’s Time’ campaign launch in Blacktown and the sense of winning at last was overwhelming. (I met at least twenty people who had thought of the ‘It’s Time’ slogan.) Driving back to Canberra, late at night, my Volkswagen broke down. The accelerator cable had snapped, but somehow I fixed it in the dark with a paper clip and made it back.
Victory

It was indeed time and Labor won government for the first time in 23 years, by 9 seats, with 49.6% of the primary vote. The heavy lifting had been done in the 1969 election when Labor’s vote, with Whitlam as Leader, had lifted to 47% from the disastrously low of 40% in 1966. But in the Senate, Labor only had 26 of the 60 seats, 26 being Liberal/Country Party, 5 DLP and 3 Independents.

My family and I stayed in Campbelltown, where the counting was officially conducted for the whole electorate, until it was clear we had won. We then drove down to Ken and May Gully’s house in Fairy Meadow for the party workers’ celebration, with me carrying Heidi into the house in a carrycot to thunderous applause. I spent some time thanking some deliriously happy folk on the phone in various parts of the electorate. I think I then made a statesmanlike speech but to tell the truth, it was bit of a blur. We had to wait for the poll in Macarthur to be declared by which time I was running out of money, but we got by. I won 48.3% of the primary vote, which translated to a majority of 52.2% two party preferred, recording a swing to the ALP of 5.9%.

I went on to establish my electorate office in Campbelltown with Kathleen Tapperell as my first electoral secretary. Kathleen was followed by Dorothy Lascelles after the 1974 Double Dissolution election. Dorothy remains a friend to this day, though Alick has passed on. Electoral secretaries rarely get the credit due to them and I have nothing but admiration for the work they do, particularly when members are not or cannot be in the office very much. They have to deal with the distress that constituents suffer and have to conduct negotiations on their behalf with the various agencies. My electorate office had to build up very good working relations with the local offices especially of the Departments of Social Security, Repatriation, Immigration, and with the Commonwealth Employment Service - and also deal with some of the ratbag members of the party and general public. For most of the time I was in Parliament, unemployment was the major issue in most of my electorate.

Electoral secretaries get no chance to visit the suburbs, towns and villages where constituents live. I worked the electorate from Latham, in the ACT, and my Campbelltown office. Once a month I would conduct clinics calling into Post Offices on a tablelands run one month and then do a coastal run the next. In the first year I drove 49,000 miles (78,400 kilometres) and had to buy another car, a second-hand Peugeot 404. When I attended weekend functions I stayed with branch members (one of whom had a totally black bathroom and another a toothbrush fetish), in motels, or at my mother and father in law’s in Bowral. Being close to Macarthur and, as I’ve said, only three hours away from any location, I was able to drive to and fro Canberra in a night and so was able to attend many party sub-branch and other meetings in my electorate.

I was a member of the House of Representatives and knew nothing, absolutely nothing, about the realities of politics and the mechanics of policy making in a parliamentary or a political context. I did not know how I would survive. I later observed that most of my new fellow members seemed to think that they knew everything or that ignorance was not much of an encumbrance. Unlike most of my new found colleagues in the Party, I did not have any union background, any under-graduate experience of Young Labor, or any of the bruising experience of Labor factional brawls, beyond the minor experience in the Macarthur FEC. I had been a farmer, an employer and, for a short time, a public servant. But I was about to learn, constantly and a great deal, including how exhilarating the job could be, constantly meeting some extraordinary people and at first, at least, sitting in a ringside seat.
Chapter 5: Being a backbencher

A Parliamentarian

I was somewhat over-awed by being a member of such an august institution as the national Parliament. It was a bit like Groucho Marx not being willing to join a club that would have him. I did not think a person such as me, with my background, was the type of person I would have wanted to have representing me in Parliament. I decided that I would learn as much as I could and would treat the experience as if it was a study of courses in a wide ranging university degree. Application and hard work was all I knew.

But what a privilege it was to enter the Parliament in 1972 when Gough Whitlam had brought the ALP to office after 23 grinding years of Opposition. Whitlam dominated the Parliament from 1967 to 1975 and he was a reformer.

Entering Parliament House, being allocated a room and signing up for all that was required to get into the system was a heady experience. Whitlam and Lance Barnard, Deputy Prime Minister, set a cracking pace as a two man cabinet and it wasn’t until the first Caucus meeting was held on December 18 that we knew of the composition of the Ministry. Some of the newer members were elected to the Ministry and included Kep Enderby, Member for Canberra; Al
Grassby and Bill Morrison (NSW); and Doug Everingham and Rex Patterson from Queensland. I thought Rex should have been Primary Industry Minister, but he was given Northern Development and responsibility for the sugar industry.

I knew nothing about factions in terms of how the Parliamentary Party operated. Factions in a rural marginal seat were a luxury and factionalism, in any operational sense, did not enter into the Macarthur campaign. But ‘tickets’ were circulated before the Caucus ballot. I was probably labelled a right winger from the outset but I would have always preferred to be a ‘nothing winger’. By the time you are elected to the Australian Parliament, regardless of how wise or not you are, no-one else should be telling you how or what to think on various issues and policies, other than those agreed within the party, or who to vote for. So I was not actually led by the hand; I voted for those people I knew a bit about, without religiously following any ticket.

Factions were recognisable, known and individuals labelled. They had their genesis in the trade unions, are tribal and engage in gentle and not so gentle blackmail to ensure the tribe holds together, regardless of the ability of those they promote. They were not as entrenched or as organised later in the Hawke and Keating era and this had some stabilising advantages in government. But factions are part of the NSW Right’s ‘whatever it takes’ strategy promoted by Graham Richardson as Secretary of the NSW branch; their impact continues, deleteriously, to this day at organisational level. A cabal of self-seeking individuals now runs the Party, ignoring the rank and file membership and interfering in policy decisions when the ALP is in government. In 1972, though, this state of affairs was still far off.

Although I was familiar with the perspectives of some of the prominent shadow ministers, at a time when I was a convert to what I understood to be the verities of economics, it came as a surprise to discover how old some of their ideas and antipathies were, and how intense their
views on many issues. This I put down to their experience of 23 grinding years in opposition. Some of these men were formidable. And they were all men, Joan Child being the first female member of the ALP elected to the House of Representatives in 1974. Their strong views were based on long experience, which they could articulate exceptionally well. Oratory and humour still featured in the Parliament then and there was some tolerance for ‘characters’, for non-conformity and for differing points of view, as distinct from today. As I write (2013), any slip of the tongue or deviation from the party line, or any confounding of the media’s stereotype of how people should think and what they should say, is seen as disastrous. The required set piece and predictable answer to any question by the media has become more important than any notion of intelligent discourse.

Charlie Jones and Bert James, holding safe Newcastle seats, were quite different characters as was Fred Daly. Jones was astute but acerbic. Bert never hesitated to drop a bucket on the Liberal Party, often cringe-worthy. Fred basically had one speech but with a thousand versions and any number of jokes thrown in, but he was shrewd with it. Fred was not a strong policy person and always advised that as a Party member it was essential to support the Leader no matter what.

Some of the newer unknowns such as Kep Enderby, Moss Cass and Doug Everingham proved to be competent ministers and people I could relate to. Moss Cass could be remembered for making the observation in Parliament that floodplains are for floods, and Doug for observing that sugar rots teeth and is not good for your health. Both observations were regarded as heretical at the time, but both proved prescient. Moss Cass was to achieve a lot in the area of environmental policy.

The knowledge and experience of people such as Kim Beazley (senior), Rex Connor, Clyde Cameron, Lionel Murphy, Frank Crean, Tom Uren and many others was quite intimidating for a naïve backbencher who knew so little about the game I had fallen into. If not highly intelligent, as Lionel Murphy obviously was, all of these Labor figures were astute and highly knowledgeable about many specific areas of policy. Being reasonably close to Rex Connor, I learnt that he probably knew more about hydro-carbons than any other parliamentarian, having studied the topic in detail from the time when he was in the NSW State Parliament. His depth of knowledge and political experience on other subjects was shared by others in the Cabinet and the Caucus. There were also people of high intelligence and sound political instincts such as Bill Hayden, Jim McClelland, Ken Wriedt, Lionel Bowen and Lance Barnard.

Ballots were held for positions on Caucus Committees and I was elected Secretary to the Foreign Affairs and Defence Committee (Macarthur had a large defence component), a member of the Primary Industry Committee where I later became Secretary in 1974, and the Transport Committee. I also attended the Minerals and Energy Committee (I had many coal mines in the electorate). Bob Whan chaired the Primary Industry Committee and Gilbert Duthie, Member for Lyons, in Tasmania, was its Secretary until 1974.

I was also elected to three parliamentary committees, these being the House of Representatives Standing Committee on Conservation and Environment, the Joint Committee on Foreign Affairs and Defence and also the Joint Committee on the Australian Capital Territory. I lived in the ACT and thought I should be on it. I was also particularly keen to be on the Environment and Conservation Committee. In 1972 The Limits to Growth was published by the Club of Rome. It, along with the theory of Thomas Malthus on the hazards of constant population growth and the corresponding threat to food supply, have been denigrated ever since by conservatives, or people with a vested interest in constant economic
growth, the engine for capitalism. But I have always thought that there must be limits to
growth, regardless of what economists and business people believe. As I write, the findings of
the Club of Rome are still being set up as a 'straw man' and being misrepresented and used as
a propaganda tool, by analogy, to convince Australians that climate change is a myth. It did
not predict catastrophe by the 1990s, as has been claimed; it did claim that limits would be
reached within 100 years. Research by CSIRO’s Graeme Turner, measuring back to the
suggested level of resource depletion, by utilising over 40 years’ real data, shows that the
trends suggested have continued in all but one case, where technology has come to the rescue.

One of the issues that came before the Caucus Transport Committee was the issue of the site
for a second airport for Sydney. Towra Point, opposite the existing airport, had been
dismissed. An academic, Dr Peter Oppenheimer, had the idea of building Sydney’s second
airport on concrete caissons close to the coast near Botany Bay. At last the issue was to be
settled in 2014. For a long time it has been blindingly obvious that Badgery’s Creek is where it
should go and where Peter Morris, as Transport Minister in the Hawke Government, ensured
much of the required land was bought.

I would not advise any new member of parliament to involve themselves in six committees,
especially if they have a marginal seat. I noted that those more politically than policy inclined
did not nominate for committees. But I was intent on learning as much as I could as quickly
as possible. As I have said, I basically knew nothing and thought it an accident, if not slightly
ridiculous, that someone from my background, could be elected to Parliament. From what I
could gather, I was the first ‘professional’ axeman, brick setter and chicken-plucker ever to
have been elected - and there have been none since. However, I was there and I thought I
might as well make the best of it. It is probable that by the time I entered Parliament, the
minute level of philosophy I had studied had induced me to qualify my views on just about
everything. Perhaps worse, working in an economic area of the APS meant that adjectives and
adverbs disappeared from my vocabulary - which became a disadvantage as a politician - and
still is to some degree today.

**Whitlam Government Experience on the Backbench**

All members of the Whitlam’s Ministry were in cabinet and it did not take long for disgruntled
or strong willed ministers to raise the issues they had lost in Cabinet in the Caucus, which met
every sitting week. Whitlam was strongly driven by the need for reform, was eclectic, highly
intelligent, well informed with a legal mind and had very clear ideas on where he wanted to
take policy and Australia. His intellect, knowledge of the classics and appreciation of culture
was immense. He was a man in a hurry and seemed inclined to me not to be able to set
priorities within and between his many reform targets. He must have found a large ministry
difficult to manage.

For so long the Australian people had been told that Australian governments had no role in
many areas of national concern because they were States rights’ issues. Yet, the Coalition
Government had itself ventured into former areas of State preserve such as education.
Whitlam’s policy for cities and his establishment of the Department of Urban and Regional
Development (DURD), with Tom Uren as Minister, a man whose values on many issues I
admired, was particularly valuable to me and my electorate. It meant that Campbelltown and
other towns in Macarthur were able to be sewered and were now also able to get access to
funds for infrastructure. Australians mainly live in cities, yet we allow them to grow like topsy
as the States and local governments try to deal with their many pressing demands and pander
to developers. So I was very much in favour of the work of DURD- (Uren’s office had the
Some mistakes were made, but we gained a better idea of what was possible if the three levels of government worked together. Whitlam had a sound knowledge of the Constitution and spoke of the possibilities of using the Inter-State Commission, established in Section 101 of the Constitution, to be able to deal with some of the problems of the Federation; he was essentially a centralist.

Policy wise, I tended to leave health, education, employment and social welfare, the central issues for Labor, to the many specialists on these topics in the party. But I was very much in favour of free university education, even then having an exceptionally strong belief that investment in education and research and development was essential in a lowly populated, industrially developed country like Australia, and especially in rural areas. I will also always remember the persistence of Bill Hayden in getting the Medibank legislation through the Parliament, very ably assisted by many key people, including Netta Burns of his staff, a great ALP stalwart. The National Party claimed to represent all country people, but I never once saw their representatives push hard for a social measure such as Medibank to help their constituents. I was closest to Ministers Ken Wriedt, Lance Barnard and Rex Connor because they were all involved with issues of interest and importance to my electorate and I haunted the staff specialists in their offices. In most cases ministers were too busy to talk to every concerned and nervous backbencher; backbenchers with marginal seats are always nervous. Since then I have always been of the view that ministers need specialist, not generalist, staff to represent them competently and to challenge them and their public servants providing advice to achieve the best end product.

All incoming governments tend to be suspicious of the APS and the Whitlam Government was no exception. After 23 years in Opposition we had inherited a powerful and entrenched ‘mandarinate’ of the most senior public servants with conservative economic and social attitudes used only to serving governments of similar ilk. It was the view of Whitlam and particularly of Peter Wilenski, his Senior Private Secretary, and the Government, that the Public Service should be more attuned to the wishes of the government of the day, whichever it may be, but none of us were awake to the likely ramifications of this change at the time. With hindsight, we can see that ensuing changes have led to a gradual diminution of the capacity of the APS. More and more power is centring in the Prime Minister’s office. Perhaps from my experience as a public servant and from what I had learned in the Royal Institute of Public Administration, I should have been more attuned to the implications at the time.

From what I could gather the Departments of Trade and the Treasury and their ministers had fought an adversarial game during the 1960s. Treasury tended to continue this contest with the Whitlam Government due to its doubts about its economic credentials or out of hubris - I just did not know. One very senior Treasury official certainly leaked against the Whitlam Government. That said, you have to be exceptionally careful in ever rejecting Treasury advice. I often disagreed with the very few snippets of advice to ministers that I was aware of as a backbencher, but could not do much about it.

The clear implication of an APS giving frank and fearless advice to ministers is that ministers may disagree with it for other reasons including political imperatives, party platform or ideology. That’s part of parliamentary democracy. But what is most important once a corporate decision has been taken is that cabinets/governments should act as one. This is responsible cabinet government - and this is what we did not have. It didn’t then, and it doesn’t now mean that backbenchers of independent mind could not, should not - and did not - make dissenting informed or tactical speeches in the Parliament, adding to the public debate without destroying party unity.
The Government had set up an enquiry chaired by Dr HC Coombes in April 1973 to report by May on the previous government’s spending priorities and programmes. This it did. The Government decided to cut tariffs by 25% in July 1973 because the exchange rate was too high, to combat inflationary economic pressures and to stimulate imports because supply constraints were arising. This adversely affected some tariff protected dependent industries in various regional locations in particular, and added to unemployment, which was being accentuated by wage deals that were too generous. The exporting farm sector was also in full cry against the tariff cut and yet this, ironically, was to its economic advantage. The decision to cut the superphosphate subsidy in February 1974 had set the farm sector alight.

One newsworthy event in this regard occurred when Prime Minister Whitlam opened the agricultural show at Lardner near Warragul in Victoria on 19 February 1974. The farmers present protested about the removal of the superphosphate subsidy from 31 December 1974. The subsidy had been originally introduced in 1941 as a wartime measure and to encourage farmers to use it. It had been removed once before by a Coalition Government in 1950 and re-introduced in 1963 as a placebo to assist the decline in farm incomes. Whitlam tried to convince the protesting audience that his government had reduced farm costs substantially and that farm net incomes in 1974, averaging $15,000 for Australia’s 190,000 farm holdings, was well above what it had been for the previous six years, when the average had not exceeded $6,000. He added that the international real price for wheat was the fourth highest since 1900 in 1973-4 and that applications for assistance via the Rural Reconstruction Board had dropped from 7,570 in 1971 to 523 in 1974. But the trouble came when Whitlam said ‘You’ve never had it so good’. The arrogance of the statement lay in its truth, but farming is a long term game. As a farm cost, superphosphate was always tax deductible.

The Whitlam years have been analysed and written about comprehensively and there is no need for me to offer my views on all that happened. Quite tragically, the Government simply did not even seem to understand the implications of the then wage inflation tearing ahead of price inflation in 1974; Bill Hayden’s was a lone voice crying in the wilderness. Nor did it seem able to control or contain the thousands of strikes by the unions in 1974-75.

**Committee Work**

Everything was a learning curve, committee experience no exception. The Victorian Left of the ALP had waged a vigorous campaign for years against the presence of the US bases at Pine Gap and Nurrungar in the central Australian desert. At one of the first meetings of the Foreign Affairs and Defence Committee (FADC), Senator Bill Brown (Victoria) asked Dr John Farrands, the Chief Defence Scientist, could he inform the Committee of exactly what went on at the bases. Farrands said ‘no’ and we asked ‘why?’ He said that we didn’t ‘need to know’. I did not know what the ‘need to know’ principle was and found his position concerning at the time. I hoped that the Minister needed to know. Senior public servants have to take politicians seriously, regardless of their private views about them, though this is not to say that senior public servants should assume that new members actually know anything or that ministers know everything.

I found all the committee work totally absorbing. The Environment Committee was particularly active and many reasonably thorough inquiries were carried out. As a general rule, ministers do not take much notice of committee recommendations, and have the attitude that it keeps backbenchers busy and out of the way while they concentrate on more serious policy and administrative matters. An inquiry into the endangered species, the Abbott’s Booby bird and others on Christmas Island, is a good example of all such inquiries. The island had almost
been mined out for phosphate with most tree cover destroyed. Australian farmers have spread it and Nauru over much of our farming and grazing lands. We visited the island and quickly established that the bird nested in emergent trees from the rest of the remaining forest cover and that the Christmas Island Frigate bird was breaking its neck on wires placed across open fresh water tanks in the phosphate mining operations. It did not take a genius to work out what should be done. Some trees had to be left and the wires removed. The engineers disagreed with this on the grounds that the birds would still have to nest somewhere if all the trees were felled and it would cost too much to put lids on the tanks and provide water for the birdlife.

The Malay workers on the Island also had some remarkable insights. They believed once the young Boobies had fledged, they and the flock would take off at an angle of 30 degrees, flying to 25,000 ft where they would circle the globe, unless fishing in the ocean, until returning the next year. What else could I do but ask ‘what did they do for oxygen at such a great height?’ The island had steep volcanic rock cliffs and the updraft and hovering Brown Boobies enabled the islanders to collect them to eat by simply hitting them on the head with a stick. Being an ex-chook farmer I, inspirationally, suggested that we could send them some broiler chickens to be raised on the island. They rejected this idea because they enjoyed eating Brown Boobies so much. Our recommendations for the preservation of the Abbott’s Booby bird may - or may not - have been followed.

The issue of the drowning of the unique Lake Pedder in central Tasmania was the issue that gave me the most environmental concern during the life of the Whitlam Government. The response of the engineers on Christmas Island was brought to mind when the Tasmanian Government released beautiful pictures of the 'new Lake Pedder' - beauty in vandalism?

The Environment Committee carried out inquiries into a uniform substantial deposit on beverage containers (we were in favour and I still am); into Ayers Rock and the Olgas (we thought that they should be declared and run as national parks by the local Aboriginal people); Jervis Bay (we thought it should not be turned into an industrialised bay and dumping ground); and several minor enquiries such as the Blackbutt Reserve in Newcastle.

One inquiry which was to be of much interest to me later was on the Softwoods Agreement, which was examining environmental aspects of the subsidy for the plantation of exotic radiata pine forests. I formed some strong views on the nature of clear-felling in Tasmania for woodchip production (bad), the greater efficiency of New Zealand forestry production and some idea of the revenue, or lack of it, from native forest harvesting. In south east South Australia we were shown a stand of blue gums in the middle of a pine forest. To the dismay and horror of SA forestry officials I ventured the view that perhaps we should be planting blue gums, not pine. I had no idea that my observation would be so prescient.

Agricultural Issues from the Backbench

Bob Whan and I worked closely with Ken Wriedt, Primary Industry Minister, and his staff Brian Norwood, Ken Baxter and the late Tom Connors. The first oil shock occurred in October 1973 and the Japanese suspended all beef imports in 1974. The Opposition blamed Jim Cairns, Trade Minister, and Frank Crean, when he was Treasurer and later Trade Minister, for the Japanese action. A thriving beef cattle breeding industry had developed with all kinds of wondrous species being imported and promoted such as Chianina, which were long legged Italian cattle you could drive a Fiat car under - as I understood it.

Ken Wriedt asked me to address a meeting in the old Chevron Hotel in Surfers Paradise on the issue of the beef trade. I was well prepared with a good speech, conceding even then that all
my speeches were too long. Before I had uttered more than three sentences I was being howled
down by the audience, particularly by a very attractive female veterinary surgeon. Most of the
audience was investing in the breeding and selling of new breeds of cattle and could see their
prospects diminishing, but at least this gave me a taste of political reality. It is very easy for
any group of educated people to turn into an unthinking mob once their pockets are affected.
On re-reading the speech I still believe it was eminently sensible and only failed because I tried
to paint the economy-wide picture, the economic situation when the ALP had won in 1972 and
the reasons for policy changes since. This meeting followed the early 1974 election, which the
National Party had forced the Liberals to provoke.

The Whitlam Government never gained any legitimacy with the farm and rural hordes, though
Ken Wriedt proved to be a first class minister. He was only acknowledged for his virtues about
five years, or maybe ten, after he left office. Bob Whan and I found that we could not take some
farmer and grazier organisations (for example the NSW Graziers Association) into our
confidence on policy development issues as they would immediately run off and tell all to their
National Party masters. The comfort of McEwenism had given many farmers and graziers very
settled political attitudes. The corrosion of familiarity had well set in by the time the
government changed in 1972.

I have long thought that by far the best action taken by the Whitlam Government for
agricultural policy was the establishment of the Industries Assistance Commission (IAC) in
September 1973. Policies to increase agricultural production involved self defeating subsidies
and protection and by the late 1960s the problem issue on world markets was surpluses, not
the need for increased production. This clearly indicated the need for farm adjustment,
concentration on better marketing structures and increased research funding. Massive
subsidisation by the European Economic Community (EEC) and the US of their agricultural
industries had produced huge surpluses which were being dumped on world markets. The high
protection and quota measures of countries such as Japan simply denied markets to us.

The old McEwen/National Party system of implementing policy once farm organisations were
agreed, was not only too cosy an arrangement but it was no longer economically rational? It
needs to be recognised that the policy probably was well founded for more than political
reasons and that there were good arguments for pursuing it after WW2 and into the 1960s,
but it continued for far too long. The IAC open inquiry process meant that farm organisations
and others had to make a convincing case for assistance, with findings being publicly available
for the government of the day to evaluate. Inquiries by the IAC flowed regularly from 1975 and
from them we gained a better idea of the nature and effectiveness of all the kinds of
subsidisation and protection that were being used. Just as the Bureau of Agricultural
Economics (BAE) tended to provide more economists for the Department of Primary Industry,

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7 The defining quote is as follows: 'My attitude is that neither the Australian Country Party nor its
parliamentary members should decide what is the correct policy for primary industry. It has always
been the policy of my Party that those who produce, own and sell a product are the best judges of the
way in which their own property should be treated. It is the function of my Party to see that the will of
those who produce and own the product is carried into legislative and administrative effect. ... What
the Cabinet stands for is what my Party stands for - the affording to primary industry of the opportunity
to decide what policy it wants in respect of the marketing and disposal of its own product. This is the
policy I have always stood for and which the Government of which I am a member stands for’. Speech
by Sir John McEwen, Leader of the Country Party, and Deputy Prime Minister (1958-71), House of
Representatives, 23 November 1966, pp3044-5 . No doubt the trade unions would have liked the same
approach.
it also provided many economists for the IAC, with the BAE separately making submissions to the IAC on the various references. A different, more economically rational ‘club’ on agricultural policy was formed, but decisions still remained with the ministers and government of the day.

I have the view that the establishment of the IAC was the catalyst for the establishment of the National Farmers Federation (NFF) in 1979-80. This organisation takes the broader national view on government policies and is not as parochial or simply single commodity based as are many other agricultural farm organisations. If anything, the NFF is more crucial today when power is concentrating in Canberra, when economic pluralism still reigns to a large degree and political decisions are prone to perception as well as the power of market players. While some IAC inquiries, to my mind, did not take all the reality into account and sometimes were too economically pure, this was a far better process than simple political lobbying or a consensus by the ‘old school tie brigade’. But the farm lobbies were not all that fond of economists advising what should or could be done.

The Whitlam Government also called for a Green Paper on Agriculture to lay down the directions agricultural policy should take, given the situation at the time and likely future market conditions. The Green Paper’s expert drafting committee of Sir John Crawford, Professor Fred Gruen and Noel Honan, Director of the BAE, was convened by Dr Stuart Harris and stressed reconstruction/adjustment as a key farm policy direction8. There had been no overall review of farm policies since 1952. For the first time, a major report addressed the welfare and resource questions affecting farm and rural people. To my mind, the Report did not come down firmly enough in some areas but the directions, principles and guidelines for policy were very sound. Being somewhat economically pure in those days, I was not in favour of the idea of tariff compensation for primary producers, as had been recommended.

**Learning about Defence**

I was fascinated with defence procurement decisions having HMAS Albatross in my electorate in Nowra and HMAS Creswell adjoining it in Jervis Bay. There were also major defence bases to the close north of Macarthur at Ingleburn and Holsworthy with many personnel living in the electorate. I therefore naturally thought we should buy another aircraft carrier as the HMAS Melbourne was to be de-commissioned within a decade. The ship was getting old and other ships kept running into it, once with great loss of life in February 1974 off Jervis Bay. I then found out that if you were in the aircraft carrier game, you probably needed three, as well as a large protecting screen of planes and other ships when they went to sea, if an enemy was present.

I eventually learnt quite a lot about defence and used to know many of the acronyms. Kevin Foley had worked in the BAE with me. He was studying for a PhD in the defence area and I got to know him, Des Ball, Nancy Viviani and Robyn Abell (later Lim), all of whom were studying for PhDs at ANU. Nancy later worked in Don Willessee’s office when he was Foreign Minister. They were all very intelligent people exceptionally well informed on defence issues. I also personally befriended Tony Thomas who worked in the Central Studies Establishment in the Defence Department which was analysing and evaluating weapons purchases. He was able to purge me of some of my naïve ideas. I also kept in close contact with the late Clem Lloyd and Derek Woolner in Lance Barnard’s Office.

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The fighter replacement decision was to be the most expensive one taken during the Whitlam years. Labor had opposed the purchase of the F111 fighter bomber in Opposition, but it proved to be an excellent buy. I was in favour of the McDonnell Douglas F15 as a fighter replacement for the Mirage. The Swedish Saab Viggen was also another bidder as were the French for the successor to the Mirage. The Fraser Government eventually decided on the McDonnell Douglas FA18. I once spoke to the Joint Defence College on the criteria for a fighter replacement in our part of the world. A soldier from Army aviation from Dalby in Queensland was not impressed and informed me that my high-technology ideas were well and good but the Army’s most pressing requirement was for white paint for the rocks on the helicopter base.

The late Michael Elizur, Israel’s Ambassador to Australia, was a friend of the Government and one night when he addressed the Caucus Foreign Affairs and Defence Committee, I told him that the Government had decided to buy the German Leopard tank. He asked how many and I advised about ninety all up, fifty six or so in the first tranche. ‘Ah’ he said, ‘Fifty six tanks, not even a good afternoon’s shooting! John, if you are fighting in tanks, they are too bloody close’. The Israelis would know. Joe Berinson, Member for Perth, 1969-75, a pharmacist and lawyer, became a friend and we sat beside each other in the Parliament. Joe is Jewish and I became aware of his distress during the Yom Kippur War in 1973. All we had to go on, as to the most up to date progress of the war, was what was coming into Parliament House by ticker tape. For some days it looked as though Israel would not survive. Joe became a minister in the Whitlam Government in July 1975 and went on to be an outstanding member of the West Australian Parliament holding a number of senior portfolios, including that of Attorney General.

While procurement of weapons may have been the most technically interesting aspect of defence for me, the political debate was more about how Labor could not be trusted and that we weren’t spending enough on defence. I formed the view that the Whitlam Government was fiercely opposed by the Defence establishment and a majority of the officials in the Foreign Affairs Department, some of whom had never accepted that the government had changed; they were firmly opposed to Whitlam’s views on Australia’s foreign relations. Some of this was due to Labor’s opposition to Australia’s participation in the Vietnam War and the attitudes of State Labor Branches to the US Alliance, particularly Victoria’s. Another reason was that whereas Senator Don Willessee was the de jure Foreign Minister, Whitlam was it de facto. While the separation has never been large and such is the importance of foreign relations that prime ministers will always be involved, regardless of political party, Whitlam was the more so.

Over the three years I was Member for Macarthur, I formed strongly favourable views on the professionalism and quality of our senior people in the Armed Services. They brief well and their dedication is obvious - fine examples to flow through to the lower ranks - at least that’s the theory. There was a strong sense of inter-service rivalry and the amalgamation by the Whitlam Government of all the defence departments into one took some time to settle down. There are many names I can recall. One of these was Admiral Andrew Robertson, who was Base Commander at HMAS Albatross. He, like all others, was very fair with me and always willing to engage in serious conversation on key defence questions. Coincidentally, he is the father of John Anderson’s wife. John was Member for Gwyder, Deputy Prime Minister and Leader of the National Party for some of the Howard Government years. As far as the electorate office was concerned, most queries by defence personnel generally related to conditions of service rather than policy questions.

As Member for Macarthur I tried to cover as many Anzac Day ceremonies as I could. I would first attend the Dawn Service at Huskisson and always ended up just as the sun was setting at The Oaks near the Burragorang Valley. Campbelltown RSL had many Korean War veterans.
who were somewhat ignored by the WW2 generation. During one of the Anzac Day ceremonies I met a US Colonel at the School of Military Engineering in Casula. He came from Indianapolis. I asked him, ‘did he know what 500 Red Indians without nipples on their chest were called?’ He didn’t, so I informed him, saying that I believed this was known as the ‘Indianippleless 500’. He looked at me blankly. It was then that I first learnt that Americans do not seem to have much of a sense of humour, or irony or satire for that matter. I’m not sure that I impressed him of the high intellectual qualities of Australia’s ‘congressmen’?

Trips

I was privileged to win Caucus ballots for three trips - to Papua New Guinea; East Timor; and to the United Kingdom, Norway and Japan. Many of the stories arising are apocryphal and many more are not.

The first trip was an all-party mission to Papua New Guinea (PNG) to examine local government, land use and ownership matters. Whitlam was moving rapidly to grant PNG self-government and Bill Morrison, Minister for External Territories, was working hard to put in place the ways and means of achieving this. This was my first experience of being in a developing country and the shock of it was profound. PNG has some 600 plus separate languages. European contact in many parts of the country was only made in the first half of the twentieth century and transport links were lacking. In part due to the isolation in which most people live, I learned about the importance of the ‘wantok’ system, a system of mutual obligation, ‘wantoks’, being people who speak the same language in what may be a small tribal area. I also learnt about ‘Big Men’, leaders of a tribe or group in that position more on account of ability than lineage, and about ‘payback’, reciprocal rights and justice, often rough justice. We visited the Central Highlands going to Mt Hagen, Kundiawa and Kerowagi and into Chimbu country talking with many local leaders.

The Leader of the Delegation, Vince Martin, (ALP, Member for Banks), tended to give ‘me white man, you black man, but we are all brothers under the skin’, and ‘beads and tomahawks’-style speeches. Fairly early on, two Labor colleagues, David McKenzie and the now late Ted Innes and I threatened to strangle him if he did it again. We came back to Port Moresby and went out to dinner, to what seemed to be some kind of a night club. The scene did not look too good; libations were in ready supply and some of the women were very friendly. David and I decided that we were out of there and only Ted stayed on. After dragging a bloodied Ted out of bed, more than a bit the worse for wear, the next morning, David and I lifted him gently onto the plane with us to fly to Rabaul. He had stayed at the club a bit too long.

After another gruelling day of inquiring into local government, I remember the now late Bruce Graham, Liberal Member for North Sydney, crying in his beer, late at night, in some kind of stupor, about ‘why did we do what we did to Dresden?’ Bruce had been in the RAAF and had lost a leg but I doubt that he had bombed Germany during the War. I didn’t check. This first overseas trip gave me an insight into why diplomats and officials in many of our overseas posts must live in morbid fear of visiting delegations of MPs.

On a more serious note, I could understand Whitlam’s imperative to move PNG to self-government as soon as possible but it was also obvious that progress to achieve anything like a developed country was going to take a long time and be incredibly difficult. I later thought that we had abandoned the country because we were uncomfortable with paternalism and colonialism and were bending to the winds of change too readily. Whatever, there is no doubt that we left PNG ill-equipped for a host of reasons, including the high exchange rate
bequeathed to it and the very little technical education. This being said, relatively speaking, the country has done exceptionally well in the circumstances. I became more informed and closely involved during a number of visits during when I was Primary Industry Minister and Minister for Trade and Overseas Development in the years 1983-93.

My second overseas trip was to Portuguese Timor, now known as East Timor or Timor Leste. A young Ramos Horta, of the Revolutionary Front for an Independent East Timor (FRETILIN), had visited Australia on several occasions to seek Australian support for his people once Portugal had decided precipitously to de-colonise their distant half-island. Ramos had spoken to the Foreign Affairs and Defence Committee of the Caucus, which had then approached the Government to arrange a delegation visit. Ramos Horta impressed the Committee with his passion for his country and commitment to independence. Relevant ministers were not so keen for us to visit the island. Ken Fry had been in Ambon in the War and knew what the people there and in Timor had gone through at the hands of the murderous Japanese because they had assisted our soldiers on the islands.

Ramos Horta was not well thought of by the Australian intelligence establishment and fell under a bigger cloud when he spoke to some Communists here, mainly a man named Denis Freney. Denis, much later, published a perceptive book, *A Map of Days*, which records much of the crisis and aftermath of Indonesia’s later military invasion. The Caucus Committee considered that some form of independence could be negotiated by Australia and Indonesia, but that their foreign affairs and defence situation would require a lot of consideration. Jim Dunn of the Parliamentary Research Service, had once been Consul-General in Timor and knew a lot about the politics and the people of the island. He was briefing the Committee members pushing the case for East Timor’s independence, perhaps through an act of free choice.

The trip was arranged and as Committee Secretary, I was anointed to lead it. Most of the members were left wing but as a more trusted right winger, I was given an additional briefing by one of our security agencies and was requested by the Minister’s Office to avoid advance notice of our arrival so that a ‘spontaneous welcome’ would not await us on landing. The additional briefing, which only I saw, said little that was not already known but referred to terrain aspects of the country in case we became militarily involved.

The background was that Portugal’s colonial wars and the economic stresses arising had led to a socialist revolution. Its new government decided to quit its colonies; East Timor, sitting to Australia’s north was to be abandoned. We were due to head off between Christmas and New Year 1974 but Cyclone Tracy on Christmas Day devastated Darwin and put a stop to the visit. The trip took place in March 1975 with the delegation arriving in the capital, Dili, late one stormy afternoon. Ramos Horta was concerned that he did not know exactly when we were coming and that the visit had been arranged externally in terms of who we would talk to. We met the aristocratic military Governor, who seemed to be under the sway of two of his Majors, Jonatas and Mota, who were Marxists and obviously on side with Ramos Horta’s FRETILIN Party. It was clear that the two majors were intent on de-colonising as quickly as possible.

We spoke with FRETILIN and Apodeti and the UDT, the other two political parties that had formed. Apodeti was in favour of an alliance with Indonesia. UDT was a party essentially representing the plantation owners and more commercially oriented residents. We spoke with the Bishop and visited the local hospital. This was the first time I had seen lepers, let alone three lepers sleeping in one bed, head to toe at that. It was very obvious that the Portuguese had run the colony with much less than benign neglect. We flew by helicopter to several inland
towns, Same, Baucau and Malianas and I could see the colony’s agricultural potential. While the whole place looked, terribly, economically undeveloped, I was nonetheless left with the impression that its centuries of European contact had in many ways put it ahead of PNG, much of which had had much less contact with the outside world.

We returned to Australia recommending that the Government do what it could for the East Timorese people - but were probably regarded as naive and a pain in the hindquarters. Personally, I did not think East Timor had either political parties strong enough, or capacity great enough to administer itself then. Its economic prospects in particular worried me. I de-briefed with the late Graham Feakes in the Department of Foreign Affairs and came away realising that neither the Department nor the Government could clearly see what could be done, given the realpolitik of the situation. But then again, as backbenchers, we had no access to privileged documents, nor did we have any idea of the advice of key policy advisers in the relevant departments, nor the ongoing role of the Prime Minister or Don Willessee, the Foreign Minister. We were to be a lot better informed, in general terms, when Bill Morrison became Defence Minister in the second half of 1975.

By July 1975, some leaders of the UDT were in the pay of the Indonesians. In August 1975 UDT attempted to seize power but were beaten off by FRETILIN, who, I was told, had been given much of the Portuguese Army’s weaponry when the Governor and key administrative personnel stationed themselves on the offshore island of Atauro. Whitlam, who did not believe East Timor could be viable as an independent state, has since given me several explanations of his attitude and policy and what transpired in his official discussions with the President of Indonesia and others. The Foreign Affairs Secretary at the time, Dick Woolcott, has defended the Prime Minister in his memoir9. Towards the end of 1975 some very worrying rumours and stories about what was happening or likely to happen in East Timor were coming through to us. For the record I knew nothing, at the time, about the death (murder) of the five Australian newsmen by Indonesian troops, and the aftermath of the Indonesian invasion, events which were to keep the tragedy alive in the Australian media for decades.

Much has been written about the East Timor situation as it unfolded from 1975 to quite recent times. The most authoritative analysis I am aware of is James Cotton’s well documented 2001 article10.

When I thought about it, the Timor episode reinforced my belief that there is no morality in international politics and that only national interest prevails. It was not and has not been in Australia’s interest to get offside with Indonesia. Rightly or wrongly, we have offended Indonesia, or at least its elite, with our participation in peace keeping in East Timor, even under UN auspices, during the Howard Government’s time in office. Most sane thinking people would think, morally, that we could not stand aside while atrocities were being committed in a country so poor and so close to our shores. It is nonsense to say that at the highest levels we did not know what was happening there. This is one of the conundrums in international relations: the further away the crisis, the easier it is to sit on the moral high ground, for example in the case of distant Chile, under the murderous Pinochet, or Greece under the rule of the fascist Greek Colonels.

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I realised how distant my backbench colleagues and I were from the necessarily difficult decisions being taken by the Government. At the time, I thought Whitlam had the view that the sooner the world’s few surviving small nonviable colonies and enclaves could be incorporated the better. The Government’s decision to recognise the Soviet Union’s incorporation of the Baltic States devastated my friends, the Thirlmere Estonians - Irma Rampe, Ingrid Tuktens and Andris Hincenberg - who came from all three of the states respectively - and was so unnecessary. The three countries had only existed as countries since WW1, but by the 1930s they had one of the highest standards of education in the world. They have since proved their viability. Andris became a Sabre jet pilot in the RAAF but was killed when the plane’s faulty canopy hit him as he was ejecting. Irma became a schoolteacher and Ingrid a medical doctor.

My third overseas adventure in that first term in Parliament was to take me first to London as part of Australia’s Delegation to the Annual Meeting on the 62nd Inter Parliamentary Union Conference, September 1975, and then on to Norway and Japan. Phillip Ruddock (NSW Lib), Geoff Giles (SA Lib) and I each took our wives, Heather, Lyn and Barbara, respectively. The IPU meeting was in the thrall of its Arab delegates with France urging its colonies to vote with them on resolutions blaming Israel for all of the sins of the world it seemed. I hadn’t realised before that Israel was responsible for colonialism, the oppression of women, world hunger, under-development, malaria, etc etc! A female Egyptian delegate sitting near us was also particularly vitriolic and accused Australia of being a stooge of Israel and the US. The IRA was rather actively blowing up buildings in London at the time but the British had not decided to eliminate Belfast with a ‘shock and awe’ military attack. The British seemed to have a more mature approach to terrorism questions, at least back then.

The highlights for me on this trip were to sit beside Denis Healey at a dinner at Hampton Court Palace, a visit to Oxford University and then Blenheim Palace and the surrounding Cotswolds, and a dinner in London's Guild Hall, where retired members of the Honourable Artillery Company acted as pikemen to protect us. Healey is one of the most highly intelligent people I had ever met. He was enormously well informed and I thought that the British, European and Northern Hemisphere politics he was involved in was so much above and beyond anything we had to deal with in Australia. He was at the centre, Australia was at the periphery, but I was privileged to have a good conversation with him on Vietnam and the Irish question. At Blenheim the group was shown some of the large tapestries portraying various English battles with France. The English guide was constantly pulled up by a French delegate who had a different version of who had won what battle where, and which units performed best in the field. Hilarious. As a raw colonial, the trip turned me into an Anglophile. The Cotswolds were the prettiest place I had ever seen and there was a very old wool sales building in one of the towns. ‘Cots’ is the word for sheep and ‘wolds’ are hills, so I was told. It is a pity that the sky in the UK sits just above your head.

Our delegation then moved to Norway, which we all found absolutely fascinating. Apart from Iceland it is hard to think of two countries geographically further apart than Norway and Australia. Norway does cold, rocks, mountains, snow and harshness. Similarly, in a sense, Australia does hot, sand, deserts, droughts and harshness. Neither country is of the mellow, sometimes hazy, hills and valleys of Britain or Europe. The ALP had and probably still has people with a romanticised view of the Scandinavian states. There is much there that it so admirable and they are some of the, if not the best, best governed countries in the world. They are internationally competitive and have large public sector expenditure and relatively high taxation rates - both these last anathema to the prevailing Anglo-American economic model.
The people were and are pragmatic, have worked out the best policies for their longer term future and very sensibly chart their own course on the basis of values that go back centuries. Norway strongly resisted and fought the Germans in World War Two and is a proud and united people. The way that Norway has handled the issues of its ownership of North Sea Oil is a lesson for many other resource rich countries. Even in 1975 Norway had a majority of women in its Parliament with the most senior ministries held by women. As well as Oslo and Drammen we visited Haugesund, which was one of the more southerly fjords where we saw inlets full of giant oil tankers as an ongoing result of the impact of the oil shock of 1973-4.

As a naïve ‘colonial’, this trip made me much more aware of the history, power, cultures and accumulated wealth of the UK and Europe - and of how our different histories and geographies have shaped us. The French view of the role of agriculture in society, for example, is vastly different from ours. It’s not that we do not count in the world, in some ways we do punch above our weight, it’s just that we are so minor in so many respects. Note how many times Australia or Australians feature in the world’s press: hardly at all. The one advantage of this is, because we don’t frighten anyone, our representations can be regarded as being more objective.

Barbara and I also quickly visited Japan in a private capacity. I also found this country absolutely fascinating, absorbing and exquisite in its culture and the continuing adherence to Buddhist and Shinto cultural and religious values. But its cities are not so inviting. Japan was and is of enormous economic importance to Australia, but a short visit did nothing to enable me to come to grips with the relationship between our countries. I was becoming aware of the importance then of the tri-lateral relationship between Japan, the US and Australia. In the 1970s and into the 1980s Australia was in awe of Japan and its economic success, but its people and their attitudes are so very different from ours.

As someone who had never been abroad before and who had never flown in a jet aircraft until 1971, I learnt that the world was an intriguing place and what was to be valued was both the differences and similarities between cultures. The world is full of beautiful people, it is only race, religion and politics that mucks it up! I had a lot to learn and I realised how essential it is to try to read about countries before you visit them, otherwise views remain romanticised and ephemeral. But this was a pipe dream when I became a minister. As I write this I find that I have visited 78 countries, but unfortunately, in some cases, what I visited was hotels and conference rooms and not much else. I once spent three days in Germany and never touched the ground having walked out of the Frankfurt Airport across a road at first floor level straight into a hotel, in which the conference I was attending was being held - and straight back again to get on the plane for home.

The Recalcitrant Senate

The Coalition had never accepted the change of government in 1972. After only 18 months in office, Bill Snedden, now the Opposition Leader, threatened to block Supply in the Senate, that is the funds necessary to run the country. It was later learnt that only once in the six times the procedural Bills for Supply came forward did the Opposition not consider blocking them. The reason, allegedly, was because the Government appointed Senator Vince Gair (DLP) to be Ambassador to the Republic of Ireland, to create a Senate vacancy. Six non-supply Bills had already been blocked in the Senate three times. Whitlam sought and received the consent of the Governor General to call a Double Dissolution election on 18 May 1974.

Of the 127 seats in the House of Representatives, the ALP won 66, a net loss of one and the Coalition won 61 seats, a net gain of three. Labor’s majority had dropped from nine to five. In
Macarthur the ALP won 53.2% of the primary vote and a two party preferred swing to us of 2.2%. The Senate vote resulted in 29 seats for both Labor and the Coalition, one for the Liberal Movement and one Independent. The DLP did not win a Senate seat. The Government then called for a Joint Sitting of both houses, which was held on 6-7 August 1974. This enabled the Government to have the Health Insurance (Medibank) and Petroleum and Minerals Authority Bills, both crucial pieces of Whitlam Government legislation, to be passed. The Opposition never favoured either policy approach.

The conservative forces in Australia have portrayed the Whitlam Government as being economically incompetent. This is still repeated today ad infinitum by the Coalition’s conservatives. 1972 certainly was the wrong time for a reforming government to take office because of changes in the world economy and what was occurring in the US and elsewhere at the time, which led to stagflation through the 1970s. The first OECD Report on the Australian economy said as much in December 1972. In agricultural policy, Britain’s entry into the EEC on 1 January 1973 had enormously deleterious effects on our agricultural trade.

The economic performances of the UK and the US were the benchmarks for the time. When Whitlam called the 1974 election, the unemployment rate was 2.1%, but the inflation rate was 13.7%. The US had a higher unemployment rate, at 5.1% and the UK’s inflation rate was 15.9% with 3.6% unemployment. Interest rates were rising in Australia due to the rate of inflation. It was Australia’s inflation rate at this time, some decisions by the Whitlam Cabinet, including ministerial changes, and the behaviour of the unions that sealed its fate. The Australian electorate only had the vaguest of ideas about world economic forces and the impact of this on our economy at the time.

It is important to remember what the US was doing in this period. President Nixon introduced his New Economic Policy (NEP) in 1972 (Lenin had an NEP in 1920), mainly to deal with an economy which had not paid for its war in Vietnam and corresponding inflation. The US NEP introduced Federal control of wages, prices and rents, a 90 day pay freeze, inevitable tax cuts and concessions to business, a 10% surcharge on imports and $5b cuts in domestic social programmes. In other words, this was a prices and incomes policy (socialism?) in the heart of capitalism. The upshot of changes made by the US in 1971-72 was the collapse of the Bretton-Woods agreement on fixed exchange rates and gold convertibility. The oil price shocks and almost a decade of stagflation followed, the latter not being helped by US economic policy. When the Whitlam Government proposed a referendum on a Prices and Incomes policy, the conservatives accused it of ‘socialism’. It was more sensibly opposed by the Australian Council of Trade Unions (ACTU) on the basis that it did not want a future Liberal Government to have the power this would entail.

At this time I was not too happy with ACTU President, Bob Hawke, who was sniping at the Whitlam Government on its economic management because he was also National President of the ALP. I always thought Bob was a bit too cosy with the US but could understand his economic criticisms of the Government. I was only right wing on economic matters. I could never understand how close and adoring the NSW ALP Right faction was to the US and its system of government. While I thought it was difficult not to be in favour of the US Alliance, I did not think this meant that we had to be adulatory about their political system or accept that we were so small that we had to agree with all their policies. I once thought Australians were Americans in training but then I grew to realise how different their system of government - and values - are from ours. The US is a country built on the Bible and the gun.
In May 1975 the Whitlam Cabinet refused a submission from the Australian Wool Corporation to set the reserve price for wool at 300 cents per kilo clean, instead supporting a reserve price of 200 cents. Ken Wriedt, working closely with the Australian Wool Corporation which he had established, opposed this having worked so hard to defend and maintain the scheme during a price downturn. The wool industry was outraged and in uproar and a mass meeting gathered outside Parliament House. The Cabinet took the decision to the Caucus where few understood the scheme, but Bob Whan and I managed to persuade the Cabinet and the Party not to go ahead on the grounds that it would undermine Labor in rural seats and that the economic analysis was flawed. Doug Anthony somehow learnt of the Caucus decision and addressed the bleating hordes, claiming credit for the decision. To be fair, Anthony had taken some courageous stands to assist the wool industry when the Coalition had been in office and knew the industry well. My role in Caucus was significant from two points of view for me personally. Firstly the position I took cut across my principles on the role of Cabinet Government and, secondly, it is ironic that it was to be me who eventually suspended the Reserve Price Scheme in 1990 when Minister for Primary Industries and Energy, as the chapter in this book on the wool industry will reveal.

Labor won the Double Dissolution election on May 18 1974 and a ballot for ministerial positions followed. To my everlasting shame I voted for Jim Cairns as Deputy Leader because I wanted someone who knew something about economics in a more important role. I was not aware of the degree of antipathy between Whitlam and Cairns. Cairns stayed as Minister for Trade and it was agreed that he would have a say in economic matters. The position for Crean became untenable and Cairns became Treasurer on my birthday (21 November) in 1974. Lance Barnard resigned in June 1975 and Bill Hayden became Treasurer on 6 June 1975 when Cairns had to resign for misleading the Parliament before he brought a Budget down. Bill tried to steer the economy to a more sustainable path, but he had arrived too late. Worse was to come with Connor’s dismissal over the Loans Affair in October 1975. Rex was driven by the vision of a hydro-carbon and energy rich Australia. I understood his vision, which had become an obsession.

I had pushed in one of the Committees I was on for an inquiry into the nuclear cycle. Rex and his people called me into his office and out of that came the Fox Royal Commission into uranium and a long term acquaintance with Graham Kelleher, who brought the subsequent report together under the chairmanship of Justice Fox.

Sitting in Parliament one day in 1975 I asked Joe Berinson could he have run his pharmacy as it appeared the Government was being run? He said no and asked the same question about my chook farm. It’s an awful feeling being on the backbench and not being able to do anything about the pickle your side of the political fence is in.

Once Lance Barnard resigned, there was to be a by-election in the Tasmanian seat of Bass. I spent three days there doorknocking for McCrostie, the ALP candidate. He was well known in all the pubs, having, allegedly, been thrown out of all of them for his apparent pugilistic activities. The hostility to the Whitlam Government was palpable and the tariff cuts had hurt the textile manufacturing industry in Launceston particularly hard. I knew that we were heading for Opposition again. The Prime Minister flew into Tasmania for a day of campaigning. He asked me how I thought we were going? I told him not a hope in hell. We

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11 Hayden’s significant efforts, including to get the Government to take a sensible approach to the economy and its troubles, are well recognised by a number of contributors to The Whitlam Legacy, edited by Troy Bramston, Federation Press, Sydney 2013.
then tried to fly out of the Launceston Airport but it was fogged in. We drove through the night to the old Hobart airport to find the VIP BAC 111 plane on the tarmac. Whitlam’s comment on mounting the stairs and looking out into the fog rolling in is unpublishable, but he was not fond of Tasmania. Whitlam has a marvellous, deprecatory, tongue in cheek, highly educated sense of humour. My favourite saying of his is ‘the thing about weddings in Tasmania, is that there are fewer parents involved’! The by-election was a disaster for Labor. After losing Bass, it was to be a long time before we were to win another seat in Tasmania.

As an increasingly concerned backbencher with a marginal seat, I anxiously noted the increasingly hysterical mood from mid-1975. All local newspapers were virulently attacking Labor or only printing Liberal stories. Labor was being stylised as communist again by leading lights in the business establishment. The university student blond sons and daughters of coastal business people in Macarthur were verbally attacked for being ‘dole bludgers’ when surfing during their university holidays. Signs were put up by landholders making all kinds of absurd allegations. John Singleton even had his yellow Rolls Royce despoiled by ALP supporters poking tomato stakes through its roof - or so the papers said. Opposition tactics were turning Parliament into a shambles and Speaker Jim Cope was too decent a man, not tough enough to control the House of Representatives chamber. I crossed the floor with our leadership on one of his rulings knowing that Jim would have to go, because I did not want the poor bugger to suffer any more. Politics is a very tough game.

I was becoming more and more concerned about what was or may have been happening in Timor in October 1975 especially with regard to the actions of the Indonesian Government and its Army. As I have stated, once Bill Morrison became Defence Minister, the Caucus Foreign Affairs and Defence Committee was kept better informed. I went to see Foreign Minister Willessee and told him I was thinking of opening up about my concerns about East Timor in the Parliament. He advised me that if I wanted to be known as the man who brought down the Whitlam Government to go ahead. The political atmosphere was incandescent. It was then that I realised how little I really knew about what was going on. The facts have been a bloody long time coming out and, I emphasise, longer because of the death of the five Australian newsmen and another reporter, later, at the hands of the Indonesian Army and during the events following the 1975 invasion.

The Dismissal

Hayden as Treasurer arrived too late on the economic scene. He may have saved us, but the hysteria, mistakes and political pressure from mid-1975 on built up a momentum of its own. It was the rockiest time I have ever seen in politics in Australia.

During Whitlam’s time, the Senate had always been recalcitrant and was particularly obstructionist in 1974 and 1975. Some Liberal Senators, particularly Senator Reg Withers, Western Australia, leader of the Opposition in the Senate, regarded the Whitlam Government as an aberration, usurping their rightful place, and were intent on giving it no quarter from the day of its election. Its threats to block Supply had led to the 1974 Double Dissolution of May that year. In 1975 Supply was blocked by the Senate in unprecedented circumstances. However, by now the economy was in a relatively bad shape and the Government was looking ragged.

Senator Lionel Murphy resigned from the Senate to be appointed to the High Court in February 1975. The NSW Lewis Liberal Government appointed Cleaver Bunton, a non-aligned member of the public, to the Senate on 27 February 1975. This was unprecedented as the
convention was that the relevant State Government would always fill Senate vacancies by appointing people from the same political party. On 30 June 1975, Labor Senator Bert Milliner died. On 3 September the Queensland Coalition Government and the wily Premier, Joh Bjelke-Petersen, nominated a vexatious ALP member, Albert Field, who certainly would not vote Labor. NSW had set the precedent.

The Government challenged the appointment of Field in the High Court on the grounds that he was ineligible because he may still have been a public servant at the time. The challenge meant that Field was not able to vote until the case was heard, but the Opposition, again unprecedentedly, refused a ‘pair’. Senator Townley changed his allegiance from the Liberal Movement to the Liberal Party giving the Coalition 31 votes in the Senate. Neither Steele Hall, Liberal Independent, nor Bunton, voted against the Government when the Coalition blocked Supply in the Senate. Malcolm Fraser became leader of the Liberals in March 1975 and pursued the Whitlam Government with more vigour than Bill Snedden could ever manage. Fraser has since said he only took the decision to block Supply when it was found that Rex Connor had not revoked the loan arrangements for oil and mineral development, which Whitlam had rescinded. Fraser used the Senate numbers on 11 November 1975 and the Governor General, John Kerr, dismissed Whitlam and appointed Fraser as acting Prime Minister as long as Fraser guaranteed to hold an election as soon as possible. This subsequently took place on 13 December 1975.

On the day of the dismissal I was having lunch with Kep Enderby and Neil Swancott, a journalist on his staff, at the Lobby Restaurant just over the road from the old Parliament House when a message came that Kep was to go to Government House, urgently. Neil and I finished the meal, stuck Kep with the bill and sauntered back to Parliament House. There I was greeted with ministers’ female staffers crying and a shocked Vince Martin MP shaking with anger and disbelief: ‘We’ve been sacked’ he said. Some Labor members started singing union songs but were in utter disbelief. Whitlam later made his now famous speech on the steps of Parliament House requesting people to ‘maintain their rage’ until polling day. Only those first three words were widely reported.

Before the 1975 election date was known, Rex Connor and I had already arranged a meeting in Wollongong Town Hall to protest the Senate’s blocking of the Government’s Supply Bills. Then the Government was sacked by the Governor General. A massive gathering assembled and the local police inspector present, my friend Bernie Slattery from the Campbelltown Branch of the ALP, requested me not to whip up the crowd because it was close to being uncontrollable. Les Johnson, ALP Member for Hughes, and I were relatively restrained in our speeches but Rex was the last speaker. He stood, slowly slipped off his coat, tugged his braces and strode to the microphone, ‘Ladies and Gentlemen. The Senate has signed its own death warrant’, and went on to express his and the gathering’s feelings on the destruction of parliamentary democracy in the most vivid of language. If Connor had asked the people to tear the hall down brick by brick, they would have done so. Purloined road signs were in evidence - ‘Go Back, You Are going The Wrong Way’. Bernie looked at me in horror. The crowd was highly emotional but orderly and other spontaneously devised signs summed up their anger: ‘Vote Mal, Eat Pal’ (a dog food).

The campaign was hysterical and I had about $30,000 thrust into my pockets by visibly upset people. I tried to stop my campaign people from wasting the money on advertising and campaign material and to save it for the next time, but to no avail. The Australian newspaper was so blatantly pro-Liberal that its staff went on strike at one stage. Copy was being changed by sub-editors to reflect the views of Rupert Murdoch, who had backed Labor in 1972. The
sickest event in the campaign was when I attended a pre-arranged charity fundraiser at an institution for profoundly disabled people in Campbelltown. The Liberals had taken over the show and were going to raise a lot of money for the home, so they said. I didn’t appreciate them using this event to make such absurd and sexist jokes about the Whitlams, particularly Margaret. Len Evans, the wine expert, spoke and Campbelltown business people attending were vociferous in backing Michael Baume, the Liberal candidate.

Baume was to defeat me in the election of 13 December 1975. The ALP’s primary vote in Macarthur dropped back to a 45.2%, which translated into an 8.5% swing against us. This was a little less than the more common 10%, up and down the NSW south coast and elsewhere. Bob Whan lost his seat of Eden-Monaro too. I headed back to the BAE to see if they would still have me. Bob had more faith in his ability to find other fields of endeavour; I didn’t.

**Gough Whitlam, the Economy, Governing and the Record**

You only meet one Gough Whitlam in a lifetime. He had and has so many admirable characteristics: a giant intellect, marvellously informed, tenacious, exceptionally articulate, a brilliant parliamentary debater and speech maker. Whitlam knew that the ALP had to be modernised. He was prepared to take on the ALP had set about redesigning the Party’s policies to achieve necessary change, driven by the need to reform for the benefit of the public good. And he had a wicked, tongue in cheek, sense of humour. Gough also seemed not to take short people seriously and was known to make some tough comments about some of our vertically challenged colleagues, especially those with beards, allegedly not knowing which end sound was coming from.

As a backbencher I can only recall having three conversations with him. I told him that I would not have picked John Kerr as the Governor General just after the announcement was made. He asked why this was so? I said that as a Judge, John Kerr gaoled the union official, Clarrie O’Shea, and that I didn’t think this was a sensible decision at the time. Gough then asked who should he have picked? Someone like Kath Walker, I said, a woman, an artist and an Aboriginal person, and someone who would thereby represent some of the directions in policy we were promoting. He made no comment. After we won the 1974 election, many of us were celebrating in Zorba’s Restaurant in Civic in the ACT. Gough spotted me and asked why I was looking so serious? I said that I was very worried about inflation. He then asked how should the Government behave? I said we should act like the most dour and penny-pinching of Presbyterians. He then asked which kind of Presbyterian, reforming or joining? I still don’t know what he meant. (I later learnt that Irish Presbyterians were even more dour than the Scots.) I also once said to Gough that Paul Keating was a man to watch. ‘Ah’ said Gough, ‘he’s got a thing about older men!’ Two of Paul’s mentors were Jack Lang and Rex Connor.

Let me simply record what the Whitlam Government achieved in three short years despite the turbulent economic times in the international and Australian economy.

Economically there was the Trade Practices Act (1974), which led to the establishment of the Australian Competition and Consumer Commission in 1995; the 25% cut in tariffs; the establishment of the IAC; the practice of a cabinet expenditure review process; the creation of Australia Post and Telecom; investment in urban and regional development such as sewerage in our cities and decentralisation in regional areas; and an economic approach to industry policy, as opposed to log-rolling. Legally there was the establishment of the Federal Court; the Family Law Act; the provision of federal legal aid; the ending of the Imperial Honours system.
and the gaining of independence from British institutions; the Racial Discrimination Act; the Law Reform Commission; and the abolition of conscription.

Socially and in the general health, education and welfare area, there was needs based schools funding; the abolition of university fees; student financial assistance; Medibank; community health clinics; equal rights for women; paid maternity leave for public servants; indigenous land rights; and an end to racial discrimination and discriminatory immigration rules. In the area of electoral reform, the voting age was dropped to 18, fair electoral boundaries were set and the Territories gained Senate representation. In other areas of national endeavour and moving away from a simple colonial producer economy, there were such decisions as the establishment of the Heritage Commission. There was also awareness of the fragility of our environment reflected in the Impact of Proposals Act which required environmental impact statements for major proposals, and there was encouragement of the arts.

The extent of Whitlam’s success, not his failures, is the reason why the Liberal and National Parties demonise the Whitlam Government to this day. The Fraser Government changed little of the Whitlam record, though, like the Republicans in the US, the Coalition has always been opposed to the notion of universal health insurance and tried to totally dismantle it. The Hawke Government quickly restored Medibank in the form of Medicare and the Federal Court was also later restored.

I used to say, ‘if only Gough had studied the basic text of economist Paul Samuelson...’. I had long come to the view that in politics it is easy to suggest policies everyone would like: a three day working week and free beer of Fridays? But policies have to be paid for. Where the needs are great and undeniable, as with, for example, Medibank, either new ways have to be found to achieve a policy aim or taxes have to be increased to fund it. Economic management is not just about spending or cutting spending, it is also about taxation, revenue, investment and policies to grow the economy. To achieve reform and adjustment requires an astute analysis of the times, the setting of priorities and thorough analysis and evaluation based on informed experience.

Looking back at many of the economic indicators of the time, they have all been exceeded at various times since the Whitlam years - interest rates, balance of payments etc. However, while the Government inherited a relatively high rate of inflation, this grew to 17% by 1975. Inflation and unemployment became the two biggest economic problems. As a new government, it also inherited a very high trade surplus and when the US devalued by 10%, we followed. The Reserve Bank implemented as tough a monetary policy as it could by raising the Statutory Reserve Deposits to 7.6%. It also tried to mop up excessive liquidity. The Government also implemented a credit squeeze, which was too late and went on for too long. Critically, the Whitlam Government embarked on a far too large spending path and allowed wage levels to get completely out of control. I thought that Frank Crean was a very sound and wise Treasurer but it seemed that he was being run over by others in the Cabinet, who had been out of office for so long, wanted to achieve benefits for the Australian people and were pursuing long held agendas.

After trying to hold onto a relatively high exchange rate, the Government devalued by 12% in 1974. This was inflationary but by now welcomed by exporters. I learnt a few lessons about inflation during the years of being the Member for Macarthur. But then, through much of the next decade, the world’s economic problem became stagflation. The US and UK economies fared no better. I was not so convinced that the macro-economists had all the answers. But I
was also sure that my Government did not exactly know what it was doing at some times. No
doubt Sir Frederick Wheeler, Head of Treasury, had the same view.

In the Whitlam Government’s defence on economic matters, the initial decision to cut tariffs
by 25% needs to be noted. This was bitterly opposed by business in general and even our
exporting farm sector, which was amazing! However, this decision resulted in an opening up
of the economy and improved our competitiveness and productivity by encouraging capital
and labour to move to higher value exports, rather than continuing with highly protected
secondary industries. As with all dramatic change, I learned that transition costs are large and
that, without adequate consultation, patient explanation and adjustment measures, change
will always be difficult and potentially disastrous politically.

There is no doubt that much of the problem of the Whitlam Government - apart from world
economic conditions, poor policy settings and some of the personalities involved - was that it
never achieved what political scientists describe as ‘legitimacy’. I think it has been said
elsewhere that after 23 years in Opposition, it was not in power but only ever in office. Powerful
forces in our pluralistic society - doctors, farmers, manufacturers, and the unions affected by
government decisions, were all out in full cry against this reforming Government. Many unions
were demanding too much. The scavengers in the media went into ‘feeding frenzies’ on the
slightest pretext at a time when the Australian electorate was nowhere near as informed on
economic matters as it is today. As an example, the Government’s decision to pay $1.3m for
the painting, Blue Poles, by Jackson Pollock, for the National Gallery, was greeted hysteric
ally. It is said to be worth about $200m today. The rich, conservatives and reactionaries are not a
pretty sight once aroused and willing to believe anything that feeds their prejudices. At any
time during 1975, I expected the headline in the Sydney tabloids: ‘Whitlam In Nun Rape
Horror’, or some such; it was getting that bad.

For me the establishment of Medibank and the Schools Commission, to fund schools on the
basis of need, were enough to support the Whitlam Government well past its actual time in
office - and also the purchase of Blue Poles, regardless of what the troglodytes rant about.

Some Conclusions

The Whitlam Government experience convinced me of two things: the first that the Australian
public does expect Labor to push for beneficial change and reform, the second that economic
ineptitude will not be rewarded. Economic reform goes beyond economic management.

The extraordinarily partisan and negative nature of the Parliament in the Whitlam years also
convinced me that good government could never mean that a government with 51% of the vote
can take the other 49% for granted. Good government always means governing for all. It also
taught me that the Australian Public Service (APS) will respond or, at least showed it had the
capacity to respond, to a government that wants to implement positive, affordable change.

While the reality is that all political parties are manipulative to more or less a degree, one other
thing I learnt from being in Parliament during the Whitlam years was that the Coalition could
and would always use fear, fear of change, fear of some unknowable, as their main weapons
and always appeal to the lowest common denominator. In this, they would always, rightly or
wrongly, be supported by the media, the powers-that-be and business for short term reasons.

It is fair to say that the Whitlam Government was not noted for its economic success but this
has always been exaggerated and misrepresented by the conservatives and reactionaries, this,
perhaps, to rationalise their atrocious acts in bringing down the Whitlam Government in
unprecedented circumstances, throwing parliamentary conventions out the door. In effect, the dismissal of the Whitlam ALP Government was a coup.

Despite the massive problem of inflation/stagflation, Australia still had nil net debt throughout the time Whitlam was in office and many economic indicators still stand up well today. The Whitlam Government’s achievements have stood the test of time and are a testimony to social democracy. They are also a tribute to the commitment of Whitlam and his ministers. These were Labor men and women who didn’t need focus groups to tell them what to do.

The three years as Member for Macarthur caused me to think about how I had performed in the sense of a learning experience about real world politics. Never being completely sure of being right, I put too much store in facts, truth and economic analysis - and consistency. My lack of self-confidence may have been due to my time on the farm when my father had convinced me I was pretty useless. I was not tough enough and did not like confrontation. Other deficiencies I had in coping with the reality of politics was my propensity to give too much attention to detail, looking up to those far better informed professionally than I was, and always being able to see the other person’s point of view. These deficiencies did not matter when a backbencher but they were a problem when I subsequently became a minister.
Chapter 6: In the wake of the Great – and shadowing sheep

The Farm Bureau wives were solemn, functional of form and deeply religious and seemed always to be expecting a challenge to some profoundly held belief. I usually felt the impulse to explain that I was neither an adulterer nor an anti-Christ. The men were not so ostentatiously devout. They were also open to argument as long as it did not involve the divine rights of agriculture, the sanctity of property or any need to change their minds.

John Kenneth Galbraith when he was with the US Farm Bureau in 1949, quoted in ‘John Kenneth Galbraith’ by Richard Parker, Old Street Publishing, 2005, p116.

Back to the Bureau of Agricultural Economics (BAE)

It is a requirement for public servants to resign when contesting elections. There is no requirement for re-employment to be necessarily offered but it usually occurs. I re-applied and was back on the payroll by February 1976 and was placed in a section of the BAE working on Dairy Production and Marketing. Other more commodity based parts of the BAE were also working on dairying, particularly in the fields of supply, demand and price forecasts. Office space in Canberra was scarce in early 1976 and the section was housed on the first floor of a building over a Ford car sales outlet in the suburb of Braddon. The head of the section was Trevor Francis, a New Zealand recruit, whose professional expertise was in marketing. It did not take me long to realise that New Zealand was a lot more advanced in marketing dairy products than was Australia.

It was a mixed group of people all of whom later went on to greater things. I was the exception, by becoming a politician again. Will Martin later joined the World Bank, Jim Booth headed a department in a NSW government, George Reeves became part of the economic analysis group the Centre for International Economics (run by Andy Stoeckel, former Director of the BAE), Hugh Poate had a thriving security business and Julienne McKay had a distinguished career in both the public and private sectors. Julienne was my immediate boss. It took me a while to realise that Doug McKay, once head of the Department of Trade and later the Department of Primary Industry, was Julienne’s father. The BAE, like the Department of Primary Industry, was very male dominated and contained quite a few people with right wing, anti-feminist and red-neck farmer attitudes and she had a tough time. Her partner to be, David Campbell, also worked in the BAE in the Mathematical Services Section and I also was to get to know him well.

Most of my early work in dairying consisted of trying to make some sense of the data provided by the BAE’s Dairy Survey and the differing income situations for dairy farmers throughout Australia. I found one or two major transcription errors in the rigorously conducted survey but was shocked by the disparities in the income, production and productivity of dairy farmers. Historically, some of this had its source in distance from the major domestic markets and transport availability, and similarly for the export sector transporting product to the seaboard. But many of the disparities were the result of State based regulations and, for some understandable reasons, were mainly political. It was easy to see why far flung dairy farmers in NSW concentrated on butterfat production for butter and cheese because they could not get fresh milk to the metropolitan market. This situation was not as easy to understand once refrigeration was available, bridges were built and road and rail connections improved.

The fact was and still is that we had a six State based dual industry. One was based on the domestic fluid milk market and one based on a product export market, with year round
milking in the domestic and seasonal milking in the manufacturing export sector. There was a strong sense that firms supplying the export market in 1976 still retained their colonial management practices under the old system of Imperial Preference, even though the British market was all but closed to us.

**Commodity Research**

The Dairy Section later moved to a floor in Westpac’s building in the centre of the city. But I was promoted and then went back to NRMA House working on the conduct of the BAE’s Horticultural Survey. We incorporated some extra products into the survey and I spent three weeks in the Murrumbidgee Irrigation Area (MIA) becoming familiar with the work of the field officers as they interviewed farmers. This was a time of allegations about a Mafia-like influence in control of the drug trade in the area. Marihuana plantations were being found but, while many farmers may have had three sets of books, we did not find any marihuana. To this day, neither the body of Donald McKay, an outspoken anti-drugs campaigner from Griffith, has been found, nor have his murderers been arrested. The work enabled me to assess the efficiency or otherwise of the farmer co-operatives and private companies buying and selling the farm produce; Nugans, a private company was very efficient. An election for the Wine Grapes Marketing Board was in the offing and forces were at work to take it over to try to fix higher prices for the grapes being sold to the wine-making firms. Supply and demand by variety were not then concepts to the fore in the thinking of many grape growers.

I was promoted from Horticulture Surveys to Grains Marketing where I was examining optimal transport and handling options and a range of wheat quality and yield trade-offs. It was very obvious that there were major deficiencies in the way we transported, stored and marketed grains. In some cases such as barley a multiplicity of boards allowed overseas buyers to ratchet the price down. A fellow officer had led a delegation into all grain and oilseed marketing statutory authorities around the country and his insight into marketing State by State was both worrying and illuminating. I also discovered that the Australian Wheat Board had made a mistake in pricing wheat for a sale to China because their market intelligence on Canada’s tender price was in error. This had cost Australian growers over $200m. I raised this in my research officer capacity with an official of the Australian Wheat Growers Federation. He told me not to worry about that as the Federation told the Australian Wheat Board what to do and the Board told the Government what to do. It is amazing what you learn about farm politics as a humble public servant.

During my time in the BAE, I had some seven shifts of office, one of which was to Industry House adjoining the Fisheries Division of the Department. It was here that I gained some insight into fisheries policy through casual conversation and was able to build on what I had learnt from fishermen when Member for Macarthur.

My parents sold the farm in late 1976 or early 1977, telling me that they could not run it without me, and retired to Bowral. This was very depressing. The buyer was a religious person from Sydney who wanted to have a rural retreat for young disadvantaged people, including those with drug problems. The farm did not survive as a farm and some of the young people used to ride motor bikes up and down the rows of cages of egg laying hens - not a good production practice. The orchard was similarly trashed and the banks eventually took over the property. So much for all the work I put into the place! Not long after, the two houses on the property mysteriously burnt down. Today a new house stands there, on a property most of which is grassed. The grand house next door fell to white ants in 2011. In terms of my supposed eventual inheritance of the farm where I had worked for almost twenty years for nothing more
than my keep, my mother, possibly under the influence of a 'kindly' friend when she was frail, changed the will before she died and the proceeds were split evenly between my brothers and me. This was fair enough given our then individual financial circumstances.

**Politics Again: From Macarthur to the Bastardry of the Werriwa Pre-Selection**

Like a complete fool, I was persuaded to run again for Macarthur in the 1977 election meaning that once more I had to resign from the Public Service and put all ideas of personal financial security on hold. We had put on additions to the house, two bedrooms, a bathroom and dressing room, a long living area, patio and garage. This had not been cost free and Barbara was again working part-time. My decision must have been based on ego. I had enjoyed being an MP and, in spite of me thinking it was a bit of a joke for me having been elected in the first place, I had not been embarrassed too much by my inadequacies.

I had also formed the very strong view that to be a politician you need to like people and must be driven to want to make things better for them. I took several lessons from my experience in the Parliament from 1972-75. One of these was that it was essential for a cabinet to act corporately and for all ministers to follow the same line once a policy was agreed. This was a mistake on my behalf; those with the strongest egos will often break ranks for whatever purpose. Hubris is a problem for those politicians convinced that their judgment is always right. However, the Whitlam Government experience had convinced me that there was so much that could have been done better and that it was still now essential to pursue economic, social and industry sector policy reform.

Whitlam could not make up much ground in the general election which took place on 10 December 1977 picking up just five seats, leaving the Coalition with a majority of 48. It goes without saying that as the ALP candidate for Macarthur I lost - and headed back to the BAE. Once more I was indebted to all the people who had supported me in the ALP branches. Liz Hilton, as Secretary of the FEC proved to be a great organiser and campaigner. Bob Hawke, ACTU President campaigned for me for a day and a night on the South Coast.

I had continued to visit the Macarthur electorate and also attended meetings of the FEC. At one of these I made some comments about Michael Baume's role as a non-executive board member of Patrick Partners, a firm which had run into trouble and had been subject to an inquiry by an eminent jurist, John Masterman. Unfortunately, the Secretary of the FEC put out a press release on what I had said. This provoked a defamation action from Baume but my lawyer, Terrence Higgins, later Chief Justice in the ACT Supreme Court, was able to head off the legal action.

While Member for Macarthur, I was briefly on a committee looking into development assistance policy, appointed by Joe Berinson, who became a minister in the second Whitlam Government - and once spent nearly half an hour conversing with Sir John Crawford on development assistance which was the most enlightening half hour of my life. I had read extensively on international economics in the BA degree and have done so since. With Papua New Guinea, East Timor and the Pacific nations in our part of the world I thought such interest very important. Subsequently, when out of Parliament, I had spoken at a forum on overseas aid and expressed some opinions that were just as critical of Labor’s approach as of the Fraser Government’s. There was a move to have me sacked from the Public Service, but my senior officers, including Doug McKay, Secretary of the Department, defended me on the grounds that what I said was expressing an opinion as a citizen and had nothing to do with any of the issues I was dealing with as a public servant. I had blamed a National Party minister for trying
to get me sacked. I later found out that this wasn’t so and that the politician was a Liberal MHR. The ‘born to rule’ gang never give up.

I was starting to live dangerously, politically and financially. After losing the 1977 election I decided that I should keep my head down and become a dedicated public servant, but...

The electors of Werriwa and the NSW ALP machine became aware that Gough Whitlam would step down some time in 1978. They had already put a prospective candidate in the field, Rod Wise, who was assiduous in his courting of the upcoming preselectors in the ALP sub-branches. The borders of Werriwa had moved south with the latest re-distribution of boundaries and taken in the ALP branches of Campbelltown and Minto and part of Ingleburn/Macquarie Fields, which had previously been part of Macarthur. Ken Bulman of the Ingleburn branch had approached me to see if I would run for Werriwa. I could not see the point since Rod had been working for so long on his campaign. Bryce Regan of the Campbelltown branch had convinced Michael Knight, then a social planner with the Campbelltown City Council, that I was possibly the only candidate who could possibly win pre-selection for Werriwa, other than Rod. His rationale was that many of the local sub-branch members, formerly in Macarthur, would support me. Michael was interested in winning pre-selection for the Campbelltown State seat once the sitting member, Cliff Mallam, stepped down.

The problem for Michael was that another Head Office endorsed right winger was being groomed for the seat. However if I won pre-selection for Werriwa it may be easier for him as a left wing candidate to win State pre-selection. The person being groomed was not particularly likeable but the ALP sub-branches under Cliff Mallam were becoming more right wing in their direction and Mallam himself more unpredictable, if not old style authoritarian.

I told Bryce and Michael that I thought I did not have a hope in hell of winning such a safe seat but was willing to nominate. I did not have to resign my job until I was pre-selected. I thought this a remote chance, therefore I didn’t have much to lose.

Another factor was that I was not a good enough economist to survive in the BAE and I realised I needed to move to a policy department, if I was to remain a public servant. I was also becoming disenchanted with trying to analyse data day in and day out.

To try to win pre-selection for Werriwa involved innumerable visits to the many branch members and I worked hard for many weekends staying with Michael and his partner Anne Penn. Not to put too fine a point on it, the reason I won pre-selection was due to the work of Michael and Anne Knight and Bryce and Bev Regan. I have never been any good at the numbers, in the political sense.

I had absolutely nothing against Rod Wise and thought him a worthy candidate. Rod and I were both outsiders, residually. Gough Whitlam, for some reason, was not keen on him winning pre-selection for his seat. I think he believed that Rod was under-cutting him as MP for Werriwa, but I was never sure. Gough nominated and backed Joe Riordan, former Whitlam Government Housing Minister, to run. Joe was a good bloke, a strong candidate and also from the right wing of the Party. It was Michael and Bryce who persuaded Gough and Joe to give his preferences to me because they could show/prove that I had far more support than Joe. Mallam was also supporting Joe. The NSW Labor left was backing me strongly in many ways, some of which I am sure I didn’t know about other than from the perspective of the continuing factional war in the NSW branch. This gave added importance to the contest.
It was Leo McCleay, then Assistant Secretary of the NSW Labor Party and part of the NSW right machine, later to be Member for Grayndler in the Commonwealth Parliament, whose job it was to ensure that Rod won. Quite a few political, if not illegal, tricks ensued. The credentialing of members entitled to vote was bloody, with the NSW machine heavily involved. Their silliest action was to redraw the boundaries between the Minto and Campbelltown branches to deny nine or ten people a vote regardless of the fact that they were all living in Werriwa. To combat this we had to appeal to various right wing dominated committees run by the Sussex Street ‘whatever it takes’ machine. Michael, Bryce and Delcia Kite, MLC, took the case to the Administrative Committee along with some of the affected members.

The disenfranchised members included one family of five who would all have voted for Rod Wise, one little old English lady who would have happily manned a machine gun for Margaret Thatcher she was so right wing, and a young, highly intelligent woman with a disadvantaged child who bitterly resented not being allowed to vote. But the most persuasive of them were Lionel and Clarice McClou, who were ‘coloureds’ from Durban, South Africa. Lionel told the Committee that, having lived under apartheid, he and Clarice were very familiar with discrimination and could recognise the denial of human rights when they saw it, but he was pleased that here, at least, the police and army did not shoot you. Of course, the machine won the battle, but their stupidity ensured that we won the war: their actions meant that the sub-branch members became fully aware of the rort being pulled and were affronted.

Bill Hayden, by then Federal Party leader, personally backed me strongly but, unfortunately, in trying to be fair, he unwisely told the Minto branch that they must make a ‘wise decision’ with the result that some members took the view that Bill was supporting Rod Wise. In the event, Rod won the most votes but all but two of Joe’s 53 or so votes came to me as preferences and I came up the middle and won pre-selection by seven votes. (One other candidate, a Liverpool branch member, Ian McLean, got two votes.)

It was to take me a long time to get the northern branches of the constituency on side, if I ever did. There was a core of people in the Green Valley and Liverpool branches who supported me, but the large South Liverpool branch was under the sway of Stan Knowles, MP, for Macquarie Fields, and his wife Marie. I grew to admire Marie, Stan and Craig. Craig followed his father into the State Macquarie Fields seat. He became a very effective Health Minister and then an exceptionally capable Infrastructure, Planning and Natural Resources Minister in a NSW Labor government. He was later abandoned by the Premier and/or knifed by the NSW machine, or one of the right wing factions, and resigned. Craig would have made a good Premier.

**Member for Werriwa**

Safe Labor seats tend to be those with the most pressing social and economic problems. I knew that Werriwa was no exception. There are distinct advantages in running for a safe as compared to a marginal seat. While the only way to run in any election is to run scared, the pressure is so much less in a safe seat where you don’t have to deal with the excessive self-interested demands of certain interest groups, mainly those well off, or accommodate every crazy idea of some voters. After a short campaign, which was nothing like those we had run in Macarthur, we won the by-election on 27 September 1978 with a swing to Labor. Once more I headed to Parliament House, Canberra, winning 40,272 votes out of the 59,897 electors in Werriwa, a 65.5% primary vote.
Although the Commonwealth Bank had been scrupulously looking after the interests of its shareholders and made sure that I was fully aware that I was sometimes behind in my payments when I was a mere public servant, the situation changed once I won Werriwa. I knew about banks from my farming days. Some officers from the Canberra Branch of the bank asked me to lunch and nothing seemed to be too much trouble, including lending money to us.

Michael Knight, in particular, and branch members generally, made it quite clear that it was expected that I would live in the electorate so I rented a house in Bradbury while negotiations were conducted to buy a house in Campbelltown. This turned out to be the five-six bedroom house plus swimming pool in a good part of Campbelltown owned by Dorothy and Alick Lascelles who had moved to the Hunter Valley. But the family was unhappy there and the children didn’t enjoy the best of times in the local High School. It is no fun for kids if their father is the local politician. House prices were in a slump in Canberra, so we kept the Canberra house and Harry Jenkins (Sr) Member for Scullin (Victoria) and later a speaker in the House of Representatives, and I lived in it when Parliament was sitting.

I inherited Gough Whitlam’s electoral office in Liverpool but not his elderly staff. This office then became unavailable so another one was found but not so centrally located. I had heard from my friend Stan Plantzos that Maureen Green, the woman I’d nearly incinerated at the Chevron Hilton so many years earlier, was living with her two children in Green Valley. Maureen had been personal assistant to a captain of industry and I knew how competent she was. She accepted my job offer and became the strength of the office for all the time I was Member for Werriwa and particularly when we later moved to Campbelltown and I became a minister. It was she, Margaret Black and later Trevor Gilliver who dealt with the many overwhelming issues that constituents sought to bring to my attention. Trevor had been an early military adviser in Vietnam and worked with the Montagnard tribal people in the uplands of South Vietnam. He did not have pleasant memories of this time but was excellent in dealing with the problems of local veterans on repatriation issues. He found it hard to cope with ANZAC days.

The massive Green Valley Housing Commission area was starting to gentrify, but the large Commission subdivisions in Claymore, Airds, Minto and Macquarie Fields, where there were few privately owned houses, had many social problems. Odyssey House was dealing with drug abuse (mainly heroin at the time). Poverty, wife bashing and incest were being dealt with by the professionals in the several agencies and by various Christian denominations. The Henderson Poverty Inquiry in the Whitlam years had convinced me that family dysfunction was cyclical and that breaking the cycle was essential if dysfunctional parents were not to have dysfunctional children. I found much of what I had to deal with personally shocking.

Michael Knight worked as research officer in my electorate office in the early days. I asked him to give me an overall picture of the organisations, their functions, the people involved and in which areas should I concentrate in representing the electorate. This was to be the first step in my economic researcher’s approach to dealing with social disadvantage. Michael did not think I needed this and soon moved on to a job with Jack Ferguson, Deputy Premier of NSW. He later became the State Member for Campbelltown and Minister for the Sydney 2000 Olympics, where he did a superb job.

In the period 1978 to 1980 I involved myself heavily in coming to grips with the electorate. Some of the key people in the Vietnam Veterans organisation lived in Werriwa and one, Norm Robertson, was a Branch member. I took up the cause of Agent Orange and its effects on veterans and possibly their children, running into the usual stumbling blocks in the
bureaucracy. Epidemiological studies were carried out with no clear result. The United States government was also heavily into denial on the effects of exposure to the deadly toxin which had been sprayed liberally over much of Vietnam’s forested areas. The official line was that the problems were psychological. Once I became a shadow minister, Allan Sorenson in Clyde Holding’s office took up the cause more effectively than I did, or could have at the time.

As a member of a Parliamentary delegation to the UK in 1981.
From left: John J Brown MHR (ALP), Me, Michael Baume MHR, the Right Honourable Leon Brittain QC,MP, Chief Secretary to the Treasury, John Hyde MHR (Liberal), and Bruce Lloyd MHR (National Country Party) and Parliamentary Secretary to the Minister for Primary Industry.

My former boss in the BAE, Trevor Francis, had contracted asbestosis and both his parents had died of mesothelioma due to Trevor’s father’s exposure to asbestos in the lagging of steam pipes in ships in the Newcastle ship and dock yards. Trevor established an Asbestos Diseases Society and asked for my help on access to people of influence once I was in Parliament again. We also tried to establish a branch of the Society in NSW but without much success because the relevant unions were not very aware, or not interested, at the time. I visited the James Hardie fibrous-plaster plant at Rose Hill and was amazed at the way workers were exposing themselves to the mineral. The company’s doctor assured me that there was no clear evidence linking the ingestion of asbestos to the disease. This was like saying that lepers were not affected by leprosy. Perhaps he was referring to mesothelioma. Trevor and I produced some 2,000 refereed articles which said otherwise.

The dangers of asbestos were first uncovered in 1924 and in 1957 it was discovered that blue asbestos definitely caused mesothelioma. But the denial game can continue for a long time -
witness the criminally irresponsible tobacco industry which was, and still is, expert at sewing the seeds of doubt and spreading dubious counter evidence to deny the harmful affects of cigarette smoking. The psychology of and motivation for denial, despite evidence, are now also well documented. We sought an interview with a deputy secretary of the Commonwealth Department of Health. As we sat down, the gentleman asked if we would like coffee, but then immediately corrected himself saying, ‘But, oh! drinking coffee causes cancer, doesn’t it?’ We knew where we stood with a Department totally unsympathetic to asbestosis sufferers. It was to be Matt Peacock, of the ABC, who did more than anyone else to get the issue before the public and create pressure for more to be done.

The social problems in Werriwa were very worrying and while poverty may have been associated with the large Housing Commission estates, crime, drug use, homelessness, incest and other society ailments were present in other parts of the electorate as well. But there is a limit to how much you and your staff are able to be ‘father confessor’ and help people. Macarthur may have been a marginal seat but I was not so exposed to these kinds of problems there. But then again, you never know everything that goes on and it was only many years later that I found out that Bomaderry, in Macarthur, had an Aboriginal Girl’s Home that was part of the unfolding truth about the ‘stolen generations’. And it is only in quite recent years that I have come to know the dreadful history of the Aboriginal people on the NSW South Coast.

A Shadow

As before, I involved myself in Parliamentary Committee work where I could, and continued on my political learning curve with a Master of Economics degree at ANU. The Parliamentary Party at the time had only a handful of people with any knowledge of agriculture and Senator Arthur Gietzelt from Sydney’s southern suburbs was Opposition Shadow Minister. It is fair to say that Arthur’s heart was not in analysing the economics, science or dynamics of agriculture, nor was he interested in engaging with the many issues of farm politics. Arthur was succeeded by Senator Peter Walsh, who certainly did know a lot about agriculture.

A general election took place on the 18 October 1980. Bill Hayden scored a 5.5% swing to Labor and picked up 13 seats, but it was not enough. I stood for the Shadow Ministry with left wing backing; Tom Uren and Harry Jenkins (Sr) were particularly helpful and I won a place. Bill Hayden made me Opposition spokesman, or Shadow Minister, for Primary Industry, with Peter Walsh moving to Resources and Energy. Bill was emphatic that if the ALP Shadow Ministry did not earn economic credibility, it was doomed. He demanded that we each develop viable, economically sound policies as quickly as possible. For all the time I had been in the BAE, and MP for Macarthur, I had been a voracious reader of everything agricultural. Becoming the Shadow Minister meant that a specific focus for my reading needed to replace learning a little about everything.

I advertised for people to work with me and out of the blue came Julienne McKay. Having worked with Julienne back in 1976 and knowing what an excellent agricultural economist she was, I had no doubts about appointing her. Although I didn’t know it at the time, Julienne had been the first woman in the Department of Primary Industry to be promoted to a Class 8, third division position. This says a lot about the challenge for women getting proper recognition in some parts of the Public Service. Given my knowledge of Julienne’s capabilities as an economic analyst - and mine - this was a ridiculous situation. I had been promoted to Class 10, in spite of my BAE comings and goings.
Julienne started work with me in November 1980 and we set about seeking the second staff I was allowed to have. We went to Brisbane to conduct interviews and selected John Tanzer who had the qualifications in the natural resource/environmental area we were seeking. He was especially strong on agricultural and environmental interactions, land use issues and the depletion of Queensland’s lowland rainforests for the growing of sugar cane. John joined me in January 1981 and stayed until June 1982. He returned to me and my expanded ministerial staff from August 1983 until August 1985. In the intervening period he decided he wanted a bit more on-ground experience and worked for the Queensland Department of Primary Industries in its Land Resources branch.

John has had an outstanding public career, including as Executive Director of the Great Barrier Reef Marine Park Authority from 1998 to 2008. He is recognised internationally as an expert in several environmental fields, particularly relating to coral reefs and marine issues. He now works for the World Wildlife Fund in Geneva, Switzerland, as Director, Marine International.

**The Policy Development Effort**

Hayden drove us all; it was a huge effort. In 1981 the three of us set out on the policy development path and tried to work out how we could respond to the demands of the organised farm sector, which was going through yet another devastating drought in many parts of the country. To do so, we visited many parts of rural and agricultural Australia.

Brian Kelman, Chair of the Board of the Colonial Sugar Refining Company, rebadged as CSR, rang and asked what did I know about the sugar and sugar cane industry? I assured him that I basically knew nothing, so he said that he would supply a company person to show us the ropes and to lead us on a delegation along the Queensland sugar coast. Julienne and I duly arrived in Mackay, Central Queensland, on the Mackay Agricultural Show day and were met by Phillip Carter, of CSR, who proved to be of great value. Sugar growers were having a good year financially.

We went to the Show and Phillip, wanting us to meet some sugar producers, lit onto a fellow who shall remain nameless. Phillip introduced us, explaining that I was Labor’s new Primary Industry spokesman. The grower looked us both up and down and asked where we were from? We told him from Canberra. He winced. He then asked us if we had university degrees? We advised that this was the case. He rolled his eyes and said ‘Well, I left school at 12 and I’m a millionaire, so why don’t you both piss off?’ The political attitudes of many growers were fixed - many thought Labor to be communist - and it was difficult for them to engage in polite conversations with us. But, as with any group, you meet the best and worst of people.

Due to my later experiences with the industry, I would like to say that things from then on went downhill. Nevertheless, we did spend a very informative few days on the Queensland coast, visiting all the cane grower executives and learning how socialistic the industry’s production and marketing arrangements were. Cane growers were told where to plant, when to plant, how much to plant and when the cane was to be harvested, and the executives ran their books for them. The division of grower and mill returns was determined by a formula, which most growers didn’t know much about even where grower co-operatives were the millers. There were 33 sugar mills and 33 Mill Committees. Organisationally, Queensland Government statutory marketing laws put the industry representation in the hands of the Queensland Cane Growers Council of which every grower had to be a member.
Key agri-industry people tended to be of long standing and high status. Joe McEvoy, (Sr), President of the Canegrowers Council, for example, was held in very high regard and would have to be seen as a first class agri-politician: it took a lot of agri-political talent to hold the 33 mill committees and growers together along such a long coast line. There also had to be a negotiated understanding between Queensland cane growers and growers in northern NSW, who supplied cane to three mills. Grower research was mainly about plant breeding and mill research was about mill efficiency from paddock to out-loading. One of the advantages of such a regulated industry was that infrastructure could be jointly paid for or that a guaranteed supply of product would allow the Queensland Government to make financial arrangements to build it. We saw the magnificent sugar loading wharf at Lucinda south of Innisfail and drove some miles out above the ocean on it.

It was in 1982 that I made the first of many visits to far north Queensland in the seat of Leichhardt with John Gayler, who later became its federal member (1983-93). He was a lawyer with a practice in Cairns and had been born in Babinda, sugar cane and banana country. He had chaired a Cane Prices Board and had acted as a magistrate throughout the far north of Queensland. The visits were mainly to the Atherton Tablelands and people in its tobacco, dairying, corn, peanuts and other cropping industries but also to a large poultry farm, owned by John and Jan Phillips, and the cane growing areas on the coast. John Phillips had a unique way of dealing with politicians. He said that he would drive me to Port Douglas and back if I listened to him. I am still in contact with John and Jan today.

I appreciated the year round hard work of the tobacco growers who faced several restrictions on their prospects for growth in the industry on account of international trade deals entered into many years before. The foreign owned Australian cigarette producers only took a fixed proportion of tobacco from Australian producers with the rest imported. This imposed price and tobacco quality pressures on Australian producers. Most meetings with the Tobacco Board and producer organisation were held in smoke filled rooms. Several I knew did not contract lung cancer, but many did.

On another occasion, Julienne and I were to visit the Ord River scheme in Western Australia but we were coming from different directions and, because of a plane breakdown, I could only arrive a day late. The officials in Kununurra were not interested in talking with Julienne, not only because she was a woman but was also noticeably pregnant at the time. On another occasion Julienne and I attended a meeting of the Cattle Council or Cattlemen’s Union in Toowoomba, Queensland. At some stage some of the wives of the cattle men pulled Julienne to one side and asked how could a nice girl like her work with a ‘socialist sleaze’ and centralist like me. But then Queensland was still very much a State under the autocratic, if not corrupt, rule of its Premier, the National Party’s Joh Bjelke- Petersen. Although I had read of the ‘cattle cycle’, the topic of many PhD’s, I had no deep knowledge of the cattle industry and ran some of my ideas across cattle people and their organisations, not that they were very interested.

We spent quite a lot of time coming to grips with the dairy industry. The Australian Dairy Corporation, which handled exports, and the various dairy farmer organisations talked freely with us. Bill Pyle of the Victorian Dairy Farmers Union was very open in putting forward his organisation’s view on the unfairness of the State based regulations in place. I made a mistake at a UDV Conference when Bill Pyle asked me if I thought Victorian dairy farmers should receive higher prices. I said yes but what I was referring to was the way the Europeans were collapsing world markets by dumping large tonnages of their ‘butter mountain’ into them, collapsing the price. The Victorians probably interpreted it in a more local sense, considering that they were receiving so much less per litre of milk than dairy farmers in other States. Some
of the large co-operative milk processing works stunned us with their approach to the way they marketed their product. They were only interested in commodity production even if it meant multiple brands of the handful of products being manufactured.

One company, Murray Goulburn, was very astute and knew how to best use the various implicit cross-subsidising arrangements; others didn’t and seemed not to have thought their position through. Other dairy farm organisations and the Milk Board in NSW gave the impression of living in fear of the Victorian farmers crossing the border with cheap milk. The West Australian industry seemed to be efficient and well in tune with its particular situation on the other side of the continent. South Australia had a mixed but small industry and Tasmania had the same problems as Victoria in being relatively more efficient than many others but receiving lower prices. One factory in South Australia paid the lowest of any price I was aware of in Australia. Queensland’s industry centred on three locations and, to me, the Atherton Tableland’s industry had some natural protection from potentially cheaper southern milk, particularly with the cities of Cairns and Townsville close by. But as it turned out, I was wrong.

John Tanzer spent a lot of time with environmental groups to try to come to grips with the farm sector’s major natural resource issues. In dividing up the areas where policy was needed, John and I did the legwork on forestry, fisheries, soil conservation, product inspection, quarantine and research. Once you are a Shadow Minister, you are naturally approached by lobby and industry groups seeking to promote their agendas. Some of these didn’t always tell the truth or engaged in what is now known as ‘spin’. But from the annual conferences of the many and various farm organisations, or at least their agendas, we could quickly assess the immediate issues and concerns and from there work out what the best policy approach may be. In 1982 the Department of Primary Industry published the proceedings of a major conference on fisheries management which took place in 1980. This well-thumbed document became the basis of much of my approach to fisheries management12.

I’d known Jack Hallam in the Riverina since the Whitlam days. He was the person constantly telling me how important soil conservation was. At the time, the 1979-83 drought was biting deeply in NSW. When he later became NSW Minister for Agriculture we talked about the importance of this issue and Jack gave it a lot of attention as Minister. Coming from the Riverina and being a rice farmer, Jack was not so keen on irrigation water prices being raised. In all fairness, when the State Labor Government tried to raise water prices to at least some semblance of cost recovery, the protests were strident; strangely, National Party ministers didn’t seem to get such a hard time. Jack was in the Legislative Council and Lin Gordon, held the state seat for Labor that centred on Leeton. Most politicians I met could be criticised for doing anything for a vote, yet for most the fear of losing votes was more important. At the State level there are fewer voters per seat than at national level, networks are tighter, decisions have more immediate local impact, local government councillors and town influentials are significant, the local media is parochial and long term decision making is more difficult.

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12 Policy and Practice in Fisheries Management’, Department of Primary Industry, 1982.
My reading through the 1960s and during my time in the BAE had convinced me how vulnerable the Australian continent was to poor land management. The book that most strongly remains in my memory is *Australia Wet or Dry?* by economist, Bruce Davidson\(^\text{13}\) which stressed the limits of land use and the devastating presence of high evaporation to precipitation ratios. I had also read his seminal work on *The Northern Myth* which was a critique of the proposed Ord River Dam scheme and canvassed the prospects for developing Australia’s north\(^\text{14}\). My minor environmental activism in the 1960s had given me some general introduction to the state of our native flora and fauna. Agricultural economists more and more were writing about some of the deficiencies of agricultural policy rather than concentrating on production and commodity issues. There was a vast store of rigorous analysis to be tapped.

I visited the South Australian Riverland in April 1981, speaking to the many irrigation farmers in the area and those at the end of the Murray Darling system. I also spoke to a Jack Seekamp, a horticultural management and drainage consultant, who itemised for me what he saw as the looming problems for the Murray River and the totally inadequate management arrangements in place. I tried to assure him that I would see what could be done if there was a change of government. But he was despairing if not rather cynical about the prospects of anything being done because so many had given lip service to his concerns over the years. In June 1981 I sent him speeches made by Ralph Jacobi, Labor member for Hawker (South Australia), on the subject of setting up an Institute for Fresh Water Studies, and of my speeches in his defence, along with the carping response from the Liberal Member for Wakefield, Geoffrey O’Halloran Giles, who attacked Jacobi’s proposal by damning the Whitlam Government, six years after it had ceased to exist. I still have some of the correspondence between us.

\(^{13}\) *Australia Wet or Dry*, B. Davidson, University of Sydney Press, 1969.

Then I called on one of the local newspapers hoping to get some publicity. The editor, suspicious of anyone Labor, the usual thing in regional areas, provided a young inexperienced reporter. Together, sitting on the banks of the sparkling river with black swans swimming elegantly in the background, we composed a story and I then asked the woman would she like a picture? Looking a little ruffled, she asked, ‘What of?’ I still do not know what she had in mind of what I might have had in mind.

The most frightening thing I was told in Opposition was by a dairy farmer in the Victorian Goulburn Valley when I raised the issue of the need to manage the Murray and Darling Rivers as one system and deal with the plight of those at the end of the stream. He fixed me with his gimlet eyes, red of face and angry of demeanour: ‘The South Australians are entitled to the amount of water agreed to and if we send the bastards ink, then that’s their bad luck’, he informed me. I was too taken back to reply. A regulation had been brought into the Parliament on the River Murray Commission, which enabled engineers to manage the river and weirs but, basically, only within the banks of the Murray. When I raised the need for a broader approach to be taken I was criticised by the government of the day. ‘All is for the best in the best of all possible worlds’, I was basically told.

Ernest and Judith Marty represented a large grouping of middle level wine grape and wine producers and were very helpful in giving me a deeper understanding of the dynamics and economics of the grape growing and wine making industry. You have to make up your own mind about who is ‘fair dinkum’ or not among industry lobbyists. It helps to know a bit about the subject yourself. There is no lack of learned papers, journal articles, books and transcripts to research agricultural and natural resource management issues. Grape growers were in desperate financial trouble by 1983.

As I have said above, I was also trying to consult widely with people in the beef cattle industry, building on the few conversations I had had with knowledgeable people in the BAE. The cattle industry and meat processing industries are possessed of many points of view. It is also relatively concentrated at the large property end and export focussed. There is a north/tropical, sub-tropical and south/temperate country split; a gap in the perceptions of breeders, fatteners, ‘backgrounders’ and the lot feeders, with the live trade being almost a separate industry. Producers, the abattoirs/processors, brokers and meat and product traders all have different views on what industry needs are and the visions need to be. It is hard for abattoirs and meat processors to be making a profit at the same time as producers and/or butchers. The unions in the industry were or are strong and they had waged a long running campaign to limit live sheep exports. There was and is a large Export Inspection Service and there were multi-layers of meat inspection at Commonwealth, State and Municipal level. The debate on carcass classification or product description was endless and fraught, with progress being slow due to industry disagreement or opposition to change.

In the early 1980s, too, there was a lot of dissatisfaction with the Australian Meat and Livestock Corporation and some of this centred on its Chair and Board. Geoff Jones, the Chairman, was very knowledgeable. He came from FJ Walker, a leading meat processor, but was seen to be autocratic. Such dissatisfaction is common to many agricultural industries, where the marketing organisation is seen as having an industry leadership role. This arises from farm/grazing and other relevant organisations believing that they have ‘ownership’ of the boards or corporations. By having their people on them in the role of directors, they can exert control.
In Whitlam’s time, Minister Ken Wriedt stressed the importance of appointing people with a broader range of expertise to agricultural marketing boards but this was never accepted by farmer and grazier organisations. To my mind it is not the role of marketing boards and corporations to exercise industry leadership, because their terms of reference are quite precise and relate to marketing, research and promotion, and the need to take an industry-wide perspective. It is nonsense to personalise dissent when individuals are simply doing their job as laid down by their legislated remit. Industry leadership is up to the industries involved. I also realised that because of the diffuse nature of farm organisations, this would always be hard for them unless government created avenues for discussion. It was clear that if the ALP formed government, the meat industries would require immediate attention.

While in Opposition, the meat substitution scandal, of mislabelled beef being exported to the US, burst around us. I realised that this was far too serious an issue to exploit for political gain and asked the then Minister for Primary Industry, Peter Nixon, for a briefing on the issue. Dr Gardner Murray, of the Bureau of Animal Health and John Gibson, Deputy Secretary of the Department, briefed me after which I advised them that I thought it would be counter-productive for the ALP to add fuel to the media fire on the issue. However, the ALP Caucus, rightly politically, thought that I should ask questions of the Minister and at least indicate that we were aware and very concerned about the issue. So, at the next Question Time I asked the Minister a somewhat ‘dead-cat’ question. Minister Nixon’s response was to state that he thought it was about time I took some interest in the issue - and thus I learnt the meaning of ‘never give a sucker an even break’. Of the four most prominent National Party ministers, Doug Anthony, Ian Sinclair, Ralph Hunt and Nixon of my day, I thought Peter Nixon was the best. He was tough as old boots but above all else was a good cabinet minister as well as a good portfolio minister. I never really got much of a feel for Doug Anthony, whom I admired, but cannot recall a conversation with him. Perhaps he was too much of a political ‘heavy’ from his side of the political fence to talk to the likes of me?

I convened two meetings of State and Territory agriculture ministers and shadow ministers, one in Mildura and one in Ballarat. At these meetings I listened to what my colleagues had to say on the challenges they faced. I then gave them some idea of the policy priorities I would pursue if elected and if I subsequently became Minister. I talked about the primary industries most in trouble, some of the solutions I saw, and about land, water, marketing, research and other issues such as the need for a single export meat inspection service, which would affect the States and the Northern Territory.

I was coming to the strong view that production per se was not the main challenge for farmers and graziers so much as external factors beyond their control: resource base issues, marketing, the need for structural adjustment and the tangles of Commonwealth and State government based legislation. The state of the economy in general is always a major consideration for any Minister for Primary Industry, I would be dealing with many economic issues, most with their genesis outside the portfolio area. Whereas every industry had particular problems needing closer attention, and understanding that some policies would still be commodity based, it was necessary to see the wider perspective. I knew that there were many cross-sectoral and cross cutting issues and that some challenges were country wide regardless of the particular problems being faced. Examples of this were credit, taxation, adjustment, and animal and plant health. Out of all this came my view that research and development was crucial, that marketing reform was overdue and that the Commonwealth Department of Primary Industry would need more scientific, as opposed to economic, expertise to deal with future issues. Trade issues were, as ever, also crucially important. And so were the people issues, the fact that the
farm sector was not the same as the rural sector, but that in many cases they were closely inter-
linked.

At the broader Labor level, the Shadow Cabinet was starting to form some generalised
corporate ideas on preparing for government. Senator Gareth Evans, who would be
responsible for transition-to-government preparations once we had won, arranged for
academics and public policy and administration experts to brief us during a full day meeting.
Bill Hayden was applying his mind to policy co-ordination. Policy breakthroughs are one thing
but just as important is follow up. The hardest tasks in administration are co-ordination,
implementation and monitoring. I had learnt that in the Whitlam years but Bill knew it so
much better.

**An End and the Beginning**

Over this period, in my usually driven, insecure - and probably selfish - way, in 1976 I had re-
enrolled to complete my Bachelor of Economics (BEc) degree. By this time I had become a
perpetual mature age student. I was working as an economic researcher on real world
marketing and trade issues and I couldn’t help but apply my three years’ political experience
and economic study to real world economic problems and economic and industry policy
formation. But I was still learning and still wanting to learn. As well as studying more
economics courses, I also studied political science and public policy and administration as part
of the degree.

The course on public policy was exceptionally interesting and included study of the writing of
Max Weber on bureaucratic systems. I wrote a case study as part of the course on the basis of
the information I had gathered as a backbencher leading a Labor Party delegation to East
Timor. The only problem was that the required 5,000 words turned out to be 15,000 words
(‘typical’ you will by now, or soon, be saying), with voluminous attachments. When I got it
back, a bit tattered, it seemed to have been photo-copied many times (yet I can no longer find
a copy). But I received a high distinction for the course. I was awarded the BEc in 1977 and
went on to pass the exam part of the MEc in 1978. But I failed to complete the required thesis
in 1979 because by this time I had been elected to Parliament again. So, I have two under-
graduate degrees, finished, and two post-graduate degrees, unfinished. (There were some
honorary ones to come: but they don’t count do they?)

Perhaps unsurprisingly, in 1981 my marriage to Barbara ended. To walk out of the marriage
was the hardest decision in my life because Heidi was only nine years old. We probably should
not have moved to Campbelltown. The reasons for the break remain private and I am quite
prepared to accept full responsibility. The shorthand way of explaining it is to say that politics
caused the break and by this time I was not prepared to give up politics. Politics and marriage
and a young family are not a happy combination.

Bob Hawke entered the Parliament as Member for Wills (Victoria). He immediately made an
impact and made it clear that he was keen to lead the Parliamentary Party. Two close
colleagues urged me to fall in behind Bob and abandon support for Bill Hayden. I resented this
pressure because I strongly believed that Hayden had made us electable. I also remembered
Bill’s strong support for me in the Werriwa pre-selection and his support since, especially
when I was putting together our agricultural policy document. The pressure increased and Bill
Hayden was tapped on the shoulder by John Button as support melted away from Bill. I went
to a meeting of the Shadow Cabinet in Brisbane, not knowing all that had gone on in factional
manoeuvring and bastardry, and witnessed his fall. The NSW Right Wing machine of the ALP
arrogates to itself the power to change leaders, albeit on the basis of arrogant pragmatism, but with little thought as to how voters will see it, a practice that continues to this day and only helps to de-stabilise the ALP.

It is my clear understanding that Bill sought and gained guarantees from Bob Hawke that Peter Walsh, John Dawkins, Neal Blewett and I should be retained in our shadow portfolio areas. My staff and I still did not have all the policy together when other events intervened. This all happened in February 1983. Not being aware that the ALP leadership had changed, Prime Minister Fraser called a snap election that the ALP won on the 5 March. Hayden was of the view that ‘a drover’s dog could have won the election’. The drought at the time was said to have been the worst in eastern Australia in recorded history, lasting for three to four years. It broke not long after our election victory and it is not clear who was responsible for this: Bob Hawke, Barry Jones, or me – but we all took the credit!

I was in again and was about to become a minister. I think my parents were quietly proud of me for all this, though neither of my brothers thought my success worthy of comment. Having been the Shadow Minister had given me the opportunity to see a great deal of agricultural Australia. I was and remain passionate about it and I realised that I would need this passion-and a good bit else - if I was to be a successful minister for Primary Industry.
Chapter 7: Becoming Minister for Primary Industry – early days

‘Minister, when it comes to Primary Industry submissions in this Cabinet, you are not walking down the bulldozer tracks’. Charitable advice from Sir Geoffrey Yeend, Secretary of the Department of Prime Minister and Cabinet, June 1983.

The Mood Leading into the General Election, 5 March 1983

I find it hard to explain the difference in the ALP’s anticipation and resolve in 1983 compared to 1972. There was a clear expectation that the ALP would win both elections for months before the actual election dates. But in 1983 there was no great elation when we won. One marked difference for me was that I was a member of the Shadow Ministry not an aspiring backbencher. And we had not been out of government for 23 years, as we had been in 1972. With a safe seat and being in the Shadow Ministry meant that I always campaigned outside of my electorate. In Macarthur, my former seat, it was essential to campaign strenuously. I will forever be grateful for the way branch members in Werriwa largely understood this reality and what was in the best interests of the party overall. Whitlam had trained the local branch members well, even if many would have liked having a ‘local member’ for a while. Also, my staff of two and I had written a comprehensive policy document for the agricultural and, to a lesser degree, the rural sector, which had involved a lot of consultation and travel. I knew a lot more and I had some idea of what the challenges in government would be.

My earlier experience of winning a seat which we had never won before, compared to now, holding a seat which we had never lost, had a profound effect on my feelings at the time. My personal political history was associated with building up the branches in Macarthur. I was more the electorate’s candidate than I was for Werriwa, because I had grown up there and was more familiar with it. Buying a house in the electorate did not change much of this feeling. ALP members in the electorate of Macarthur had never been as motivated and organised as they were for the four elections when the rank and file supported me so well, 1972, 1974, 1975 and 1977, nor in 1969 when we achieved a large swing to the ALP. The harrowing 23 years of being out of office before 1972 was certainly a factor. When I say people were supporting me it needs to be said that there was tremendous support for the ALP; how to measure personal support was always difficult. If elected to a safe seat, it is expected that the party’s candidate will deliver. If you are elected to a marginal seat, campaigning is continuous, but at a more subtle level than during the official election campaign.

The Campbelltown, Catherine Fields and Camden Branches of the ALP had always been among my strongest supporters. People from these areas, which were now in the electorate of Werriwa, were efficiently involved in all aspects of the local party machinery including letter-boxing, door knocking and booth manning on election day, as well as on policy matters. The Trad family and their multicultural network was the key in the Catherine Fields/Leppington area. My Campaign Director for the years of Werriwa was John Oates, a school teacher, more than ably supported by his wife, Meg Oates, now long time Campbelltown City Councillor, from the Campbelltown branch. Bryce and Beverley Regan, Michael Knight and Anne Penn along with Peter and Jan Primrose were exceptionally good organisers. The Campbelltown branch had a core of dedicated workers including Noel Treweek, Marty Hyland, Wally Shoory, Frank Ward, George O’Regan, Jock Auld, John Crockett, Norm Robertson and Ted Lambert.
Of the Campbelltown branch members, Michael Knight became the Member for Campbelltown and the Minister for The Olympics in the Carr Government, Chris Haviland became the Member for Macarthur, 1993-96, and Chris Hayes became the Member for Werriwa 2005-2010 and has been the Member for Fowler since 2010 when it was separated off from Werriwa as a new seat. Since my pre-selection, the NSW branch of the ALP’s Head Office has waged a campaign against the sub-branches in the general Campbelltown area. One of their latest ‘brilliant’ ideas is to choose candidates by community rather than party member pre-selections. ALP membership continues to decline.

While initially I did not have strong support from members of the Minto and Ingleburn branches, this turned around. Some in the Ingleburn branch were very active supporters, such as the now late Helen Van Dyke and the now late Ken Bulman, Mary Bulman, Don Haines, the late Brenton Banfield and Ruth, Jim and Marlene Kremmer and family, and the Quirk family. ALP members elsewhere in Werriwa, in particular in the two large branches of South Liverpool and Green Valley and the smaller Liverpool branch, were all well skilled in the business of all that was required in a local election campaign and quietly got on with the job. The Knowles family and its cultivated network of ALP members was the absolute core of the South Liverpool branch. I found the city of Liverpool hard to come to grips with, mainly because so many people lived in flats. To all intents and purposes they were rootless, compared to most of the people living in Werriwa and in all of Macarthur.

For the whole time I held Werriwa for the ALP, the primary vote hardly varied from around 66%, the range being from 63.7% to 72.3%, two party preferred. Peter Fraser in Liverpool, Casey Conway and Frank Heyhoe in Green Valley and the Knowles family in South Liverpool gave unstinting support during elections, even though they may still have had lingering regrets that I was not who they had wanted in the ALP to represent them. Business people in Werriwa, some of whom I was wary of, were less reticent than in Macarthur to be associated with the ALP. The dairy farming Perich family backed both major parties, but were very supportive and appreciated that they had a member and then a minister relevant to their large dairying enterprise, the biggest in NSW, if not in Australia, at the time. Of the three large, millionaire builders in the South Liverpool branch, the late Dominic Vitocco was a staunch supporter and we became friends with him, Maria and family.

In Werriwa, there was little need for fund raising at election times and campaign events were few. Fund raisers for Werriwa were generally hosted by the now late, great character, John Marsden, of my earlier association in Macarthur, who also sometimes funded Liberal Party functions. He held the grandest of 24 hour long 50th birthday parties where we all, Liberal, Labor and business elite, including the Greiners, arrived in black tie via slippery dip, danced on a dancing floor over his pool, watched midnight fireworks second only to the Harbour Bridge on New Year’s Eve and celebrated with him his wonderful gay community. He was to spend month, later, designing his own very special funeral service for his untimely death which was a mix of the moving and the hilarious. The funeral itself had to await the availability of all the greats he had summoned to attend.

The three northern branches raised funds on a regular basis, mainly for State and Municipal campaigns. Unlike Macarthur, because Werriwa and the State seats were seen as secure, there was an emphasis on municipal issues. In Werriwa, it was just a question of doing what had always been done. The Green Valley branch (and blokes from the pub) put on a Maori Hangi during one campaign to raise funds. Unfortunately, too much cabbage was put in on top of
the meat, which was all up none the less a great success - organisationally, if not gastronomically or fund-wise! Funds raised were rarely spent in full on the local federal campaign.

Unlike the professionals (sic) who now run the ALP, I believe that the support of the rank and file membership in campaigns and in policy formation continues to be essential. Campaigning and being in a political party was not then about headlines, celebrities, focus groups, polling and so on to the same degree as now. Nor was it about what the conventional media now feasts on in Federal and in State parliaments. It was about people, people who believed in the ALP, and it was about policies, those things that needed to be done to make for a better, fairer Australia. I understand how sophisticated campaigning has become, but without policy back-up and an understanding that slogans are just that, slogans, electors will, unsurprisingly, be disappointed.

Before March 1983, there had been more than a few straws in the wind indicating that the ALP would win. However, while the Liberals had lost the Lowe by-election in NSW with a large swing to the ALP in March 1982, they had retained the Victorian seat of Flinders in the December 1982 by-election. I had door-knocked in Lowe. I had campaigned in Flinders and thought that our candidate and the ALP was poorly organised. The loss did not help Bill Hayden’s hold on the leadership. The key issues before the general election were that the economy was suffering from high inflation and unemployment, increases in industrial disputation and the widespread drought. The economy was in recession and Prime Minister Fraser was perceived as exceptionally divisive. The stigma of the reprehensible dismissal never lifted from his shoulders.

**Election Won**

The overall swing to the ALP for the 125 contested seats in the House of Representatives in the election of 5 March 1983 was 3.6%, two party preferred (49.48% of the primary vote) with the ALP picking up 24 seats to give it 75. Many seats were on the cusp after the 1980 election. The 24 seat swing was the largest defeat of a sitting government since 1949 and the worst defeat that a sitting non-Labor government had ever suffered. The swing to the ALP in Werriwa was 2.5 %, or 5.3%, two party preferred, giving a result of 69.1% of the vote. Seven of the seats captured were rural with many agricultural activities within their boundaries. I had campaigned in all of them as well as many others. All except Eden Monaro had strong provincial city cores such as Cairns, Townsville, Darwin, Bathurst, Orange and Bendigo, although Queanbeyan in the electorate of Eden Monaro was becoming more of a factor in that seat.

So we were in office. There was not a lot of celebration. We had done the work and now it was down to business. In the first Caucus meeting, Prime Minister Hawke pledged to unite the country and set out an agenda for action. All Shadow Ministers held onto their positions as ministers as far as I can recall. Bill Hayden was appointed as Foreign Minister and Lionel Bowen became Deputy Prime Minister. The Inner Cabinet had 14 ministers and the Outer Cabinet 12 ministers. I became a member of the Inner Cabinet on 4 November 1983. Prime Minister Hawke’s style was to delegate decision making to his ministers and to insist on responsible cabinet government.

This time we would get it right.
While I knew that the National Party would attack whatever the Government and I did in agricultural policy, I would like to record that Peter Nixon briefed me on the Department of Primary Industry as he saw it and on some sixteen critical policy areas on 9 March 1983. I cannot of course divulge what was said in that briefing, but we were agreed on most issues he raised. Our discussion demonstrated to me that key National Party ministers would have liked to have done more, but that there was a constituency problem. Perhaps I would be able to do better because few farmers voted Labor and there was nothing to lose, vote-wise, that is.

Once sworn in as Minister and being allocated an office in the friendly, old, cramped ‘temporary’ Parliament House (which also had many virtues), the task of coming to grips with all the dimensions of the portfolio set in. Incoming ministers are supplied with a voluminous briefing document written by the relevant department. Mercifully, my brief did not outline in detail the 240 or so Acts that the Department of Primary Industry (DPI) administered. A departmental officer, Jim Smith, came to Parliament House and quickly established a system for my personal office advisers and me to handle the paper flow from the Department and elsewhere. The testament of this is the records I still possess. Jim’s boss was a delightful bloke named Terry Kelly, who was also always marvellously helpful to me. The tyranny of the in-tray commenced.

Senator Gareth Evans had worked on transition-to-government arrangements and set in place procedures for the appointment of senior staff. Labor’s last experience in government made the reasons obvious. There was to be a central appointments committee which vetted proposals put up by incoming ministers, a practice I believe was adopted by all new governments from that time on. On this first such committee was Professor Di Yerbury, Dr
Peter Wilenski and Bill Butler, all with long administrative experience. My two existing staff of Julienne McKay and John Tanzer (who left me briefly before the election but then came back on board) were approved and so were the subsequent specialist expert staff we recommended.

For reforming governments the often excellent staffers of opposition days are not necessarily those you need in government. Ministers must have staff with a strong specialist background in one or another area of the relevant portfolio if the Office is to be able to establish the most effective working relationship with the Department and interest groups and, most importantly, for the minister to be best supported - and challenged. Some earnest, committed, very capable and often scruffy Labor Opposition staffers did make it across the divide, those who did it overnight by turning into very respectable looking, be-suited, buttoned-up bureaucrats. I was to present one of my staff with a tie, something which was met with great hilarity on his home front since no such thing had been seen there before.

I appointed Julienne McKay, who had made such a major contribution to the policy development effort in opposition, as my Principal Private Secretary (PPS), to be followed by Tony Gleeson. Both worked on the dairy industry, the red meat industries and statutory marketing reform. Then Tony became lead as the work load in the office shifted and increasingly Julienne concentrated on the engrossing macro-economic and micro-economic issues we needed to deal with. Tony became PPS when Julienne and her partner, David, and their two children moved to Sydney in 1986. Tony, from a scientific, technically ‘savvy’ and practical grazing background, was to become the absolutely crucial person in my office on meat and livestock industries, marketing and research reforms, and broader resource issues. He was also the person most capable of thinking creatively. Both Julienne and Tony and their families sacrificed a great deal in personal and financial terms to work with me. Tony, Liz and their two children moved to Canberra from northern NSW. Tony left the office in November 1988, after five and a half years. Julienne went on to have a career in the private sector and then later in economic development (all as a volunteer). Tony is now the CEO of Australian Landcare Management Systems and has a grazing property in northern NSW.

John Tanzer came back on board in August, 1983 and worked on the crucial areas of conservation, environment and natural resource management. Others I gradually recruited included Gordon Gregory in the mid-1980s, from the University of New England, on the advice of John and Tony, who turned out to be brilliant in dealing with agricultural and rural social policy. Gordon, Alpha and their four children also had to move house from Armidale, but the family fitted in well to Canberra where they have both also made a huge contribution to the musical life of the city\textsuperscript{15}. Gordon too, became PPS at a later time. Gordon was an ace networker, worked exceptionally well with women and today heads the National Rural Health Alliance. Jim Groves, who I had known in the Campbelltown branch of the ALP and was an economist, also came on board and was also briefly my PPS. He was a great self-starter on issues of a more general nature to the portfolio. He later became a senior officer in Queensland’s Department

\textsuperscript{15}Alpha has led the Woden Valley Youth ’s Choir for many years and is the Director of Rhythm Syndicate. She created and ran Sophisticated Swing, a choir for ‘mature ladies’ which gave brilliant cabaret concerts at a Queanbeyan restaurant for many years. Gordon established the Skedaddle Band and went on to save Australia’s honour on one visit to South East Asian, where hosts are prone to get up after dinner and perform musically, and then invite their visiting guests to follow suit. Aware of the serious Aussie reserve on this front, my wife had the wit to ask Gordon, accompanying us on the trip in question, to do so on our behalf. And he played, magnificently, a melody on two spoons to the great delight of the company.
of Primary Industry. Dick Wells, who came with a background in mining and natural resources, was appointed PPS when the portfolio expanded to take in minerals and energy and went on to become CEO of the Minerals Council. Peter Cochrane with a background in conservation and environmental issues, was another staffer for a period, and now heads the Commonwealth’s National Parks and Wildlife Service. Geoff Gilmore, from the Department of Finance, joined in about 1985. He went on to fill the gap left by John Tanzer when he left to become the Principal Adviser to Ed Casey, Queensland Minister for Agriculture in 1990. Jeff later became a senior public servant in Tasmania and in Victoria.

At first I shared a media secretary, Michelle Schofield, with Kim Beazley, then Aviation, later Defence Minister, but appointed the late Jock Rankin once I became a Cabinet Minister. The others were Walter Pearson, Lin Enright (for the longest period), Jim Devine and Simon Grose. All were to move on to greater things.

Support staff included Marilyn Conley who became my first Personal Assistant. Marilyn tragically died of cancer not long after she left me for another job some two years later. At Peter Nixon’s request, I also appointed one of his staffers, Annabelle Murray, (last heard of as an on-and-off drought/flood/bushfire stricken grazer in Barradine, NSW). Bernie Parkes, last heard of in Tasmania, and later again Leonie Holloway, nee Jeffries, now in Treasury, also served in that role. Trish Gleeson, my PA after Marilyn Conley, is now a Senior Economist with the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). Trish was the key person managing the records I now hold. Leanne Coleman, who still works with
Gordon, was another early recruit, a quiet, highly capable stalwart, who stayed with me for as long as I was a minister. Others who came later included Marie Keir, Ray Walker, Bill Salter, Charles Savage, Susan Johnston, David Cox, Ray Walker and Bruce Turner.

I also wish to thank Geoff Pryor for his permission to use some of his many cartoons some of the originals of which he gave to me. I am pleased that he provided so much mirth to me and vice versa.

Perhaps tens of others flowed through my office as personal staff, Departmental Liaison Officers or as part of the Executive Training Programme of the APS, some of whom keep in touch. They must forgive me for not mentioning them all. They will all know the contribution they made and how much it was appreciated. Probably unbelievable today given the way ministerial staff roles have evolved, I never asked how any of my staffers voted - that was not why they were there. Those who have been in the game will know what I mean when I say that the intensity and pressure of the work in ministerial offices, its long hours, and the huge amount of travel both inside and outside Australia, necessary in the kinds of portfolio I held, bound us together like a family; we spent more time with each other than we did with our families, creating bonds which last. Because I was often home after my wife was in bed, and gone again before she got up - though she too was working hard and long hours in those days - there was a bit of a joke around the office about the warm-body-in-her-bed roster, because she claimed it could have been anyone!

I had by this time married June Verrier who I met when seeking assistance from the then Legislative Research Service in Parliament House on some foreign affairs issues. She had become a specialist there after completing her PhD at Monash University on the West New Guinea dispute between the Netherlands and Indonesia and its implications for Papua New Guinea’s move towards independence and for the development of Australia’s foreign policy. June had grown up on a farm in the hills of Wales. She had an Honours Degree in International Politics from Aberystwyth University in Wales and had worked in the British Foreign Office in Hedley Bull’s Arms Control and Disarmament Research Unit. June came to Australia on a three year contract as a Senior Teaching Fellow at Monash - but here she still was.

This was the best decision I ever made, although it must be said I do not know why she puts up with me. It is certainly not my sense of humour. Simply, I could not have carried out the job without her support and, more importantly, her political understanding and insights. She was far more than my best ‘appointment’ and took on the burdensome role of supporting me as a minister as she continued in senior Australian Public Service (APS) roles. To avoid the appearance of a conflict of interest, she moved from Parliament House to the Department of Foreign Affairs later in 1983, and later still to AusAid or AIDAB as it was then known. When

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16 June and I were quietly married at home on 7 June 1983. Deputy Prime Minister Bowen was chairing Cabinet which was dragging on so I sent him a note asking him to speed it up a bit because I was getting married at 7pm. He looked a bit startled but Cabinet’s consideration of the affairs of state were expedited. Some proprieties had to be maintained. As June was soon to accompany me on a trip to the USA, in the days when partners were not yet as well accepted as wives on the official circuit, there was some doubt in the Department whether we were married or not. A somewhat embarrassed somewhat junior individual was despatched to my office to find out. I recall, but can’t swear to it, saying something along the lines of ‘do you doubt my integrity, lad?’ or some such and little more.
my ministerial responsibilities came to include overseas aid at the end of the 1980s, she moved to the Department of Prime Minister and Cabinet. There were shenanigans surrounding June’s promotion on at least three occasions, the story of which may be written one day. But it seems it was, then, easier for some in the APS to envisage promotion for the husbands of female ministers than vice versa.

As I stress, the people I brought into my office were specialists in one or another aspect, or in several, sectors central to the portfolio. As such they could advise me and assess departmental policy options from the strong base of their professional expertise as well as from the perspective of the policy of the government of the day. It was not a question of second guessing the APS for its own sake but of pushing and challenging them to shape their advice to our requirements. For this key task these staffers needed as much, or more, expertise than could be found in the Department. Ministerial staff speak in their minister’s name and carry his/her authority in negotiation with other ministerial staff, and others as required, but the minister must know what is going on. This is why ministers must have specialist not generalist staff, and certainly not those concerned only with politics or promoting the interests of the minister, or even their own, perhaps even at the expense of the government. With hindsight it is easy to see how this will get ministers and governments into trouble. Basically, I pitched my people in at the deep end and expected them to argue their case. We argued things out: I did not always follow DPI, or their advice.

The staff of Ministerial offices then were small compared to the squadrons that now populate ministerial offices and who have come to have enormous power with negligible accountability. There was an expansion in ministerial staff when the government moved into the new Parliament House in 1988. Ministerial staff doubled in the period 1981 to 2005 and have increased since. While Prime Minister Hawke’s staff grew from 16 in 1983 to 24 by 1990, it was Prime Minister Howard who centred more power in his personal office and increased personal staff numbers exponentially. This trend was followed by succeeding ALP prime ministers in the period 2007 to 2013. Prime Minister Abbott’s personal staff in 2013 was 55. In my time there were no assistant ministers and parliamentary secretaries, all of whom now have personal staff entitlements as well. There are also, literally thousands of media and public relations officers in ministers’ offices and departments of state. The number of lobbyists is also growing. No wonder the Coalition thinks it can decimate the Public Service?

Very early on I had an all but one female staff including a Departmental Liaison Officer. This, seemingly, worried the Secretary of the Department, Lindsay Duthie. ‘You’ve got to get some blokes, minister!’ he used to say. I have always worked more easily with women. But I did recruit a ‘bloke’ and rang Lindsay giving him the good news and advising that ‘he had a beard, wore ear rings, dressed in pink trousers and wore white shoes’. (He did.) Lindsay did not continue the conversation. Perhaps like so many in that vast and complex Department, I’m not sure he ever came to appreciate my ‘brilliant’ sense of humour. When I got to know Lindsay a lot better, I once accused him of being a ‘sexist, racist, Country Party loving b…..d’. But he assured me he was not sexist! Lindsay was also a close friend of the capable but tough Max Moore-Wilton from their days together in the Department of Trade. Max became an astute General Manager of the Australian Wheat Board in the 1980s before, as its CEO, reducing the Australian National Line (shipping) to a shadow of its former self, and where he became known as ‘Max the Axe’. Max much later became head of the Department of Prime Minister

17 Alison Russell-French, who also remains a friend and who became a senior official in the Environment Department and later President of Birds Australia.
and Cabinet under Prime Minister John Howard (1996-2007) where he continued his proclivity for ‘axing’ and didn’t bother to disguise his political leanings.

Lindsay Duthie had been a member of the Balderstone Committee and was well informed on what needed to be done. Lindsay guarded my back and guided me through the early days. He accompanied me on my first trip abroad as minister to the International Sugar Agreement (ISA) talks in Geneva in May 1983 and demonstrated his deep knowledge of agricultural trade matters. He had a trade policy history going back to the formation of the General Agreement on Tariffs and Trade (GATT) in 1954 and gave me his earliest copy of the final agreed document.

Lindsay Duthie, Secretary of the Department for Primary Industry, as we sailed down the River Li, near Guilin, China, 1984. I suggested that this would be a good picture for his Departmental Christmas card, but my advice was rejected.

The person I most respected when I was working in the Bureau of Agricultural Economics (BAE) was Geoff Miller. Geoff was the Director of the BAE from 1997 until 1981 when he became Deputy Secretary of the DPI. He had moved from years of applied economic research into a key policy role in the Department and had gained experience in statutory marketing and an interest in agricultural research which was both analytical and practical. I could have appointed Geoff, who I had worked directly under during my BAE days, as Secretary of the DPI. I was well aware of Geoff’s abilities, enormous capacity and huge agricultural policy knowledge and expertise, which contrasted sharply with what I saw to be my comparative deficiencies in this regard. But Geoff’s time would come. He was to become for me by far the most influential of any official I was to work with and it is to him and his staff that must go much of the credit for any success I may have had.
Fundamentally, I did not believe incoming ministers should immediately sack the apolitical heads of their department without any experience of working with them\(^\text{18}\). I have always believed that departments will do, even if only eventually do, what ministers want of them. It is a reality that departments can resist the wishes of the government of the day by delaying or deferring work, or referring it to committees. In my case, the 1983 election policy document gave my Department a very good idea of what was in the new government’s mind. For this document to be translated into effective action would require a meeting of minds and experience, constructive consultation, and plenty of courage, particularly where the policy aims were to be inevitably extremely difficult to achieve.

In a country of the size of Australia, we cannot afford not to have a first class public service. No reform can be achieved unless it can be delivered and this requires a competent public service. The strength of State public services is the delivery of services. The Commonwealth has a much larger macro and micro-economic and international role. From my ministerial and subsequent experience I concluded that the Australian Public Service is generally of a higher quality than its States and Territories counterparts, but there are many exceptions.

From the outset I asked the Department to ensure that the name and phone number of the initiating officer, that is the person who actually had done the work and knew the issues best, be included on briefings coming to me, not just that of their senior officer. This was not welcomed by some of those of hierarchical bent but it enabled my staff or me to quickly ask pertinent questions by contacting them directly; people talked to each other in those now distant days when all relevant facts/data did not exist on computer screens. Information is not analysis. Luckily, I escaped the full implications of the digital revolution. At one stage a personal computer was placed on my desk so that I could quickly check statistics and analyses available in the department and the BAE. I found that I was so busy, accessible to a fault, always at meetings and such a technophobe that I rarely used it, much to the disgust of my computer literate personal staff.

The Department was happier and worked harder and more effectively if I turned paper around quickly. This bothered me because some briefs needed greater consideration. I am sure my personal staff thought I was too assiduous in this matter and also that I tended to agree with departmental advice too readily. I took the view that it is better to be roughly right than precisely wrong and that it was the job of my staff to ensure that I wasn’t precisely wrong and work on being precisely right with the benefit of their expertise and experience in the policy furnace. I also quickly learned that Cabinet submissions could not be deferred: our own because a backlog would build up; others because there was a ten day rule for comment on submissions from other portfolios in the days when Australia still had effective cabinet government. Perhaps remarkably from today’s perspective and all that has gone on since, Prime Minister Hawke’s style was to delegate decision making to his ministers and to insist on responsible cabinet government.

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\(^{18}\) An aside: I cannot understand why Prime Minister John Howard sacked six departmental Secretaries when he came to office in 1996. Intimidation? Revenge? Or evidence of small-minded bastardry? The sacking of Peter Core, a former Deputy Secretary of Primary Industry and later Secretary of the Department of Transport, was a particularly vicious act. Peter was a ‘can-do’ person, not a political operator, and a loyal servant to which ever government of the day. Howard has a lot to answer for in changing the ethos of the APS from the provision of frank and fearless advice to telling governments what they want to hear and, thereby, generally downgrading its traditional, vital role.
The Context: Some Preliminaries

I was sworn in by the Governor General as the Minister for Primary Industry on 11 March 1983. I was singularly fortunate from many points of view.

Firstly, and most importantly, there was a very clear economic consensus in the new Government on what needed to be done in general economic terms, as well as in industry and agricultural policy: greater efficiency, improved competitiveness, productivity enhancement and profitability.

Secondly, I became a member of a, relatively, economically astute ministry, wedded to concepts of economic rigour, social justice and political reality, the need to acknowledge market fundamentals, constructive deregulation and both macro and micro-economic reform. I was in a ministry and then in a cabinet, which was interested in long term economic, social and environmental policy and reform. We did not believe band-aid measures or ad hoc solutions would work. Prime Minister Hawke was well prepared, having been President of the Australian Council for Trade Unions for over a decade and on the Board of the Reserve Bank (August 1973 to September 1980). He had a sound economic understanding of the economy, macro and micro, and passionately believed that the trade union movement could be better mobilised to advance the Australian economy and the wellbeing of all Australians. In good governments cabinets make decisions collectively and by consensus. One of Prime Minister Bob Hawke’s main strengths was to allow this style of government to flourish and so to bring unprecedented cohesion - and discipline - both to the Parliament and the Government. That he had a very high public profile and had developed a convincing narrative was to make the huge challenges ahead a lot easier.
Due to the hard work we had carried out in Opposition under Bill Hayden’s strong economic leadership, we in the Shadow Ministry were ready enough for government. We were ready enough because we had developed the policies we wanted to pursue, worked together and understood the need for overall strategies. We also knew that we must adopt sound principles of public administration. And we had learnt some important economic lessons from the experience of the Whitlam Government. The issue of economic incompetence, real or perceived, was seared into the minds of anyone who had been of, or close to, the Whitlam Government.

Thirdly, I was the beneficiary of the consistent and comprehensive work of years of analyses by agricultural economists, tariff and protection reformers, many relevant Industries Assistance Commission (IAC) reports, institutions and much more, including the relevant, available work from our universities. And there was also the Balderstone Committee inquiry into agricultural policy which was fundamental. The Committee’s recommendations had just been presented to my predecessor, Peter Nixon. Further, our agricultural scientists were more than well aware of the challenges and possible solutions to Australia’s many agricultural problems and were becoming more vocal about their concerns. This was particularly the case in the areas of the need for an emphasis on funding for agricultural research and development, in the growing animal and plant health challenges, and the urgency of the degrading resource base.

Fourthly, whereas most governments coming into office distrust the APS, I had no reason to distrust my departmental officials. I knew something about the ins and outs of public policy and its administration. I knew that the APS is conservative in the sense of being careful so that its minister does not get into trouble and I knew that its strength was not necessarily to be innovative. The quality of options presented to ministers is the key to first class departmental performance. Public service managers need to both manage up and down, because, the hierarchical nature of bureaucracies in policy departments militates against the flow of knowledge down. In policy areas, the many public servants I was to work with were seized with what I would call an ethos of service - happy enough and satisfied in terms of their work to address problems and put forward options for their political masters to address. It is a case of swapping the spotlight of policy promotion for being able to influence policy from a sound, experienced background. Their job satisfaction comes from their contribution to improved or reforming legislation and its administration.

I knew some of the officials from my BAE days and believed they would work with me. By the time I became their minister, I also knew some key people who would work with me in the DPI, people who had been examining the questions and issues that I would concentrate on. These were issues on which they had carried out far more rigorous, specialised research and analysis than I had been able to do. I trusted them. They were always responsive - in the best sense of that word, and did not tell me just what I wanted to hear - but what I needed to know. They should be given due credit and I try to do this by naming some of them in the chapters which follow. Many were strong advocates of the need for research to inform policy, probably due to BAE people moving into and out of departmental policy areas.

There is always a tension between political parties, when in and out of government, and the APS. I always preferred to take the view that the APS was not exclusively there to be the servant

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of the government of the day, but the Australian people, and act as an independent advice giving body. A line has to be drawn between a minister and his or her department.

Fifthly I was to be in a cabinet, chaired by Prime Minister Bob Hawke, who did a superb job, and with Paul Keating as Treasurer. Keating was to convince Australians of the need for ongoing economic reform and acceptance of approaches not embraced nor envisaged before, but which reflected a modernising approach in the light of necessity, adaptation, analysis and evaluation. Hawke strongly supported me and the rural members of the government. Both made my job easier, even though I disagreed with some of the more doctrinal nostrums of the Commonwealth Treasury. My deficiency as already noted was that I had never believed that there was such a thing as ‘the market’, to which we had to pay absolute obeisance. There are many markets, which intersect with each other, labour and capital being principal, and elements of markets, *per se*, need analysis. Markets can be perverted by the most powerful with the compliance of political actors.

All of this presented me with a great opportunity, if it could be grasped.

**Some Constraints: Labor’s Limits, Federalism’s Frustrations and Agricultural Fundamentalism**

By the time I became a minister I had had over seven years’ political experience in the Parliament, three during the time of the reforming Whitlam Labor Government, 1972–75 and over two years as Shadow Minister for Primary Industry. My political and life experience had helped form my views and developed my thinking on what needed to be done if and when the ALP became a national government again. These were to be put to the test. I realised at the outset that in the case of the industries in trouble, I would be formulating policy in response rather than by initiation, and that commodity policy initiatives were not to be the only ones needing emphasis. For other industries new approaches would have to be taken. In 1983, four of the six State agriculture ministers were in ALP governments, which I foresaw would be generally, but not quite always, helpful. States’ interests can often come first regardless of overall political party policy.

It is fair to say that, as a corporate entity, the ALP does not profess to the possession of expertise in every agricultural production and agricultural resource policy area, to say the least. In Opposition, I had been very alarmed when some of the most senior people in my party told me that we could win elections on the city vote alone. I believe that you cannot have a successful national government unless it includes representatives from every region and sector in our vast continent, and its ministry is made up of people with a broad range of skills and backgrounds. The ALP had and has become more of a city based, factionally divided, white collar, union-influenced party run by professionals (*sic*). But our philosophy, in government in 1983, was not to bend to and support the most powerful forces in our society, but to govern for all on the basis of equality of opportunity, social justice and fairness.

Agriculture’s small percentage of our Gross Domestic Product (GDP) was always a problem too. I became so sick of hearing that the DPI was a spending portfolio, not a policy one that I wrote in protest to Treasurer Keating early in our time in office. As far as the sector and I were concerned, we were to be in the thick of general economic reform. Further, the general economic, social and environmental policies at the centre of the Government’s attention were directly related to primary industry policy change and reform. The fact is that the overall policies directed to domestic economic settings, economic management and the external trade
environment are absolutely crucial for Australian agriculture and rural Australia. This is not least because we export such a high proportion of our agricultural production. I was later to be Minister for Trade and Overseas Development and the primary industry ministerial experience was of immense benefit.

The reality of the ALP’s general view that agriculture was not of absolutely prime concern was that I was usually perceived to be to one side of the Opposition’s, then the Government’s, main directions in economic and general reform - and this could be both an advantage and a disadvantage. Yet, during the period of the Hawke/Keating Governments, uniquely, the ALP became the largest single political party in rural Australia. This took a great deal of hard work, particularly by rural ALP Members of Parliament and the ALP members and supporters in those electorates. It was my colleagues in rurally based seats who would be watching me closely. Except for the Prime Minister, Trade, Industry and Environment Ministers, I knew that my activities would mainly go un-noticed by ministerial colleagues. I was certainly not at the centre of the government’s main activities, policy and programme initiatives other than in economic areas.

One way of looking at the composition of any Commonwealth Parliament in Australia is that rural voters have usually held the balance of power. Taking into account its small numbers compared to Liberal members in Coalition governments over the years, the National Party has been the most successful ‘faction’ or ‘splinter group’ in Australian political history. In general, the National Party and its predecessors have represented some of the poorest electorates in Australia on account of the rural, not necessarily the farm vote, granted that droughts and market downturns can bring agricultural as well as rural poverty. Rarely does the National Party emphasise rural poverty although the statistics on it in such areas as domestic violence, alcohol consumption and poorer health services and other social disorders, are worse than in urban areas. Fewer children in country areas carry on from high school to tertiary studies. The ongoing plight of our rural and regionally based Aboriginal population rarely got a mention. To me the National Party is unquestionably a party of social reaction and economic populism. Like its senior partner the Liberals, it trades on the comfort that comes from the status quo, while quietly advantaging their conservative small and big business supporters in the cities.

Our political opponents were too taken with appeasing the farm vote and responding to the demands of agri-political organisations to adopt effective long term national agricultural, let alone rural, policy. Over 90% of our population lives in urban areas, mostly close to the seaboard. But it seems that the vapid debate of the ‘city versus the bush’ was and will be utilised by the National Party forever. Of course there are differences so let’s acknowledge them, explain them, be positive and get on the front foot, rather than continue complacently to ‘parrot’ an outdated dichotomy to win support. Adhering to agricultural fundamentalism does not advance you far in a rapidly changing world, particularly when Commonwealth

20 While I could have been what I determine to be a truly liberal politician, I could never see myself attracted to the Country/National Party way of thinking, although I believe I well understood their motivation. The National Party domination of the Queensland Government over such a long period, and its corruption and professions of ignorance, turned many thinking people away from it. The Party was only strong in the three eastern States; National Party members in NSW and Victoria were far less strident and less arrogant than in Queensland. Farm organisations were more varied in their politics and behaviour and were prepared to work with State ALP governments. The National Farmers’ Federation, although at one stage under the sway of the ‘New Right’, was best to work with because it was the most competent.
governments had been advocating freer agricultural trade and opposition to the subsidisation and protectionist agricultural policies of the European Economic Community (EEC now EU), Japan and the US.

I knew that the National Party would be unrelenting in its criticism of whatever we, a Labor Government, tried to do, perhaps the Liberal Party not so much, but this is the way our adversarial parliamentary/political system works in a Westminster-style government. I well-remembered the Whitlam days and the problems Senator Ken Wriedt had when Primary Industry Minister dealing with the farmer and grazier organisations. Ken experienced protests by farmers on issues where the previous government had been completely negligent. This was brought home to me most forcibly when he and Trade Minister, Frank Crean, were blamed by the farm organisations, and inevitably by the Opposition, when Japan, unilaterally, shut down our export market in beef overnight as its response to the first of the two oil shocks in the 1970s.

I had had the same experience in Opposition in 1982/83 when, again, the previous government had been negligent, for example in the case of cuts in Rural Adjustment Funding during the 1979-83 drought. In Queensland, it was then illegal for people to hold protest meetings during the dictatorial reign of the Queensland National Party Premier, Bjelke Petersen. I had observed in Opposition that there would not be a squeak out of primary producers when the Queensland National Party Government raised charges and costs to farmers or failed to take action on critical issues, such as the crisis in the sugar industry, which I inherited. Once an ALP Commonwealth Government was elected, the Queensland Nationals (always more contrary there than in the rest of Australia) simply blamed ‘Canberra’ as the explanation for all ills in the farm sector. Countering this was my view, built on observation over many years, that the farm sector, being very open to technical, but not institutional change, was highly adaptable and resilient and that prognostications foretelling doom by farm organisations rarely came to pass.

While I was not as close to farmer organisations as were parliamentarians from the National and Liberal Parties, this could be a benefit as much as a cost. I carried little personal knowledge of key individuals, agricultural politics or the histories of the farm and grazier organisations. What I had learnt came from membership of three such organisations (two minor), experience as a poultry farmer/orchardist, from working in the BAE and from study. But I was fully aware that most if not all farm organisations and farmers were of deep conservative or reactionary conviction and would inevitably become instant critics of nearly everything we, a Labor Government, tried to do. Agricultural fundamentalism and the behaviours that go with it have not changed much during my lifetime. My reading of economics had warned me that one of the sources of agricultural fundamentalism went back to the French Physiocrats who believed that the only people who were important from an economic point of view were those producing food, one of many myths alive and well in rural Australia.

I was a minister responsible for a constituency which voted overwhelmingly against the ALP. This meant that it would be easier for me to take hard long term decisions and introduce resilient policies and institute policy directions to accommodate future change. It would be difficult for me to lose votes, but with little effort, taking account of all of the above, I managed to do so. Allegedly, I single-handedly provoked a gathering of 45,000 protesting farmers outside Parliament House organised by the free market crusading National Farmers Federation on 1 July 1985. Unfortunately we hadn’t managed to fix Australia’s - or the planet’s
- economic, social and environmental problems in a little over two years. Prime Minister Hawke decided, probably sensibly, that he was better placed to address the rebellious hordes than I was. My one big chance to address a mass audience and to deliver and display some masterful, commanding and convincing oratory disappeared!

This was all illustrative of the pure politics of farm organisations which had to be dealt with. Some, such as the NSW Livestock and Grain Producers Association (LGPA), later to become the NSW Farmers Association, simply wanted to bring down the Hawke Government from day one. It needs to be remembered that, in 1983, the ALP had only been in government for three years of the last thirty four. Long standing farm organisations were set in their ideology and predominantly anti-Labor, even if they claimed to be apolitical. Their strategy was to forget about the immediate past (that the Coalition Government had not resolved all their problems) and demand that these be fixed straight away. This did not worry me as long as they did not overtly lie, conduct stunts or openly campaign against the Government on the basis of lies - and that they were prepared to accept that the government had changed whether they liked it or not and could be there for a full three years. Farm organisations, like all lobby groups, are prone to sloganise: 'you can’t be green if you are in the red’, or ‘education is better than regulation’, or ‘we are the true conservationists’ etc. While perhaps apposite, such aphorisms don’t make much of a contribution to the policy debate.

One other problem I anticipated I would face with the farm sector was to convince farmers and their organisations that they were not the only sector the government had to take into account. They needed to understand that what was being done across government in overall economic management and reform could or would assist them as well, and that the many problems we faced, as an agricultural exporter, had their origin overseas and were matters we could only work on slowly - and sometimes do little about.

We were still a very conservative society in 1983 and resistance to change in a federation is always intense because of shifting political alliances in the States and Territories. Food, and with it land, is primal, and the Australian States and Territories have the constitutional power over agricultural production, land and natural resources. This absolute fact of Australian life makes it difficult to govern in terms of one country and even more difficult where agricultural policy is concerned.

Until recently, the Liberal Party had championed ‘States Rights’ above all else. I have always taken the view that it is not desirable to have large regional differences in our standards of living, as is characteristic of the US federation. Early in our short history, it was the wealth generated from wool, then gold and minerals, then wool and agricultural products, and several mining booms which supported the nation as one. Mining does not employ many people once the gold ‘rushes’ and investment booms pass. We now see the inevitable bust of the resource investment boom of the early 2000s. The wealth generated in the manufacturing states in Australia once supported the non-manufacturing states and now it is the mineral wealthy states, which are again supporting the mineral poor. Balance is achieved through the Loan Council, agreements reached at Premiers’ Conferences and a variety of taxation measures. Tax measures in a federation are always fraught and often duplicative and inefficient. In the world we live in, it is essential for us as a nation to determine what is in our national interest and not squabble between ourselves and take pig-headed State based views because of ideology, greed, stupidity or to curry favour with unthinking or uninformed voters.
My Thinking: The Known Knowns, the Unknown Knowns and the Unknown Unknowns

On achieving government, what I did know, and what many of my colleagues did not, was that the dairy, sugar cane growing and grape growing industries were the ones in most immediate trouble and that the cattle and meat industries were in a rebellious mode. I was also strongly of the view that the resource base to agriculture had been neglected. The ongoing effects of the 1979-83 drought were still with us. The fact was that so much had waited for so long to be done in agricultural and natural resource based policy reform.

What I did not know was that I would be the Minister for Primary Industry for such a relatively long period (more than eight years) and be able to instigate some real and long lasting changes. Although reform and autonomous industry adjustment inevitably results in winners and losers, few ministers have the chance to follow up and implement adjustment measures where desirable or when reforms are causing distress. I already knew from my APS experience that administrative follow up of policy reform is always necessary and just as important as the reform itself. But in March 1983, it seemed that there was not a moment to be spared. I anticipated that many of the changes to be embarked on could be case studies in structural adjustment. And I probably didn’t know, and perhaps still don’t all those other unknowns!

I had observed that the agricultural sector always survives, though every individual in it does not, the usual process in most goods producing industries. Coping with our highly variable climate and corrupted international markets as well as the demands of other groups within our pluralistic economy had instilled adaptability and made for continuing autonomous structural change thereby developing a relatively efficient farm sector. This was particularly so compared to the highly subsidised exports and import competition we faced from other richer industrially developed countries.

I started off believing that my approach to policy making would be technocratic, with a strong emphasis on applied industry micro-economics and, hopefully, be evidence based. I believe and remain firmly of the view that expenditure on education and on research and development by governments is by far the best agricultural and also rural policy. The third most important policy issue for farmers and graziers is the provision of infrastructure. All three of these main planks of policy - education, research and development, and the provision of infrastructure - are long term and essential to the implementation of policies of structural reform. Applied industry economics is about scarcity and the optimum allocation of scarce resources. Because many of our export markets were by now marked by surpluses, it was necessary to find policies to effect more efficient national production and to find better ways to allocate resources so that we enhanced our productivity and competiveness and farm profitability. Farm profits do not only derive from the farm gate price.

Again, as I have said elsewhere, there is no sense being in politics unless you like people and want to improve the country’s circumstances. And, I’ve also said that once in government, it is essential to govern for everyone. I thought that I knew enough about politics to survive but I was still learning. I decided, or at least hoped, that I would not ignore the people element, even in an industry portfolio, where long-term unpopular decisions had to be taken. Empathy and

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21 With apologies to Donald Rumsfeld, US Secretary of State, cited from his press briefing 12 February 2002.
emotional intelligence are particularly important in dealing with the people in industries in trouble and the rural disadvantaged.

To repeat, I was emphatic that research should inform policy. I believed then, and I believe now that the best policies are the best politics and that these must be soundly based. The ambition to achieve evidence based policy sounds good in theory, but much policy making requires analysis and judgment as well, because the evidence is often not to hand. There follows the question of necessary compromise and trade-offs in our kind of parliamentary democracy. To look forward on the basis of looking back, and to assess and analyse the problems to be solved, and propose solutions, no matter how well informed, will always meet with resistance from those wedded to the status quo from a vested interest or personal point of view. I quickly learned that evidence itself was not enough. I also quickly learned that judgment is crucial but can be prone to error due to the time constraints of having to arrive at decisions quickly.

I entered the Hawke Ministry with a range of anticipations and formed or half-formed beliefs. I anticipated that much of the Government’s work would be in the economic area. We had a good idea of the economic situation we would inherit before we were elected.

The transition that the Fraser Government and then the Hawke Government faced in the early 1980s was one from industrial capitalism and stagflation into financial capitalism and debt-fuelled growth. The overall economic situation which we inherited in March 1983 was intimidating. On two measures the economy was worse than the one the Fraser Government had inherited from the Whitlam Government with unemployment at 9.9% and inflation at 11.1% - and a looming Budget deficit estimated to be from $9.6b to $12b. Australia went into a recession in 1982: there had been a wage explosion in 1981-82 and the 1981-83 drought (1979-83 in some States) was biting deeply into much of farm Australia.

I was not in the Cabinet until November 1983. The National Farmers Federation (NFF) had strongly lobbied for me to be there. Bob Hawke told me that it was an elderly lady, with tears in her eyes, from somewhere in the backblocks of Victoria, who finally persuaded him. As a cabinet member, I had to be across a broader spread of issues, and also at least be familiar with the many submissions coming before it. This is often a daunting task requiring much reading and discussion with other ministers which I did not do enough of for reasons of time. Of course, any minister loses a few submissions when you first take them to cabinet But perhaps more significantly for me as a Minister for Primary Industry in a Labor Government, as Sir Geoffrey Yeend, Secretary to the Department of Prime Minister and Cabinet, pointed out in the quotation which starts this chapter, I was not walking down the bulldozer tracks: Cabinet was no longer full of farmers to push Primary Industry submissions through.

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22 There was another side to Geoff Yeend. A personal friend, Carol Summerhayes, was his PA. When a Shadow Minister I designed a chook-shed for her house in Yarralumla (ACT). When I became Minister, and thereby an ‘important person’, it was entirely appropriate that I be invited to open it and had a plaque made to record the august occasion. As I was giving my speech to the enthralled throng, a chook (a barnevelder) wandered past. I picked it up, tucked its head under its wing, swung it around several times and put it on the ground where it remained without movement. The ignorant city types then ignored me and became spellbound by the dopey chook (who actually thought it was night time because it was dark under there). Unfortunately an SBS TV crew was present and this is how my unique, and possibly only, contribution to innovative agricultural practice arose – that I could hypnotise chooks. The best line of the day came from Sir Geoffrey when asked if he attended many chook-shed openings. He assured his interrogator that ‘I never miss one in Yarralumla!’
**Down to Business**

I was a detail person but knew little of the detail in most areas. The Department at the time had a deep knowledge of agricultural commodity issues, the impediments to trade and associated economic analyses. In my very first speech as Minister, to agricultural scientists on soil conservation, I said that I intended to establish a bureau to provide scientific and technological support to the Department’s activities, including those allegedly managing our natural resources. I knew that science and economics were hard disciplines to weld together and that science is also different from technology. It took me a little while to establish the Bureau of Rural Sciences, and later Resources, and I could not have done it without the support of Deputy Secretary Noel Fitzpatrick. Noel had been Director General of the Western Australia Agriculture Department and came into the DPI in early 1984.

It was an asset to have an experienced representative of what I called the ‘agricultural mafia’ in the Department and on which the farm sector had depended for so long. Noel knew all the practical pitfalls of policy implementation on the ground and the nature of policy making in a federation. He was cautious but understood farm politics, essential corporate knowledge, and was not obsessed with economics as the only guide to policy. In this Noel sometimes clashed with the economic mindset of Canberra based public service economists. It is commonplace for farm organisations to complain about bureaucrats, due to their support for market based solutions to challenges or the distorted image they have personally of officials. They rarely acknowledge their debt to all the work carried out on the sector’s behalf by publicly employed officials and professionals. They certainly did not seem to appreciate that because of Australia’s history and its circumstances, the farm sector is far better supported at infrastructural level and in administrative and technical terms, than is any other goods producing sector of the economy. The financial resources entailed were and are large.

On 10 November 1982 I had issued a media release on the Balderstone Report. I said that it contained many recommendations which were part of Labor policy. These were the need for a separate and long term policy for drought relief; the need for soil conservation measures; that agricultural extension needed Commonwealth involvement; that agricultural research priorities needed to be changed; that statutory authorities needed regular independent reviews; and that in-out provisions of tax averaging should be removed. It also recommended that agricultural attaches should be placed in Japan and the Middle East; that farmer education opportunities must be improved; and that the Commonwealth Development Bank should be freer to compete with other lenders. The Committee recommended tariff compensation to farmers with a 100% tax deductibility scheme for primary producers. I announced that I could not accept this as it would raise counter claims for protection by all goods producing industries. I was also not in favour of rejecting co-operatives out of hand in favour of companies.

I met Sir James Balderstone on 28 March 1983, the afternoon after his investiture at Government House. Sir James and Peter Nixon had ensured that the Report was followed up with a range of meetings and full discussion in the Standing Committee of Agriculture (SCA) of the Australian Agricultural Council (AAC). It was relevant to the first ten policy priorities that I had to address.
The Canberra Times’s brilliant Geoff Pryor, who came to have a fixation with my ears, illustrating on 11 February 1986 how unsympathetic a Labor Cabinet was to issues concerning the bush.
Chapter 8: Australia’s cattle, sheep, pork and livestock meat industries

Statutory Marketing Reform was to be a key focus for the Hawke Government and the AMLC was one of the first to be tackled. Dissatisfaction with the structure and performance of the Australian Meat and Livestock Corporation (AMLC) gave some urgency to the need for reform. I was aware that there was also a pressing need to address meat inspection and meat product description/quality control and to develop direct livestock selling systems. The development of a national meat inspection service for export inspection was long overdue.

Marketing our product was to require ongoing focus and frequent visits to our major meat trading markets – the US, EEC, Japan and South Korea.

The other main issues for policy focus were animal health and animal welfare with more progress made on the first than the second of these. There was the ongoing Brucellosis and TB Eradication Campaign (BTEC), the problems associated with the live sheep trade and the sensible reform of placing the administration of quarantine within the Department of Primary Industry (DPI). The general public is unaware of the work that goes into quarantine and the crucial importance of it to our agricultural trade. I was also aware that the dramatic downturns in the processing sector had affected the workforce and that there was a need for the retraining of displaced workers.

The ALP’s Red Meat Policy for the March 1983 General Election

With extensive prior consultation, Julienne McKay and I had predominantly written the agricultural, resource, administrative, taxation and other parts of the ALP’s Rural Election Policy. It had been endorsed by Shadow Cabinet and the relevant committee within the ALP. Bob Hawke’s launch of it at Griffith, NSW, on 20 February 1983, emphasised:

“The most pressing problem in Australia’s red meat industries is marketing reform and that any structure needs to be aimed at getting more action and decision making out of the industry by circumventing entrenched priorities and opinions. Labor’s suggested three armed industry structure is, specifically, as follows. Firstly, a revamped AMLC with powers and responsibilities clearly set out and for research to be carried out separately from the marketing body in a specialist research and development body. Secondly, a new Australian Meat and Livestock Policy Committee or Council (AMLIPC) will be established to advise the AMLC and the Commonwealth Government on industry policy issues. Thirdly, a new Australian Meat Marketing Authority (AMMA) will be set up to be the technical and commercial ‘warehouse’, concerned with the tools of marketing and by convening appropriate sub-committees and working groups on unresolved issues. It is Labor’s policy to create a National Meat Inspection Service (NMIS), to establish a single set of standards and a single fee structure and introduce a national carcass description system. With respect to the live trade, carcass trade is preferred to the live trade, and we will work to expand it. However, the live trade is not opposed if it meets professional animal welfare standards, does not affect the renewal potential of Australia’s flock/herds and that safeguards against disease introduction are adequate.”

This policy speech naturally did not include more detailed aspects of the policy and some of this emerges in what follows.
I thought that the suggested structure of a revamped AMLC would remove the ongoing disputes over the cattle and sheep Livestock Slaughter Levies by linking producer funds more directly to the AMLC, processor funds to the suggested AMAA, with government support for AMMA’s technical programmes. In government, I was later dissuaded from the setting up of the AMMA on the grounds of too much bureaucracy and had to find other ways to implement what I thought was a sensible approach. It was this which partially led to the formation of industry policy councils.

The election had been sprung on us by Malcolm Fraser. There is a debate about whether or not he did this to catch Bill Hayden with his pants down. Whatever his rationale, he found that he had Bob Hawke with his pants up and a re-energised ALP as his contestant (not that the ALP under Bill’s leadership would have lost). The early calling of the general election took place only thirteen days after the rural policy launch. This meant two things. Firstly, I was not going to have the time to fine tune or sell a more comprehensive policy document. Secondly, that many farmers and graziers, probably, only had the faintest idea of what the ALP’s policy was. C’est la vie!

**Background to the Cattle Industry**

Australia’s cattle industry is diverse. The industry in the temperate, Mediterranean and maritime climatic zones in Australia has different features to that in the tropical, sub-tropical and savannah climatic zones. The lot feeding industry involves different management practices from those involved in the live trade. There are breeding areas, fattening areas and some producers act as ‘backgrounders’ for the feed lot industry. Many producers also concentrate on production for specific local markets, ignoring export markets.

The cattle industry in Queensland is its largest agricultural industry and it assumes some leadership in cattle industry agri-political matters. There are concentrations of cattle properties in the Brigalow, west of Rockhampton, on the Mitchell Grass plains and in many other inland, central and western areas - anywhere west of the Great Dividing Range. Production for export involves different management practices to production for the domestic market or in preparing cattle to go into feed lots. It is hard, if not impossible, for producers, abattoirs, domestic butchers, processed meat product makers and exporters to be making money at the same time during the ‘cattle cycle’, if one still exists. The conversion of an animal into meat results in a large proportion being off-cuts and mince, it is not all steak or prime lamb or leg ham, and the balance has to be sold.

The meat trade is complex and meat selling brokers have the task of securing sales, not easily won by individual processors. Some small meat works may not have the necessary experience with the documentation and the necessary finance to deal on export markets. Brokers, an important part of the processed beef industry, do not, necessarily, have the broadest vision for the industry. However, many have long standing contracts and contacts, which are invaluable.

The relationship between the meat processors and the AMLC had always been tense, but it is generally the more politically powerful cattle producers who express most dissatisfaction with existing arrangements or personnel within authorities, and drive governments to respond. The cattle industry seems to work itself into a state of anxiety regarding its statutory marketing structure every 12 to 15 years or so. In 1996-97 producer elements within the industry wanted to split the AMLC into several parts. Some demagogues in the industry have managed to
attract attention and some producer support for well over 30 years. The dissent among the various forces at work in the industry had led to long running issues failing to be resolved. Examples of this were carcass classification (meat description), computer aided selling, the point of levy imposition and the incidence of cost (the argument about ‘pass back’, for which see below) and the need for a single export meat inspection service. The failure on this latter issue was also due to our federal system of government, where each state legislated for its own arrangements.

So that there is no doubt, all statutory marketing authorities (SMAs) were paid for by the respective industry by way of industry levies. Wool was an exception, where sheep graziers paid levies for research and the running of the reserve floor price scheme (while it lasted), with the Australian Wool Corporation’s costs being paid for within its business operations. Governments provide the legislative framework so that charges can be levied, but the incidence of these charges was always a cause of some dissent, particularly in the cattle and sheep meat industries. Governments, of course, can assist and did assist by short term funding to encourage desirable changes, usually endorsed by the industry concerned.

The fundamental disagreements among industry sectors had led to the AMLC, or individuals within it, being the scapegoat with constant calls for ‘leadership’ from the organisation, because the industry could not supply agreed leadership itself. In the early 1980s cattlemen were unhappy with the consultative committee system established by the AMLC. The Cattlemen’s Union (CU) had split from Queensland’s more embracing United Graziers Association (UGA) in 1976. There was disunity in the Queensland based UGA including because the more numerous sheep graziers in it at the time had treated Queensland cattlemen with indifference. The CU became the spearhead, or ‘ginger group’ for reform in the industry’s marketing arrangements. However, by 1982 the peak Cattle Council of Australia (CCA) too, was discussing with its members detailed papers for the reform of meat marketing. Andrew Robb, later to become CEO of the National Farmers Federation and later a Minister in the Howard and the Abbott Governments, was CEO at the time. The prominent agri-politician, Sir William Gunn, also brought out a paper proposing a private enterprise based model for meat marketing. State based farm organisations were often at war with their State Meat Marketing Authorities, particularly in NSW. Both producers and processors wanted to control the agenda and under National Party rule, there was always a predominance of producers on statutory marketing and other agriculturally based statutory authorities.

The ‘Meat Substitution Scandal’ of the early 1980s, when out of specification hamburger meat had been exported to the USA, had poisoned a lot of relationships within the industry, with some blame being unfairly directed towards government authorities. The Woodward Royal Commission into the scandal was forensically competent and necessarily stressful for all concerned. It was only when I had a chance to read the Appendices to the Report that I learnt who the guilty individuals and firms were. The offenders were mainly based in Melbourne works and firms but suspicion then fell on all exporters to the US market. Despite the understandable fantasies of cartoonists at the time, it was not all about ‘Roo in the Stew’. Luckily, the alleged substitution of horsemeat and some kangaroo meat probably did not pose a health risk to consumers - it all depends on how it is prepared. The French eat horse meat and many of our domestic meat consumers eat kangaroo.
Tolerance, at best, marked relationships within the overall meat and livestock industries. However, the vision of one group rarely coincided with that of another group and was rarely of benefit to the overall industry.

The outcome of the mid-1970s export crisis was a massive contraction of production and a concentration of meat processing firms, with twelve controlling over 70% of processed meat tonnage by 1980 or so. Our second biggest market at the time, Japan, simply imported no meat from us in 1974. The European Economic Community (EEC) stopped importing our meat and fixed very small quotas for Australia for both beef and lamb - 35,000 tonnes per annum in the case of lamb. By 1983, the EEC had set the import quota at only 5,000 tonnes of Australian beef and veal and 800 tonnes of buffalo, a drop of 81% since 1976. Of the largest twelve processing firms, six were wholly or partially part of transnational firms.

The major corporations in the meat processing sector have a high degree of vertical and horizontal integration. Integrated structures had allowed firms to have opportunities for transfer pricing, including inter-company transfers where, for example, opportunities are provided for substantial profits to remain undisclosed. This can be done by overstating the value of the commodity moving through the market chain, including some off-cuts, the offal, hides and bones etc, which effectively cost an affiliate company next to nothing. If the affiliate chooses to value its purchase at the full market rate, the substantial discount it received from the first company remains undisclosed and its profits are much higher than would appear from accounts statements. In 1986 the company tax rate was 46% but two of Australia’s large agribusinesses paid tax at the rate of 10.35 cents and 4.66 cents in the dollar23. I have no direct evidence that transfer pricing occurred with any meat processor, but the opportunity was there.

The AMLC functioned to advance the interests of processors as well as producers mainly by way of market research and promotion and marketing on the ground in customer countries by AMLC staff. It also engaged in specific product promotion, trade facilitation and market intelligence, on the assumption that there would be measurable benefits for the whole industry. It was understandable, but politically testing, that overseas firms bought into or established feed lots in Australia once the Japanese high quality beef trade opened up in the late 1980s. They helped us develop the trade, once we gained better access, but the inter-company arrangements often meant that the rent (profit) was being collected further down the chain in Japan. Australian primary producers faced strong processing firms, statutory buying by Japan’s Livestock Industry Promotion Committee (LIPC), buying by overseas customers from Asia and investment in new areas of production but not necessarily by the processors.

The disagreement between producers and processors was always boiling under the surface. It tended to favour the producers because whichever way they turned, they were price takers and had no friends in the market. However, the policies to be put in place had to be for the industry as a whole. It was an industry where the main domestic competition came from the cheaper cost, more efficient (in terms of feed conversion to meat) and more rapidly growing intensive chicken and pork industries. How much to spend on promotion by industry marketing organisations was always a moot point. The domestic market is limited and competitive spending by competing meat organisations can be self-defeating. High quality beef is the

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23Capitalism and the Countryside, the Rural Crisis in Australia, Geoffrey Lawrence, Pluto Press, 1987, pp 152-153.
richest of the rich man’s food and many people in Australia cannot afford to eat the most expensive cuts. Price, taste, reliability of product and product description, convenience, image, ease of preparation etc, are all factors in consumer choice.

There was a tally system in operation in the abattoirs, which the processor owners disagreed with because it was said to favour, far too well, all employees. This was because the pay rate of slaughtermen on the abattoir’s killing floor flowed through to all plant workers and on which the union would not negotiate, because it had been so long established in the Award. The union representing meat workers, the Australian Meat Industry Employees Union (AMIEU) had a very difficult job given the tough employment conditions in the industry. The union saw both pluses and minuses in the tally system for plant operators, especially for those that could not work full time. It was generally perceived by the industry that the Victorian branch of the union played the negotiation game so hard that some processing capacity had been exported to NSW and South Australia. Wally Curran was the key union personality in the Victorian Branch of the union. He was at pains to point out to me that he was far more sane than I was because he had a certificate from a psychiatrist asserting such. I always found Jack O’Toole, Federal Secretary of the union, to be perfectly sane. Jack was later to become a member of the Industry Policy Council which I established.

The Victorian based meat substitution situation was not, arguably, as likely to happen in the north of the country, because most of the meat works were seasonal with few domestic outlets, most of which had disappeared before the live export trade opened up in the 1990s. This said, some of the substituted meat originally, allegedly, came from the Northern Territory.

If anyone wishes to see people hard at work, visit a boning room in an abattoir. I had the temerity to place union representatives, or at least people knowledgeable about industrial relations, on some statutorily based industry marketing authorities and research organisations. The industry dominated statutory selection committees, which I established, often avoided the intention of this requirement by appointing prominent people who had industrial relations experience but not from the unionised workplace floor, which I was not happy about.

As already noted, reform or changes to the AMLC and structure of statutory meat marketing arrangements were pressing. Further, the industry and the AMLC were ripe for change. All of the Australian Government’s statutory marketing authorities and boards and agricultural research and development bodies were gradually reformed during my time as Minister. It would be tedious to itemise the background to and detailed characteristics of the industries in each of the ten Commonwealth SMAs, so I will outline the process engaged in with respect to the AMLC as a case study, it being the first and which, in many ways, was the template or guide for all others. Nonetheless it should be noted that each industry has some, if not many, different or unique characteristics which required negotiation and adaptation to arrive at the eventual form of its SMA.

A paper on the possible changes to the AMLC was well advanced in the Department before the government changed. It quickly received my endorsement and was subsequently published.

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24 Among the many toiling in the Department and driving the changes to the AMLC and the general statutory marketing model were the then Deputy Secretary Geoff Miller, Michael Blamey, First Assistant Secretary (FAS), then Peter Core as FAS and their staff in the Meat and Wool Division such as Jim Jenkins (later to be FAS), Eric Waring, George Mackey, Jeff Rae, Dr Simon Hearn and Graham McGregor. Graham was on the Board of the AMLC when I chaired it in the 1990s.
and circulated for consultation. This resulted in a general paper specifically on SMA reform being issued in June 1984, including the changes envisaged and gradually being agreed for the AMLC.

The problems of the 1970s, when our beef trade was devastatingly shut down by Japan, had had a dramatic effect on the cattle industry. The industry crashed. During the early 1970s some 25,000 additional graziers and former dairy farmers took up beef production. At the time the prospects looked good. The beef herd grew from 19 million in 1970 to a record 33.4 million by 1976. New abattoirs were built, old works were renovated and some 9,600 workers entered the meat processing sector. After 1975, farm costs had escalated rapidly and returns declined. Farmers and graziers, who had taken up beef production in the 1970s, turned to other alternatives such as grain and wool production. Some 24,000 graziers gave up beef production, the cattle herd declined by 10 million head, some 25 export abattoirs closed and 9,000 meatworkers lost their jobs. Full time, long term employment for workers in the industry had always been difficult to achieve and the abattoirs in the north of the country were or had been seasonal. It was no wonder that there were strident concerns about the state of the industry and some blame sharing in play.

An Industry Assistance Commission (IAC) report into the meat processing industry in mid-August 1983 recommended an industry-funded labour adjustment scheme but no government assistance to compensate abattoir owners or for any rationalisation of the location and capacity of plants. The labour adjustment recommendation was put in the hands of my colleague, Ralph Willis, Minister for Employment and Industrial Relations. As with other reports over many years, it recommended the removal of the expensive duplication in export meat inspection.

However, while there had been a rapid turnaround in the industry’s size, progress had been slow on carcass classification to better describe the product, on achieving a single export meat inspection service and on the adoption of computer marketing to cut costs. A single meat inspection system had been on the national agenda since the 1950s and carcass classification since 1965. Policy had become a series of poor compromises from disparate points of view. There was some cynicism within industry as to whether better directed structural reform could change the dissatisfaction in the industry by its main, organised players.

The Preparation for Reform

Once I became Minister, I decided that I would have to give as many theme setting speeches as possible, so that key industry groups could be better informed of the Government’s policies and plans. I made twelve major speeches on the meat and livestock industries in 1983, mainly to producer organisations but also to State-based Rural Press Clubs. My first entry into the fray and on the negotiation for reform took place when I addressed a conference of Brahman cattle producers and stud owners in Rockhampton in early April 1983. Being in Government was marvellous. I could fly in a VIP jet to Rockhampton from Canberra, give a speech and be back in Parliament by Question Time at 2pm. I guess at that stage most Queensland cattle producers thought I would have had horns growing out of my head. Having been a chook farmer did not actually fill them with confidence. I re-iterated the ALP election policy and my developing thinking (or possible lack of it) on industry issues. As I have said, it is not generally understood by the Australian public that the farm sector is both resilient (in the common sense of the word) and adaptable. In dealing with farmers and graziers, they need to be convinced where greater productivity increases, efficiency, profitability and sustainability can be found.
I advised the Rockhampton gathering that I would put out a further paper for industry discussion but that my strong view was that the functions of the AMLC should be narrowed, that it should act more as a commercial agency, that its commercial functions should be streamlined and that it must also be specifically responsible to the producers that funded it via the levy system. However, I stressed that marketing must be separated from the industry policy role which would be the responsibility of an Australian Meat and Livestock Policy Council (AMLIPC) and a regularly convened Australian Meat and Livestock Industry Conference composed of and open to all the stakeholders in the industry. This became the corporate equivalent of an AGM, with all producers able to participate as ‘shareholders’ and settle on the levy they would pay for their export marketing organisation to function.

Looking the part with the legendary R.M.Williams, whose support for the Stockman’s Hall of Fame in Longreach was crucial. The founder was an artist, Hugh Sawrey, a former stockman. It was opened by Queen Elizabeth II in 1988.
Knowing that an ALP Minister for Primary Industry was a novelty, I took the opportunity to try to place agriculture in the context of the overall Australian economy and emphasised its inter-dependence. By then, the relationship had been more succinctly set out in the Incomes Accord, at the National Economic Summit and amplified later by the May Economic Statement and later again, by the government’s first Budget. It was not possible to put aside the fact that there had been no economic growth in the previous year, that the inflation rate was close to 12%, the unemployment rate was at 10% (some 800,000 people), the exchange rate had been over-valued and the Budget Deficit was mounting. While the Opposition and farm organisations demanded, or had expected us to solve all problems by Christmas 1983, if not earlier, this wasn’t going to happen.

Ministers Doug Anthony, and particularly Ken Wriedt, had been trying to get more expertise on the Boards of SMAs. I decided that we would establish a statutory Joint Selection Committee for all the organisations that would be created in the reformed meat and livestock industry marketing structure. I did this to gain an industry consensus on the need for expertise, and stressed the need for Boards to act corporately and not merely as delegated representatives of industry segments. I wanted to get away from patronage and to find a way to get the very best people available in the job.

We had to be careful about implementing reform. Because there had been so much dissatisfaction about individuals, we had to build trust in both the people and the structures being proposed.

Purely politically, because I, literally, had hundreds of positions to fill, I wanted to avoid pressure from political parties (also from within my own political party) and agri-political interests to appoint their friends or industry demagogues. This was fine in theory but took a lot of negotiation. I was never completely successful in this and too many of the ‘usual suspects’ continued to be chosen by the selection committees. The yet to be appointed chairs of the various organisations had to be the key people to insist that boards took a corporate, not a representative approach. It was not a case of me not wanting producers on the boards of the SMAs, but that I wanted producers with a broader range of skills than only production as well as some specialist experienced people in other key areas of the functions that the bodies undertook.

I chose Fred Millar, CBE, as Chair of the Joint Industry Selection Committee (JISC). He had a strong business background, which included being Chairman of Thomas Nationwide Transport Ltd, Hooker Corporation Ltd, Clutha Development Pty Ltd. and Medibank. He also had a very large sheep and cattle property. My debt to Fred Millar for the jobs he took on for me is immense. Other members of the selection committee came from the livestock producing sector and the meat processing sector, but with various expertises required on the board.

Fred Millar was initially greeted with some suspicion by industry representatives so I invited the three key industry leaders to a dinner at a Sydney restaurant with him. Within five minutes I was nearly totally excluded from the conversation because they got on so well. More importantly, I could see that the three main industry organisation leaders were in emphatic favour of reform. Maurice Binstead, now with the CCA, Kevin Bowtell from the processors and

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25Unemployment figures always need to be taken with a grain of salt because of the way that governments or the Australian Bureau of Statistics, acting at their behest, defines unemployment. To my mind an unemployment rate of 5% generally means it is in reality about 8% or above.
Ralph James from the Sheepmeat Council, knew that the present state of affairs could not continue. Maurice had become President of the CCA and was the CU delegate on the CCA Board. The UGA still retained a delegate on the CCA from Queensland. Cross-membership is common in farm organisations.

Maurice Binstead, a great cattleman, was one of the founding members of the CU and its second President from 1978 to 1981. Other names I strongly associate with it are Graham McCamley, John Purcell, Ian Park, Jock Douglas and Rick Farley, the CU Director who later became CEO of the NFF during my time. It is best for the CCA to be strong as it sometimes means that, even if a tough negotiating position is being taken, a minister is better off knowing exactly where he stands rather than having a squabbling group to deal with. I always knew where I stood with Maurice even though he knew I didn’t know much about cattle; all hat and no cattle, as they say?

The issue of the cost of inspection fees was particularly vexed as was the level of the slaughter levies. There was a continuing debate about whether the incidence of the Livestock Slaughter Levy fell on producers or processors, the so-called pass-back mechanism, i.e. passed back to graziers via the saleyard price. To my mind it was the producers who paid because they had no opportunity to pass on the incidence of any levy or cost.

It took until the middle of 1984 to get the new AMLC in place and mid-1985 to establish the new Australian Meat and Livestock Research and Development Corporation, replacing the

With Warren Snowdon, Member for the Northern Territory, making friends with a fine specimen of Northern Territory beef cattle.
existing Australian Meat Research Committee. Addressing the September Annual Convention of the CU, I announced that I was going to quickly establish an Interim Inspection Policy Council for Australia’s Export Inspection Service (EIS) within the Department of Primary Industry (DPI) and intended to reduce inspections costs by establishing a single meat inspection service for meat exports. In August, I announced the progress that had been made to date on the EIS, advising that new trade descriptions would be put in place from October. I then itemised moves in ten areas for greater streamlining in the inspection process, including processing meat for Muslims (halal). I had first announced that new descriptions would be put in place in early May. They had been discussed across industry and relevant government authorities after extensive consultation, some of which I had inherited. I appointed twelve people to the Interim Policy Council in November of that year under the Chairmanship of the well respected Bill Meynink from Queensland. Bill was from the UGA and was also Chair of the Queensland Meat and Livestock Authority at the time. Announcing the Council’s membership, I undertook to speed up the process of establishing a single meat inspection service for export meat to cut costs by eliminating duplication. At the time Western Australia, effectively, had four meat inspection systems and each other State had a combination of State and municipal inspection systems.

The ramifications of the meat substitution scandal continued into my time. I had to give assurances, especially to the Japanese, about the absolute safety of our product. Further, the Department of Primary Industry’s then Export Inspection Service (EIS), was tasked to coordinate the visit of eight veterinary reviewers from the EEC in mid-April, 1983. The remit of the visitors was to advise the EEC on which Australian abattoirs, boning rooms and cold stores complied with EEC standards, to be eligible to handle meat for shipment to Europe; not that our access under quota amounted to much; as I have said above, 5,800 tonnes of beef (the 800 tonnes was for buffalo) and 17,500 tonnes of sheep-meat. These standards, which became known as the EEC’s Third Country Veterinary Directive, were very stringent. Some of the EEC’s requirements were outdated and expensive to implement. In April 1984 we were informed that 37 of Australia’s 98 export abattoirs were judged as ‘acceptable’. We were also subject to the standards laid down by US authorities, but our processors and officials knew that the US processing works, not engaged in interstate trade, were well below Australian standards. The rest were subject to strict United States Department of Agriculture (USDA) inspection.

Internally in the Department, one of the impacts of the meat substitution scandal was that the then responsible body, the Bureau of Animal Health (BAH) had been perceived as negligent in its duty. This was also what was propelling the need to establish a national meat inspection service. I thought that there had been an element of unfairness in blaming BAH and was not happy with the clash, which could be described as a classic case of economist/administrators versus veterinary scientist/administrators. I was starting to become aware of the difficulty in policy making where scientists and technical people were concerned and how more bureaucratically inclined public servants were unaware of the role scientists could play. There certainly was a morale problem and some bitterness within the Department.

Market access to the United States and attempts to open up the Japanese market for our high quality beef, as well as our limited access to the EEC, were ongoing concerns. In August 1983, my colleague, Lionel Bowen, Minister for Trade, one of the most decent, fair minded and amiable colleagues that I ever knew in politics, went to Washington following correspondence with their Secretaries for Trade and for Agriculture. Lionel argued that their offer of 262,000
tonnes access for the year ahead, was inadequate and that the 290,000 tonnes we sought would and could have no deleterious effect on their industry. In 1982 we had exported 350,000 tonnes to the US. The US eventually took 267,000 tonnes, only a slight increase on what we thought reasonable and this was for hamburger beef to the US, which their abattoirs could not supply. I deal with the whole question of trade access more fully below.

**SMA Reform and the AMLC**

Consideration of the details of the restructuring of the AMLC was well advanced and on 22 August 1983 I met with Maurice Binstead, now President of the CCA, Ralph James, President of the Sheepmeat Council of Australia (SCA), Kevin Bowtell, Chair of the Australian Meat Exporters Federal Council (AMEFC) and Keith Gooley, Chair of the Australian Meatworks Federal Council. We reached agreement on the package of arrangements, for a revamped AMLC, the formation of an Australian Meat and Livestock Industry Policy Council (AMLIPC) to improve government industry consultation, a Meat Industry Inspection Policy Council (MIIPC) and the establishment of an Australian Livestock and Meat Research and Development Corporation (ALMRDC). Following Cabinet acceptance of my submission, based on what had been agreed, I announced the reforms to the wider community in mid-October.

Board members were to be selected by a Joint Industry Selection Committee of three producer representatives, three processor representatives and an independent chairman appointed by me, once again, Fred Millar. I was also to appoint the independent chair of the two main organisations, and the Boards would each select a full-time managing director.

The Corporations were to act corporately and be accountable to their funders, the levy payers, at Annual General Meetings. Responsibility to the public, i.e. the Parliament and me as the responsible Minister, was to be through five year strategic plans, annual operating plans with financial estimates, published and examinable to ensure accountability. The four part organisation of a marketing corporation, a research corporation, an inspection policy council and an industry policy council (of fourteen key industry people, which was to have a biennial conference) was less complex than the existing arrangements. In early November a very detailed document on the new arrangements was distributed to industry and made publicly available. The personnel now had to be put in place.

The membership of the selection committee, composed of the independent chair, Fred Millar, and three members from producers and processors, was announced in early February 1984. In mid-February, Bill Meynink, Chair of the MIIPC, announced how the Council would carry out the examination of inspection costs in the meat industry. The MIIPC furnished me with their first report by May; it was quickly on the job. In early April I announced the appointment of the ten member Interim Meat and Livestock Industry Policy Council (IMLIPC) under the independent chairmanship of Nick Evers, a former trade official and diplomat with his own economic consultancy business. On 10 May 1984 I appointed Dick Austen to be Chair of the restructured AMLC from 1 July 1984. Dick had been on the AMLC Board since 1979 and had an extensive career in coal mining and on energy matters, being Chair and Managing Director of the coal mining company, Austen and Butta Ltd. He also had a cattle grazing property in NSW.

His was to prove to be one of the best appointments I ever made and Dick remains a valued friend to this day. I would say that Dick could skate on thin ice better than anyone I knew. But it went far beyond this. He was a consummate negotiator. He had a vision for the industry, knew how to handle people, was wisely diplomatic and worked tirelessly, despite it being,
allegedly, as I had assured him, a part time job, that is, no more than seven days a week. He convinced the industry that it had to be consumer-driven, not production-driven. Bill Hunter, ex BHP, was later announced as AMLC Deputy Chairman.

I brought the legislation for the restructuring into the Parliament on 10 May 1984. Change was being embraced by the industry and in my speech I gave assurances to producers that they would be protected in the restructuring. There was some mischief afoot, with the National Party still running the line or lie that I was not in the Cabinet. I addressed the first meeting of the AMLIPC on 1 June 1984, and Nick Evers later reported how well it had gone. In early July I was able to announce all the names of the people appointed to the AMLC and the ‘permanent’ Industry Selection Committee and also the Policy Council. Membership of the ongoing Australian Meat Research Committee, pending the establishment of the AMLRDC, with David Wright continuing as interim Chair, was also announced. All key Chairs and their Boards were now in place. Again, in this month, I addressed the Tasmanian Farmers and Graziers Cattle and Sheepmeat Councils on the changes and also some new arrangements, involving a split in meat inspection fees, following Bill Meynink’s report to me.

The following excerpt from the 1983 policy document shows what was on the agenda as we went forward:

*Labor will:*
- *create a National Meat Inspection Service (NMIS) which will establish a single set of standards and a single fee structure; NMIS will involve States in policy and administration but Labor believes management at grass roots level is essential;*
- *assign responsibility to NMIS for trade description; meat quality/hygiene and the supervision of halal slaughter, charge AMLC with ensuring that contract specifications are met;*
- *require all meat inspectors to meet NMIS standards, with retraining at Commonwealth expense;*
- *introduce a national carcass description system to provide the trade with a basic common language;*
- *develop direct livestock selling systems; and*
- *require the AMLC to co-ordinate the development of a national livestock reporting system to provide producers and processors with more objective market information.*

**The New Arrangements in Action**

In early August, following agreement reached at the Australian Agricultural Council (AAC), I announced a review of the objective trade description arrangements applying to exports of Australian beef, veal, sheep meat and pig meats. A working party was set up under the auspices of the Inspection Policy Council with AAC’s own working party on livestock and meat to interact with it. Interested parties were invited to make submissions. Mr Baden Cameron was named as Chair of the working party with nominated members being agreed to by mid-September with a twelve month time schedule to report back. The working Party reported by July 1985 and, once it was considered by the AAC, the report known as Objective Meat Export Trade Descriptions (OTD(E)) was released for adoption by the trade. The AMLC endorsed the Report’s findings and set about implementing them. A plan was drawn up by the end of September. It would achieve cost savings of up to $12m *per annum* in export inspection by measures directed to streamlining. This was to work in with other cost saving measures and
was made on the basis of scientific studies, changes in disease patterns and alterations to marketing requirements.

This and other changes caused some angst in the industry and the processors sought and were given a hearing with the Prime Minister. The link person in the Prime Minister’s office for primary industry was David Buckingham, who was later to become CEO of the Australian Business Council. He knew what we were doing, or could be quickly informed on the issues by talking to Tony Gleeson or Julienne McKay in my office. The request from industry was for a moratorium for two years on the export component of the meat inspection charge. The change had been put forward by the MIIPC. The legislation before the Parliament provoking their concern proposed a split payment system, with a charge at slaughter and a levy at the point of export to prevent diversion from export to domestic works. Bob Hawke backed me firmly saying that the Government would consider an industry revival package if something unexpected happened, should the AMLIPC develop and endorse it. The proposals were passed by the Parliament and were to apply from 1 December 1984. The levy of 2.4c kg on export meat was not designed to financially disadvantage exporters, but to bring more transparency to the charging mechanism. Cattle producers believed that it was the first time that processors had specifically paid for export inspection, but still thought the charge would be passed back to them via the price they received in the saleyard.

A pause in the process of establishing the new arrangements occurred on 1 December 1984 when Prime Minister Hawke called an early election, which the ALP subsequently won, but with some losses. To change from a concentration on policy and administration to the political was never easy and was very disruptive to the governing process. If the Government had changed I thought the new arrangements may survive, but the National Party would have changed the personnel appointed or selected to the structures being established.

In January 1985, the Board of the AMLC appointed Peter Frawley as Chief Executive of the organisation. Peter was a born trader, having been a senior official in the Department of Trade, and very astute commercially. I knew Peter well from the sugar negotiations in Geneva on a new International Sugar Agreement concerning market access in 1983 and 1984. Under the new arrangements, Dr Bruce Standen, who had been the AMLC’s Director of Economics, became Deputy Managing Director. He became Managing Director in 1989 when Peter Frawley resigned. Bruce continued in this role when I later chaired the Board of the AMLC (1994-96), before I was sacked by the Howard Government.

In mid-August I had announced that the Government had approved $12.28m for meat and livestock industry research for 1984-85. I had long been convinced that it was essential for industry research to be separated from statutory marketing. Experience had shown that market research sometimes took too big a role in industry research due to the nature of the task before the marketing authority and with a marketing board making the principal decisions on research direction. Further, when SMAs were predominantly composed of farmers, there was a tendency to continue with projects that were getting nowhere due to industry pressure, for example, mechanical shearing and automated cattle slaughter.

I wanted the field of research providers to be opened up and made more competitive. Further, I believed that a research committee, board or corporation would be better served by having a more specialised chair and group of board members to direct its activities. An all-industry approach required a lot of deep thought. In October I announced that the Government had
decided on the structure, powers and operating methods for the new research and development body to commence from 1 July 1985. Legislation had yet to be enacted.

The members of the AMLRDC were announced in mid-1985 and I appointed Dr Peter McInnes as independent Chair. Peter was a consultant with the Australian Centre for International Agricultural Research (ACIAR) and previously Chief of the Division of Animal Production in NSW and Dean of Agriculture, Queensland Agricultural College. He was very well qualified but I was under pressure to re-appoint David Wright. I was keen to have a new start and I did not like telling David of my decision. I am not sure how he took it, but I thought not well. The Wrights were and are a very prominent New England family and I also came to know Edward and his wife, Sally, and Richard Wright. The Wrights were very much associated with the University of New England, where I got my first degree. David later fell victim to a bank, the ANZ, which suddenly foreclosed on him when he was developing an innovative approach to cattle production and meat marketing.

In November 1985 I announced the membership of the Research Councils Selection Committee, which was to cover all the research and development committees, councils and corporations in the Primary Industry portfolio. Dr Kevin Foley, who I had known in an earlier incarnation, was appointed Chair and was assiduous in reporting to me. He was followed by Dr Peter McInnes when his term finished with the AMLRDC. The now late Peter McInnes continued his research career, carrying out solid work under contract for the Rural Industries Research and Development Corporation (RIRDC), which I later established.

In the 1985 Budget, the Government approved a $7m, four year package to advance the new arrangements being put in place. This followed a recommendation of the AMLIPC. Two of three areas of concentration were to be on export trade descriptions and a nationally agreed market reporting and product description language, which was essential to the adoption of Computer Aided Livestock Marketing (CALM).

The new arrangements had been put in place and the industry had a chance to make progress. Now I/we had to see how they worked in practice.

If, and it is a big if, the delivery of 56 speeches and distribution of 371 media releases can be a measure of activity, 1986 proved to be my most busy year. This was outside of Parliamentary work, which required much national and international travel and does not include the work involved in meetings with constituent bodies, Party committees and departmental officials. The farm sector was revolting, with the NSW Livestock and Grain Producers (LGPA) leading the charge, sometimes quite irresponsibly, but at least its leadership was honest enough to state that it was intent on bringing the Government down.

Blessedly, the meat and livestock industries, in terms of their new arrangements, were rather quiet. An all day meeting with Austrade, (the commercial arm of the Trade Department), the chairs and senior executives of the 11 primary industry marketing authorities and me was held and aimed to improve Australia’s trade performance. More thinking was going on in the Government, particularly in Trade Minister John Dawkin’s office, on the whole issue of competing in what were politically corrupted international agricultural markets. Nick Evers finished his chairmanship of the AMLIPC when he was elected to the Tasmanian Parliament. In May I appointed Mike Jenkins as chair. He had held very senior public positions in the APS and in private think tank institutions in the US.
In June I released a report on the EEC’s ban on the use of growth promotants in animal production. The report had been requested by the AMLIPC following industry concern that they would now have to provide costly guarantees for non-offending product. The total trade with the EEC only amounted to between $50m and $80m a year but was well worth holding onto and, as tiresome and expensive as it was, we complied. Scientifically, the ban was, to some extent, nonsensical because naturally occurring hormones were common in animal feedstuffs and, while motivated by legitimate health concerns it was, effectively, another trade barrier. Some of the promotants were antibiotics and it needs to be understood that the use of antibiotics as a growth stimulant justifies a ban, or exceptionally close management, due to the lowering of the effectiveness of their use as medications for humans.

There was always a debate about whether or not the antibiotics used for animal production were the same ones used in humans. Antibiotics entering the waste streams of water, and being then re-cycled, as occurs in Europe, were and are a particular concern of the medical profession. The EEC’s decision required a lot of effort from the States because they were responsible for the use of any growth promotants. This was another matter for the Commonwealth to raise with the EEC to see how we could restrict onerous, costly and unnecessary monitoring procedures. Basically, most Australian livestock were reared in open range conditions. The Prime Minister obtained a commitment from the EEC in one of his forays into Brussels, for early consultation with Australian authorities.

With John Button, Minister for Industry, Technology and Commerce, I convened a meeting of employers and employees to investigate what could be done to develop a productivity enhancing strategy for the meat processing industry. Employers and employees welcomed the move which, basically, involved co-ordinating work by the private sector, the unions and the new structures for the industry at statutory level. Some sound progress was made. John and I could never understand why branding, which spoiled hides for processing, continued to be carried out. It was almost as if we were tackling a culture somewhat akin to my failure to convince lamb producers to call their product ‘prime lamb’ not ‘fat lamb’. However, it was then explained to me, by graziers, that branding was the only permanent and reliable proof of ownership, particularly in some of our vast grazing areas. Also, producers had never been rewarded for not branding and any change ran up against State legislation.

**Sheep and Lamb Meat**

The emphasis in the meat trade tended to be on beef in the mid-1980s, but lamb and sheep meat were not forgotten. In 1984 I increased the Lamb Slaughter Levy to enable added investment in lamb production and the promotion of lamb. The mutton exporters had a legitimate complaint with this as the extra funds were not directed to mutton, which was mainly exported by two exporters. One, Roger Fletcher, a very progressive abattoir owner from Dubbo, made his views well known to me. Mutton is still a great meat but needs to be cooked slowly; time is not something that city people believe they have a lot of. I grew up on mutton. It was always important to stress to lamb producers that they had to meet the wishes of the domestic market.

After a lot of work by the industry and the AMLC, the extra effort resulted in the introduction of the Lamb Plan. Gerald Martin, who was later on the AMLC Board with me in the 1990s, needs to be given the credit for this. The system allows producers to track the level of improvement in their flocks, based on selected Australian Sheep Breeding Values (ASBV) by comparing the performance of rams, measuring improvement in the rate of genetic gain and
an ability to achieve more reliable meat specifications. There was some experimentation with
other than the usual breeds used in Australia for prime lamb production. Lamb producers
were always a good deal more open minded than wool producers. I do not think this technique
in selection is as advanced as the genomic selection technique used in the dairy industry of
Best Linear Unbiased Prediction (BLUP), but I may be wrong. At the time of writing (2013) I
know that some very sophisticated genetic work is being carried out by the CSIRO and UNE
on both sheep and cattle, but not for the wool flock.

Ongoing Industry Issues

The meat substitution scandal still managed to give sustenance to people wishing to damage
our meat industries. Allegations, without substance, were made about kangaroo meat
substitution in 1987. Some allegations were serious enough to require close scrutiny, for
example one in Queensland where it was alleged goat meat was being put in with sheep meat.
It is very hard to tell the difference; world-wide more goat meat is eaten than sheep meat. Such
allegations were damaging and again provided a Godsend for cartoonists.

Re-appointments and new appointments were made to the various corporations and
committees to ensure some rotation within them and to bring in new expertise. I re-appointed
Dick Austen as Chair of the AMLC, following a few changes in the Board. Bryan Kelman, Chief
Executive of CSR Ltd, was appointed Chair of the AMLIPC in September 1987. In July I was
pleased to launch the system of Computer Aided Livestock Marketing (CALM). The man in the
AML who was most closely associated with CALM was Howard Gardiner; he persisted with
it for many years. CALM enabled geographically separated sellers and buyers to enact
transactions by electronic means. It provided another marketing option, better market
intelligence, saved marketing costs, provided greater feedback from abattoirs to producers
about carcass quality and protected stock from bruising and stress by one less journey. CALM
market reports were to be comparable throughout Australia and to the use of standard
AUSMEAT descriptions. John Hall’s name is the one I most associate with AUSMEAT. He was
followed by Ian King. I must record here the way that Dick Austen, Peter Frawley and Bruce
Staden pursued both CALM and AUSMEAT and so assiduously backed the AMLC’s ‘spear
throwers’, such as Gardiner, Hall and King.

The latest system guaranteeing meat quality (Meat Standards Australia) based on taste testing
can be regarded as an adjunct to and derived from the experience of AUSMEAT and certainly
has in no way replaced it. Both systems were fought by the owners and operators involved with
sale yards and some state marketing authorities. Going to sheep and cattle sales was one of
those cultural or social aspects of rural life that was hard to overcome. People, understandably,
also like to exercise their judgment by visual assessment of the stock before them.

There were always industry spokespeople who advocated the adoption of the deficient US
grading system, because the Japanese were used to it. I always thought Japanese buyers were
smarter than that. AUSMEAT was a thoroughly researched meat description system.
AUSMEAT provides the underlying integrity for all meat trading and descriptions. It also
brought rigour into the processing industry, including a standard language so that buyers of
product knew what they were buying. For example, a standard hot carcass after one standard
trim with fat cover measured was specified. Even abattoir equipment was audited by
AUSMEAT. I never thought it was ever properly understood, or was chosen not to be
understood, by all the trade and various segments of the industry were opposed to its use. I
may have been wrong but no-one in the trade ever sung its praises to me.
One issue that took a lot of time and caused grave concern for the AMLC and the Government was the detection of a chemical residue (an organochlorine), initially in, I thought, four samples of Australian hamburger beef in the US. The level was such that a person would have to eat tonnes of meat to have any effect on health. The use of organochlorines such as DDT and Dieldrin, (for tick control) in both countries had been prevalent and no doubt background levels remained. However, the fact was that the samples had exceeded the accepted Maximum Residue Limit (MRL). Dick Austen informed me of the problem in 1987. We decided to work as quickly as possible within the framework of arrangements in Australia and our knowledge and contacts with the trade and officials in the US.

Fortuitously, Dick Austen was in the US when the detection first became known leading a delegation of our industry leaders (Bill Bonthrone, Wally Peart, Ian Kennedy and Ian Park). A meeting with the USDA was held and the AMLC’s lobbying firm swung into action. Some US Congressmen were threatening to completely stop the trade. Noel Fitzpatrick, Deputy Secretary of DPI and Bruce Standen entered into negotiations with the importers. US cool-rooms were full of Australian product, all of which had been bought FOB, that is, the importers had paid for the freight. The AMLC, the exporters and what had now become the Australian Quarantine and Inspection Service (AQIS) handled the problem well. We could only work on the basis of trust - trust that we had built up at industry and official level. I had several meetings with the AMLC, with it up front and me in the background phoning principals in the US. This was when I learnt that it is absolutely essential for key public servants to have personal contacts with their counterparts in customer countries, even with the live trade. Dr Gardner Murray, Director of AQIS, now an international consultant, had built credibility and trust over years and he became an essential participant in all that ensued.

In August the US agreed to allow the entry of beef produced before 25 May 1987, which was about the time of the initial detection, but subject to more intensive inspection by US authorities. There continued to be no restriction on entry of beef after this date. With our cooperation, the US classified those plants in Australia where there was no assessed problem and there was intensified port-of-entry testing and additional sampling and testing for other plants to be presented to the USDA before entry. All this was expensive, but absolutely essential to preserve the integrity of the trade. The AMLC put an Integrated Action Plan into being with $10m support from the Commonwealth Government over three years. This contribution was to set arrangements in place and to continue with an overview role, while Commonwealth and State authorities engaged in a detailed examination of properties and areas assessed to be of medium and high risk. AQIS engaged in a major campaign to inform all livestock producers of the dangers of using of some farm chemicals. I also wrote a letter to every large animal producer to reinforce the message in mid-1987.

In January 1988, I was able to announce the reduction of less intensive lot testing for chemical residues. Any incidence, or nil incidence, of chemical residues was entered into a register of properties held in a National Data Base. This led to a National Residue Database and Survey for which Cabinet agreed to $1m to upgrade computer capacity. The Survey was managed by the Bureau of Rural Science, which I had established. By this time we were testing over half a

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26 When I became Minister, the Department had an Export Inspection Service and the Bureau of Animal Health. By 30 June 1986 the Bureau had been replaced by the Australian Agricultural Health and Quarantine Service. On 30 June 1988 both organisations became the Australian Quarantine and Inspection Service.
million samples annually. We had a residue status significantly better than that for the US, New Zealand and Europe.

The Liberal Party and National Party split on the issue when Liberal Senator Lewis moved for a Senate Select Committee to be established on agricultural chemicals. The National Party spokesman on Primary Industry issued a statement denying any Coalition involvement. I had already announced that I would establish a national registration and clearance system for agricultural and veterinary chemicals. At the time, each State had their own system of registration and I was convinced that there was just as much variation, in terms of matters to be taken into account, within States as between States. The Democrats, who had the balance of power in the Senate, agreed to support my move. Fortunately Senator Lewis did not win Democrat support. If he had, the Senate would have embroiled itself in a lengthy and pointless exercise trying to establish guilty parties for the beef industry’s residue problem.

Arrangements were changed in mid-1989. Lot testing was reduced by targeting only 4,000 beef properties nationally and put in the hands of AQIS, with the balance of 135,000 properties reverting to testing under the Survey by sample. No residue had been detected since November 1987 and by the time of the new arrangements, over 800,000 individual samples had been tested under the new arrangements. In September 1989 Treasurer Paul Keating and I announced a taxation concession to spread profits from any necessary cattle disposal over five years. Some producers had to dispose of most of their herd for pet food and thereby had a once and for all increase in income. The total cost of our necessary response to the detection was approximately $35m.

Out of the experience I grew to know some of the key US importers of our product through the ports of Baltimore and Philadelphia. They were ‘characters’, as we would say, in what was a cut throat business. The whole experience was a chilling and expensive lesson in ensuring that our product was absolutely safe. Another incident occurred in the mid-1990s when cotton seed fed to cattle in feedlots had slightly contaminated our product. The chemical involved, chlorfluazuron, was known as helix or CFZ. This time we were prepared, but we had to deal with the Japanese Ministry for Agriculture Fisheries and Forests (MAFF) and authorities in Japan’s 47 Prefectures, a more difficult job than dealing with the US.

In June 1988, Brian Kelman, Chair of the AMLIPC, announced a review of the AGM structure after considering a motion passed at the AGM the previous December. The Senate had moved an amendment to the bills on the restructuring of the AMLC, opining that the proportional voting arrangements at the AGMs be amended. The complaints from the levy payers were about voting entitlements, and the cost of maintaining a register of AMLC shareholders entitled to attend, and how few actually attended. Doug McKay, former Secretary of the Department of Primary Industry, had provided a report to the AMLIPC recommending statutory levy arrangements in early January 1989. I was grateful that the Council could come to a united view on the issue that had been subject to so much angst in the industry. The AMLIPC recommended a transaction levy on cattle sales, a per kilo levy on beef and veal production and maintenance of the current per head slaughter levy for the sheep, goat and buffalo sectors. I saw problems in the ad valorem approach, as did Doug McKay in his report, because while there would be greater variability in the level of revenue raised and it would be costly to administer.

Being taken with the idea of allowing industries to stand on their own two feet, in February 1988 I agreed direct responsibility for the application of a range of meat trade descriptions to
being transferred from AQIS to Australian meat exporters. This move made exporters directly accountable for the accuracy of meat description. The trading language of AUSMEAT was becoming better accepted, if not totally accepted, and AQIS took on the role of monitoring the accuracy of the description language.

There was a concern about vertical integration of cattle raising, processing and sales outlets being associated with investment in our cattle industry. A Tokyo based reporter said that we were going to develop a land register based on ethnic origins, which was a fantasy. Treasurer Paul Keating and the Foreign Investment Review Board examined the issue and I referred it to the AMLPIC. In December 1988, I released its report, the issue by then causing excitement among agricultural and rural protectionist populists. There were some advantages in allowing investment by customer countries (mainly Japan) because this enabled us to become more aware of market requirements. However, this did not mean that we could ever regard Japanese government authorities and business's as being flexible.

I took the view that such investment, should preferably involve joint ventures, that there should be upgrading of meat processing works, where this was relevant, and that such proposals should open up direct lines to overseas distribution networks and marketing organisations. I had worries about the mercantilist mindset of the Japanese and the transfer pricing issue. It is fair to say that the Japanese may have taken the rent (profit) from the trade in Japan but the firms provided capital, employment and closer knowledge of their complex domestic market. Protectionism and economic nationalism will always be issues for governments in Australia to come to grips with. The National Party and the far right in Australian politics will always emphasise these questions which were the cause of one of the basic splits with their coalition partners in the Liberal Party who are more relaxed about foreign investment.

Eventually some in the AMLIPC thought I was taking too much notice of the AMLC on matters still vexing the industry. Works shutting and industrial disputation continued to be disruptive, particularly in Victoria. There was a problem in the Gunnedah Municipal Abattoir in 1988 when the processing chain sped up from 495 to 600 beasts per hour when the number of inspectors remained the same at seven. Remarkably, the Prime Minister had to respond because he was asked a question without notice in the Parliament by Ralph Hunt, Member for Gwyder, querying the reason for the decision not to increase the number of inspectors. The Meat Inspectors Association (MIA) had ongoing problems with their Commonwealth employers. The debate on inspection costs was aggravated when the Government decided on 100% full cost recovery for inspection costs in the 1990 Budget.

Many views (some vexatious and self-interested) on the structure of the AGM were being put forward, stimulating debate during AGM meetings. Disputation was also always present on the work of the AMLC, particularly when marketing and public relations firms kept thinking they could carry out promotion better and gain a slice of the promotion dollar. I was amazed at the number of marketing, advertising and market tracking agencies, firms and strategies as well as celebrities of the moment, which were constantly being recommended to be commissioned to conduct domestic promotion for the AMLC. To me, this showed that the Policy Council had to continue to work to gain more agreement within the industry, not to bring the AMLC down. Senator Peter Cook, Minister for Resources, my co-Minister after 1987, and later my colleague Alan Griffiths, when he later also become Minister for Resources,
participated with me in a lot of the atmospherics of ongoing debates on the structures I had put in place and were engaged in many consultations, to find compromise solutions.

I took the view that the AMLC had very successfully performed its role in the areas of market access, market information and marketing systems and that marketing and promotion were being well performed in the interests of the industry. Changes in the ownership in the abattoir industry, in retailing, in the personnel in key institutions and cattle organisations all created their own dynamic. Before I departed the scene I honestly did not think that I should start to develop a new policy structure for the industry; we had been here before many times in the past. Other people, ideas and interest based cases were coming forward at all levels and future decisions would be made by others on the basis of, hopefully, well considered evaluation. Not much was changed when the government changed in 1996, though it was obvious that some people I regarded as vexatious or self-interested were being listened to by the National Party.

The Quest for a Single Export Meat Inspection Service

The most exhaustive and comprehensive recent report on meat inspection at the time was that of a Parliamentary Committee chaired by Bert Kelly, MHR. The Kelly Report released in 1980 after some 12 months of investigation, considered seven options, two of which were then considered by an Australian Agricultural Council (AAC) Committee. State operated inspection services drew the Committee’s most extensive opposition. The Woodward Royal Commission into the Meat Substitution Scandal was the latest but only one of many reports over decades which advocated a single export meat inspection service. I first met the Meat Inspectors Association (MIA) in 1981. The Association strongly endorsed the principle of Commonwealth inspection at Head Office level but advised that some of their State branches, specifically Victoria, were opposed. The Association published a small booklet which set out all the advantages and reasons for the establishment of a single service.

The inspection system I inherited was that the DPI oversaw and co-ordinated the inspection and health certification of all animals and meat for export, some 24 categories in all. The actual inspections were carried out on behalf of the Commonwealth by the State and Northern Territory departments responsible for agriculture with their costs being reimbursed by the Commonwealth. Because the quarantine power resided within the Commonwealth Department of Health, the Minister for Health, Dr Neal Blewett at the time, and I had to jointly announce the rates applying for Commonwealth re-imbursement. In the 1983-84 Budget the Government endorsed the 50% recovery of costs principle adopted by the Fraser Government in 1979. From 1 July 1983, we announced that the Commonwealth would commence charging industry, for example for slaughter cattle, $2.00 per head for the first hundred and then $0.50 per head for the remainder within each consignment. It was eminently sensible for the Commonwealth to use the export power in the Constitution where export meat inspection was concerned and it provided a means whereby duplicative inspection costs could be limited. The move to put pressure on the industry by meeting 50% of the assessed cost of inspection was a spur to action. How to obtain a single export inspection service involved much negotiation with the States, with the relevant unions and complicated by administrative changes within DPI.

The establishment of the Inspection Policy Council (IPC) gave impetus to the Government’s move from industry, given its wide spread of interests - producers, consumers, unions and crucial State government and Commonwealth government officials. The Council was to cover all exports of all products where government certification was required. The Council also gave
some assurance to interested parties that efficiency, costs of inspection and principles of cost recovery would be subject to constant scrutiny. As noted above, Bill Meynink, Chair of the Inspection Policy Council, acted with expedition. My long time friend, Jack Hallam, NSW Minister for Agriculture, quickly decided to join the Commonwealth in the National Inspection Service (NIS) arrangement. This was in February 1984 and was followed by a willingness on behalf of the NT Government to begin negotiations in May. Thankfully, the Minister, Ian Tuxworth, Minister for Primary Production, could see the sense in having only one inspection service.

In June, as a result of the intensive analysis being carried out, I announced a reduction of about 20% in the costs of inspection but, also, that charges for any domestic inspection carried out by the NIS would involve 50% cost recovery. The new charge in the cattle industry was $2.55 per head and 2.4 cents per kilogram (bone out equivalent) at the point of export. Again, and as noted above, we moved to arrive at objective meat export trade descriptions and put in place a review in August. Ongoing work showed that we could achieve substantial cost savings by the streamlining of inspection methods. This demonstrated the benefit of putting pressure on industry by the 50% cost recovery measure and of meat inspection being carried out in some plants for both export and domestic sale.

The main resistance to the new approach came for processor exporters, but we held the line. I had one difficult meeting with Victorian union representatives who were implacably opposed to the Commonwealth takeover. Perhaps there were still sensitivities about the role of Victorian abattoirs in the meat substitution scandal? By mid-November both Governments were able to announce that dual fees in Victoria would be phased out, with savings to the industry estimated to be $0.8m in a full year. Officials from both Governments then worked hard on the detail with the aim of full domestic and export inspection by the Commonwealth by mid-1985. The Liberal National Party Opposition in Victoria fought and blocked the full amalgamation in the Upper House, in spite of the fact that single export inspection was Opposition policy at national level.

A review of the NSW arrangements released in May 1987 showed that the single service in that State had resulted in a saving of $13.6m in inspection fees alone in the first year. In the same month, I announced new charging arrangements based on a split charge, with a basic charge for per carcass on the slaughter floor, and a charge per kg on a bone out basis for product exported. In March 1985 we were able to announce that agreement had been reached for the transfer to the Commonwealth of the domestic meat inspection function, in export registered works in Queensland, with estimated savings of only $1.9m annually. This negotiation was sealed with an agreement, with the date of the transfer to be 1 April 1985. In August 1985 I announced that the Commonwealth was prepared to streamline charging arrangements to retain the existing situation voluntarily, or adopt one where a flat rate charge would be levied for each plant and then the actual cost of inspection for that plant only would be exacted. This avoided any cross subsidy whereby more efficient plants were subsidising the more expensive and less efficient. We were moving rapidly to a fee for service approach to inspection.

In May 1986 Minister Neal Blewett and I announced that the Quarantine Act would be replaced by a new Act to deal separately with human quarantine, to remain with the Department of Health, and animal quarantine to be managed in DPI. The basic Act had not been changed since 1908 and I had been pushing for the split despite the reticence of the
Department of Health. It was out of this decision that the opportunity to establish the AQIS came.

In June 1986 a co-operative agreement was signed with Tasmania for the Commonwealth to provide inspection in licensed domestic abattoirs. It was of assistance for Nick Evers to have become the Tasmanian Minister for Agriculture in the Liberal Government in Tasmania. The importation of animals, plants and goods was covered by the new arrangement. This was particularly important in the case of animal disease with prevention, for example the breeding programme being carried out on Torrens Island in South Australia with sheep and goats to prevent the introduction of the disease, scrapie.

In May 1987 I announced a review into all aspects of Australia’s animal and plant quarantine arrangements with a very strong committee of four to be headed by Professor David Lindsay, Dean of the Faculty of Agriculture, University of Western Australia. The other members were Dr Gardner Murray, Deputy Director of AQIS, a professional I had great faith in, Mr Bruce Brown, general manager of NZI Securities Australia Limited and Mr Peter Jenkins, a plant pathologist and former Director of the Burnley Plant Research Institute in Victoria. It was this committee’s recommendations which set in place the structure of our quarantine arrangements. Our quarantine preparedness was later to be further enhanced by a report by Professor Mal Nairn in 1996, the Australian Quarantine Review, at a time when bio-security was becoming even more important.

More Responsibility

The ALP won the General Election held on 11 July 1987 and I remained the portfolio Minister in Cabinet but with added responsibilities. I now had stewardship of what became the Department of Primary Industries and Energy (DPIE) with my colleague, Peter Morris. Peter, my co-minister, was to be known as Minister for Resources.

We took over the Department of Resources (minerals and energy) and gained extra responsibility for minerals, energy and resource trade matters in addition to agriculture, fisheries and forestry. This was as a result of a decision by Prime Minister Hawke to create ‘super-ministries’ so that all portfolios were represented in Cabinet by one person from each Cabinet portfolio. The new arrangement made sense from the point of view of the running of Cabinet, but it was difficult to put into effective action. The Whitlam Government had set up 37 Departments, which proved to be unwieldy. Hawke’s change certainly avoided this. Peter was my equal in every way and I thought it best that we divide the enlarged portfolio between us rather than give the impression that we had downgraded the minerals and energy part of the portfolio. Together we were now responsible for policy on a very large part of Australia’s goods export earnings.

The new arrangements came into place on 5 August but Peter was appointed to another portfolio after only eight months and I had to re-negotiate the share of responsibilities when West Australian Senator Peter Cook, became a Minister for the first time. This was not easily agreed but announced in March 1988. We split the functions of both the former Departments down the middle to the extent it was possible. The deficiency in this arrangement was that we had to have regular meetings and officials had to brief both of us. AQIS was one of the key parts of the portfolio which became Peter’s responsibility and was the function that employed most of the Department’s people.
Peter had a strong industrial relations background and to my mind was the right man for the job, but the final settling of the aim to achieve a single inspection service for Australia then became his responsibility. I am not sure when Western Australia may have signed up, but it was the last one to do so. It had a very complex system of inspection, some being in municipal hands but the growing live sheep trade had long been with the Commonwealth. I can say that the single export meat inspection pledge, while I was Minister with overall control, we nearly succeeded to achieve.

Mudginberri

In May 1985 a dispute arose in an export processing plant at Mudginberri, 200 km east of Darwin, in the Northern Territory which involved Commonwealth meat inspectors, the MIA. The genesis of the dispute was the NT Meat Processing Award (NTMPA) 1984. The dispute was whether engaged contractors should work under the tally system or simply under contract. The works owner, Jay Pendarvis, interpreted the award to mean a ‘payment by results system’. On 6 May an article appeared in the Business Review Weekly, which said Pendarvis, had been granted a loan of $2m from Westpac, one of our ‘big four’ banks, and that the conservative NT Government had made an advance of $992,000 to Pendarvis, attached to lines of credit. The NT Government had switched its $1.3b account from the Reserve Bank to Westpac. I had heard that there was a dispute underway in the NT and this confirmed that the NT Government was well involved. The dispute was between the Australian Meat Industry Employees Union (AMIEU) and the Meat and Allied Trades Federation of Australia (MATFA).

The DPI was not a party to the original dispute, which was over the acceptance of the NTMPA. Members of the MIA were drawn into the dispute when they adhered to ACTU policy of not crossing picket lines. This first occurred on 10 May. President Keogh of the Arbitration Commission convened a meeting of the parties on 24 May 1985 and the MIA sought a meeting with the ACTU on 3 June. The DPI, as employer and not a party to the dispute, sought a compulsory conference in the interests of the industry. I met with the representatives of the CCA concerning the dispute at Mudginberri on 27 June 1985 pointing out that the MIA had no court orders against it and that we should all try to conciliate the matter.

The CCA wanted me to direct MIA members to cross the picket line on the assumption that non-union labour would commence slaughter again. The unions had cleared all processed stock and veterinary officers from the Professional Officers Association (POA) had supervised the boning out of export product already processed, but it was then declared ‘black’ by the AMIEU. I did all I could to resolve or limit the dispute, but it became a matter for the Government with Bob Hawke and Ralph Willis, Minister for Industrial Relations, involved. I was an amateur where industrial relations were concerned, but from an agricultural point of view I wanted to limit the dispute to the one abattoir rather than provoke a stoppage to shut down all abattoirs processing meat for export.

As the dispute dragged on, it was conveyed to me that members of MATFA had a public and private position and were aware that other exporters did not want the trade shut down because of a dispute in a small, remote works. This was because they needed to meet the agreed quota with the US and not imperil future years’ quota access under the system in place. The US Meat Import Law (MIL) involved a countercyclical voluntary restraint arrangement, meaning that high imports in one year may require lower imports the next year and that if the quota was not met in one year, it could also be lower in the next. The qualification to this definition was that in reality the MIL was set on the basis of the US cattle cycle. The voluntary restraint
arrangement was a way in which the US could operate the MIL without contravening the GATT.

The Department suspended the wages of MIA members twice for refusing to work. Members were not prepared to cross picket lines because they believed they were in danger and that their actions in crossing the picket line would provoke an escalation of the dispute; these were the criteria at the nub of the Australian Council of Trade Unions (ACTU) policy and seemed to make sense to me. On 24 June the works management asked DPI to suspend export registration and the works then commenced production for the domestic market, which did not involve the MIA. It would be tedious to outline all of the ensuing court proceedings, which continued until December 1985.

The National Farmers federation (NFF) became heavily involved in the dispute as they, like MATFA and the CCA, saw this as a chance to break the tally system once and for all and initiated Section 45D hearings of the Trade Practices Act (restriction of trade). As a result of this the AMIEU was fined $144,000, under the terms of the Act, for contempt of court at a time when it had been on strike for four days over two months. The NFF was coming from the then 'New Right' position of wanting to break union power and the dispute became highly political with debates in both Houses of Parliament in August. On 17 October 1985 I made available to the CCA and the NSW LGPA (there had been a related strike in NSW) all legal advice and information that I had on the dispute and the reasoning behind the Commonwealth’s actions. Some cattlemen were asking that the Government break the Export Control Act to allow meat processed at Mudgeinberri for domestic consumption to be allowed to be exported. This would have put our whole export trade at risk. Damages claims ensued and various parties were suing each other leading to extensive court action well into 1986. Everything the Government and I did was to try to resolve the dispute; we acted legally and on advice at all times.

On 3 February 1986 I met with the IPC to discuss the position the Department and the then Export Inspection Service (EIS) had been placed in and that clarification was needed on the safety of inspectors and that the national interest needed to be protected. Hearings on outstanding matters were still proceeding in the Federal Court and the Administrative Appeals Tribunal. The Government had decided to appeal one decision of the Federal Court to the Full Bench of the High Court to gain greater clarity on the exact position that members of the MIA and POA could be placed in. I can’t find in my records what the High Court’s decision in the matter was and which the Department took forward, nor can I recall it, but the matter was settled and few northern works remained. I understand that financial and political backing for Pendarvis faded away and that he eventually went broke. I thought that he had been used by the crusading ‘New Righters’.

**Market Access and Trade Negotiations**

It is important to understand that until 1987 all trade negotiations were the responsibility of the Minister for Trade and the Department of Trade. However, the Minister (Lionel Bowen at first, later John Dawkins, followed by Michael Duffy) and our two Departments worked together on agricultural trade matters to the extent that when I was abroad I was effectively a Minister for Trade and accompanied by Trade, as well as DPI, then DPIE officials, who were reporting back to their Minister and departmental seniors.
In 1983 Australia had its access to the US, EEC and Japanese beef and lamb markets limited by quota within what were massively protected domestic sectors. Quantitatively the US quota was a lot more valuable than the other two, but was constrained by the MIL, under the voluntary restraint arrangement (the MIL was first enacted in 1964). The formula for the US quota allowed some variation of the annual, permitted quota tonnage and was just as concerning in principle as the EEC and Japanese markets. Japan only allowed us to export a small tonnage of high quality beef (HQB or ‘Hilton beef’) with the balance being, basically, in manufacturing grades. Because of the reality of the post WW2 war situation, the US had the whip hand (provision of the nuclear umbrella). In terms of negotiation with the Japanese Government for more open access, the Americans shared the same ambitions as we did to liberalise the market. The Japanese did not believe, or chose not to believe, that we had the capacity to supply high quality beef. They had ostensibly become wedded to the US grading system and because US production was so large the US could more easily divert a relatively small proportion of top cuts to exports from an established grain fed cattle industry. We, too, could meet any demand but could not re-structure our industry until the quota system was changed.

Rightly or wrongly, I had formed the view that we needed to change our strategy because of the failure of all Commonwealth governments to date to gain some or any concessions from the EEC on the question of access for our commodities. While we certainly needed to continue to argue about the economic stupidity of the EEC’s Common Agricultural Policy (CAP) and at a commodity by commodity level, we now also had to argue in terms of protecting international markets from their massive subsidisation by the EEC and the US. I thought it nonsensical to keep on protesting about what had been decided in 1973. Australia produces commodities. The Eurocrats used to tell us to sell value added products into their more open product markets. For Australia, this was very difficult due to our colonial legacy and the reality for any Australian food manufacturer. If it wasn’t already owned by a multinational firm, which favoured us having a derived manufacturing sector, Australian firms did not believe that it was possible to gain a toehold in the vast European market in items such as, for example, smallgoods and preserves, in competition with European firms, which had well established distribution networks and contractual links to supermarket chains.

Japan

The negotiations to open up the Japanese market were very much a co-ordinated effort between Prime Minister Bob Hawke, Lionel Bowen and me, our personal staffs and officials of our three Departments. Lionel, John Dawkins and then Michael Duffy were all involved in the negotiations with Japan. The Cabinet and ALP Caucus Committees were involved and kept informed. The people in the Department of Trade that I mainly worked with were Darren Gribble, Ron Hall, Don Kenyon, Ron Maxwell, Graham Thompson and David Spencer; David was in Japan and understood Japanese officialdom and Japanese cultural mores well. During the period of the mid to late 1985 negotiations, Dr Bruce Standen, Darren Gribble and Jeff Rae (from DPI) made some 12-14 visits to Japan in negotiation with officials and the trade, spending some of the time ‘stalking’ US officials to keep them honest.

What transpired was a classic case of a bilateral negotiation under the umbrella of a multilateral trade agreement, the General Agreement on Tariffs and Trade (GATT).

Statistics for the beef trade with Japan were very confusing: there were three often quoted sets of statistics that were, or can be, used to quantify Australia’s and the export tonnages of other
countries to Japan. They can be by carcass weight, by product weight (or shipped weight), by calendar, fiscal or Japanese Fiscal Year (JFY), which runs from 1 April to 31 March each year, and the figures quoted by source from either the Australia Bureau of Statistics based on surveys, or the AMLC as reported by exporters.

The way the system worked in Japan was that the Livestock Industry Promotion Committee (LIPC), an Agency within the Japanese Ministry for Agriculture Fisheries and Forestry (MAFF), would issue and then later announce the results of the tenders for quota beef, which it had called for by category, and exporters then responded by competitively tendering. This required some industry co-ordination in Australia, but our exporting firms, having opened up the Japanese market in the 1970s and since in investing and catering for it, were well attuned to responding rapidly. There was also an out of quota import market for beef, declared as offal by the Japanese, which was more competitively bid for, but was distorted in practice to our disadvantage vis a vis the US.

After the disaster of 1974-75, when Japan ceased beef importing, the Japanese market came back strongly. The published tonnages for Australian exports in 1976 (after the ALP had lost government) varied from between 79,688 tonnes (product weight), 94,534 tonnes (calendar year basis) and 106,772 tonnes (carcass weight) for quota beef and veal. The reason to convert to carcass weight was to take into account the fact that some exports were bone in, some were bone out. For non-quota beef Australia’s tonnage in 1976 was 21,866 tonnes (calendar year basis). By 1983 the comparable figures were 95,244 tonnes (product weight), 101,128 tonnes (calendar year basis) and 132,027 tonnes (carcass weight) but the market had gradually expanded and was largely taken up by the US. By 1983 Australia’s share of the quota market

With Prime Minister Nakasone, discussing beef and other trade matters. On my right is Sir Neil Currie then Australia’s Ambassador to Japan; a top public servant.
had dropped from 82.5% in 1976 to 67% or by 50% if non quota beef was also included. Our percentage of non-quota beef exports had dropped from 43% to 10% by 1983. The US had increased its tonnage from 7,854 tonnes in 1976 to 50,301 tonnes in 1983, an increase of 82%. This increase was mainly in diaphragm beef, which competed directly with the less expensive grades we were required to supply as per our quota tender specification27. Also, the US had more than trebled its exports under the quota mainly in the primal cuts area. Rather than continue to itemise the various tonnages I will now only use shipped weight for the purposes of comparison.

This was the situation I inherited and which formed the basis on which the Government, the AMLC, the industry and I had to negotiate with the Japanese, namely the opportunity to export more of our high quality grass fed chilled and aged frozen beef, which was cheaper than grain fed beef and primal cuts and which had a ready market in Japan. We also had to illustrate the unfairness of allowing so much diaphragm beef to be imported from the US. Depending on the figures used the whole Japanese market was indicating imports could be of up to 190,000 tonnes in JFY 1983. Apart from the US and Australia, New Zealand was the only other significant exporter, with up to 6% of the market.

By August 1983 no progress had been made in negotiations despite two formal rounds of discussions with Australian officials. Japan then unilaterally announced a quota of 72,000 tonnes for first half JFY 1983 without formal arrangements for future access being settled. Lionel Bowen visited Japan in August 1983 to express our concern and spoke with key ministers. This was before the visit of President Reagan in November, during which he was expected to exert pressure on the Japanese to expand beef access. A further round of technical talks at official level was held with the Japanese in October 1983. Very little resulted from these talks except an agreement to have further talks at the end of JFY 1983 - possibly a good sign? Japan was heading for an election and it was thought that this may allow beef access commitments with the US to be completed as a way of clearing the decks before new ministers came to power? Prime Minister Hawke travelled to Japan in late January 1984, raising our concerns on the progress of beef negotiations with Prime Minister Nakasone.

In March 1984 Lionel Bowen and I met with Geoff Jones, the ongoing Chairman of the AMLC, Maurice Binstead and Kevin Bowtell to discuss the negotiations underway at official level to try to secure more market access into Japan. We decided that we wouldn’t seek any privileged access, but only negotiate reasonably for some part of any expansion in their market, emphasise our track record in having pioneered the market, stress what higher quality beef we could provide and that we would act on the assurance by the Japanese that it would not deal with third countries at the expense of Australia. What was worrying was that although we were more than easily meeting the granted access (quota) for the tonnage, it was dropping as a percentage of the market as it gradually expanded.

Not long after, the US secured an updated trade deal with Japan. This immediately put pressure on the Commonwealth Government to act. The Cattlemens Union (CU) and United Graziers Association (UGA) were not amused by the Opposition’s stunt of making statements,

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27 Diaphragm beef is a cut which comes from the plate or under-belly of a beast between the brisket (which is above the front leg) and the plate (which is forward of the back leg). It only weighs up to 700 grams per animal, is a v-shaped pair of muscles, has an inedible membrane down the middle, is not particularly tender, but is flavourful, and is best marinated before cooking. The British call the cut ‘skirt’. Only the US could supply the tonnage sent to Japan from such a small cut.
which were both dishonest and damaging. The Opposition was fully aware of the fact that the Japanese Government would not move until it chose to and that claims of its superior performance in government did not stand up to the facts. The challenge was more serious than making political points. Australia’s share of the Japanese market dropped from 64% in the year of the much heralded Agreement signed by the Coalition Government with the Japanese in 1979, to 50% in 1983 at the end of the Fraser Coalition Government.

The Fraser Government had initiated technical discussions with the Japanese in November 1982 to discuss post 1983 import arrangements. Japan’s response was negative. Negotiations during the Hawke Government did not reach a conclusion until June 1984 with an announcement of the settled final details in November 1984. The Australia-Beef Agreement then ran from 1 April 1984 to 31 March 1988. It had previously run until 31 March 1983 but the Japanese extended the old Agreement by a year so that it would be coincident with the US Agreement which ran from 1979 to March 1984. This was unsatisfactory but there was not much we could do about it on coming to office in March 1983. For what were called domestic political reasons, the Japanese refused to hold formal talks in 1983. They denied that this was due to a lack of progress in negotiations with the US. It wasn’t as if the now Opposition didn’t know what was going on. The Anthony-Okawara Agreement signified Australia’s acceptance of a 3,000 tonne quota increase in JFY 1983 and the timetable for future negotiations set by the Japanese. It was essential to continue consultations with key industry players on trade issues so that the industry damaging political attacks by the Opposition were blunted.

While US negotiations were proceeding, ours were not. There was cooperation between the US and us but we were being put more in the back seat. In March 1984, after what was apparently significant progress in negotiations with the US, Japan said it was prepared to hold further discussions with Australia, but not on the basis of the interpretation of the assurances received by Prime Minister Hawke. The Japanese were also not prepared to talk about actual tonnages or outline the state of negotiations with the US. In April 1984, after more than 12 months, negotiations between the Japanese and the US were nearing completion. Japanese officials confirmed reports that the final outcome would be based roughly on a two to one ratio increase in HQB to grass fed beef, again discriminating against us. On 7 April Japan and the US announced a guaranteed increase of 27,600 tonnes for HQB over four years, any additional access being for grass fed. Prime Minister Hawke wrote to Prime Minister Nakasone to again express our concern.

I first visited Japan on 11-12 April 1984 for two days of discussions with MAFF officials and a preliminary conversation with Minister Shijiro Yamamura, Minister for MAFF. I met Foreign Minister Abe and MITI (Industry Ministry) Minister Okonogi, who seemed more aware of Australia’s case. I made no progress in talks with Minister Yamamura, but he agreed that any expansion in tonnage would not be at the expense of other importers, agreed to negotiations between our officials on 10 May 1984, the results of which would be reviewed when I next visited Japan. He also agreed to meet Maurice Binstead in Japan in late April. I was on my way to trade talks in South Korea, at the Pacific Economic Cooperation Conference, representing Lionel Bowen. Top Japanese and US Ministers and officials were present and Bill Brock, US Trade Representative, and I made similar arguments on the need for market opening in both Japan and South Korea. By this time South Korea, Taiwan, Singapore and Malaysia were our fastest growing markets, but from a low base. Secretary Bill Brock (minister in our terms) was fully aware of the US negotiations and assured me that he understood that we should not be discriminated against. He was openly rather critical of the Japanese in the
meeting and, sitting beside me, was giving me verbal bullets to fire. I understood that international politics was based on exceptionally courteous language to disguise suspicion but that trade matters were about negotiation on the basis of some mutual satisfaction. The language of diplomacy requires dissembling. I didn’t think Australia had the same throw weight as the US, so I didn’t use Brock’s bullets. It is very important to understand that the US had a massive trade imbalance with Japan - in Japan’s favour. We had a trade imbalance with Japan - in our favour. At one stage the imperturbable, taciturn Japanese Trade Minister smiled, but Brock thought it could be wind. As soon as Brock left the trade conference so did the Japanese delegation. It was a great lesson for me; the Japanese were only interested in what the US had to say.

I wrote to the Prime Minister on my return because he and his staff, particularly Dr Ross Garnaut and David Buckingham, were taking a keen interest in the issue. I advised him that it was obvious that the Japanese were breathing a sigh of relief now that the highly political deal with the US was over and that they could deal with Australia more in keeping with the ‘Japanese way’. I advised that Yamamura was obviously under heavy pressure from his majority Liberal Democratic Party (LDP) and LIPC and there were assessments that he would not last long. The LDP had been in government almost constantly since WW2. There had been a critical reaction in the Diet to the US deal, so this was not reassuring. MAFF was particularly opposed to any accommodation with Australia but at least my visit had caused a flurry in the media and I had made the case most forcibly. I was concerned that the Japanese promise not to discriminate against third countries was code for a semantic interpretation of the status quo.

I held more consultations with the AMLC and industry. Neither the industry nor we were happy with the US deal and both the CCA and the Government issued statements to this effect.

On 7 May 1984 I received a comprehensive analysis and background documents from the BAE on Japanese beef projections. This took into account, and gave me a sound understanding of, the role the Japanese dairy herd played in their domestically produced beef. Holstein bull calves were being fattened for the meat trade. The numbers of brown and black native Wagyu cattle numbers had only risen a little since 1978 but the dairy herd had increased rapidly. Much of the Wagyu industry was at ‘cottage’ industry standards, 2-3 animals per owner. The highly marbled Wagyu meat was eaten by the elite and this was part of the reason why those in power preferred to import marbled grain fed cuts from the US. Taking various technical sensitivities and price elasticities into account, there was a gap between the BAE’s and MAFF’s estimates of the effect of more beef being imported without harming the Japanese domestic industry.

In the discussions of May 10 1984 the Japanese indicated that they were prepared to set a global quota of 175,000 tonnes, amounting to only an increase of 1,600 tonnes per annum for grass fed beef for Australia. This was hopeless from our point of view and discussions at working level continued. I travelled to Tokyo on 15 May 1984 while on my way to China to sign an Agricultural Cooperation Agreement. I made limited progress in my discussions in Japan. I met Prime Minister Nakasone, his Deputy Minister Fujinami, LDP agricultural leaders as well as Minister Yamamura. These discussions were to review the progress made by officials in the week before – which had not been much. All I received was an indication of what the Japanese ‘had in mind’.

Some background on Japanese politics is warranted. The beef negotiation experience was a crash course in Japanese politics. At the time Australians were in awe of the economic success...
of Japan. However, reconstruction after the devastation of WW2 had impoverished the Japanese through the 1950s and it was only in the 1960s that their industrial products gained a reputation for high quality and started to dominate world markets. Their cattle industry was based on draft animals until the 1960s and the ruling generation was only too well aware of the aftermath of the War. It did not take long to work out that it was close to being a one party, but democratic State, with very powerful bureaucracies, which more than guided all major government decisions. Under-employment was evident. Their mercantilist economic model depended on exports and the system worked exceptionally well at the time. A highly efficient export sector subsidised a feather bedded domestic sector. Ministers were not expected to know much about their portfolio and promotion seemed to be by way of each minister’s turn, except for the most important ministries. Some members of the Diet (Parliament) from rural areas were dependent for some election funds from the LIPC, the government committee within MAFF, which mainly diverted funds in support of Japan’s domestic cattle industry.

Diet members from other agricultural areas and city areas were also supported financially by industry. In similar ways to the cattle industry, there were Members known as rice men, cement men etc, all in the hands of strong lobbies.

The import quota regulations in terms of the kinds and quantities of meat to be imported were complex, anomalous, detailed and changed as time went on, for example, the US was able to and allowed to export large quantities of diaphragm beef, which undercut our end of the market. Without going into all the details, basically the LIPC administered 80% of the annual import quota and the difference in the import price and what the domestic market was then charged, financed its operations. A report by the BAE in 1986 estimated the rate of protection at up to 210% and that the quota rents available to the LIPC were in the order of 158b yen annually for grain-fed beef and 748b yen for grass-fed beef. There were, roughly 100 yen to the A$ at the time - a good revenue source.

A round of consultations had been held with industry and officials to seek their advice, listen to their experienced views and inform them of government thinking prior to the 10 May negotiations at working level in Japan. When I went back to Tokyo on 15 May 1984, I had very formal discussions with Prime Minister Nakasone, Acting Prime Minister Fujinami and Minister Yamamura. We discussed what had, basically, not progressed at the meeting of officials on the 10th. The Japanese gave us an idea of what they had in mind for the future level of the Japanese meat quota. The specific figure was disappointing but at least they were willing to discuss specific figures. I again raised the proposition of how Japan might be able to improve our access qualitatively by permitting the entry of more chilled and aged frozen beef. It was clear that there was strong Japanese demand for the leaner, less expensive meat that we were able to supply. I again raised the issue of the unfairness of the diaphragm beef issue.

During my 15 May discussions, DPI Secretary, Lindsay Duthie was speaking with other Japanese MPs and officials. Lindsay had had ongoing discussions with Ambassador Konishi in Canberra. A MAFF vice Minister and a Mr Hata advised that the Japanese demand for grass-fed beef would gradually increase. An acting Foreign Minister had told him the Cabinet had discussed beef imports that morning and that Japan and the US had made ‘mutual concessions’. Mr Yamanaka of the LDP said that Australia should blame the US for our

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28 The BAE provided an enormous catalogue of analyses and information on trade and market access issues. Dr Andrew Stoeckel, Director of the BAE until 1986, made this direction a feature of the BAE’s activities. Andrew was followed by Dr Rob Bain and Dr Brian Fisher.
predicament and advised that in due course improvement in qualitative terms would be made for Australia in chilled and aged frozen beef. Mr Yamanaka’s views were unexpected. He said perhaps we should pursue action in the GATT and that we should invite key LDP Diet Members to Australia. Mr Tamazawa of the LDP said that Australia should be able to export grain-fed full sets under the proposed LIPC ‘translation’ system.

I next flew to Tokyo on 14 June 1984 and had a useful round of consultations with other ministers such as Mr Abe, Foreign Minister, and the MITI, as well as with Mr Yamamura, leaders of ‘agricultural opinion’ in the long-term LDP and then had lunch with Mr Yamamura. Mr Abe said that we must work within the basic framework of our friendly relationship, at the ‘working level’. Our officials, who had been working in Japan for years on the issue didn’t seem impressed. However, some progress was about to be made.

I had a brief lunch with the Minister who then had to depart for a meeting in the Diet. The Minister left his senior adviser to continue the luncheon conversation. He had been the principal person negotiating with the US and we knew the extra tonnages that were involved and how the quota regime suited the US. I asked him some calculatedly innocent questions. Why did the Japanese Government believe that it had to develop or subsidise producers some of whom had one or two head of cattle (Wagyu) I asked? He said that Japan had many hills and that they needed cattle to graze them. Ah, I said, an industry for camera purposes? There was no response. He then made reference to the need for food security and I pointed out that Japan was totally dependent on the Middle East for oil-energy security. Silence followed. He then told me that Japanese people have smaller intestines than Europeans and that they can’t eat as much beef. I responded by offering to provide pathologists to check on this. He glared at me and didn’t seem too impressed. He then said that I had to understand that if we did not concur in letting the Japanese have their way it might bring about another burst of imperialism in the population. I observed, WW3 for a thousand tonnes of beef?

We met again in late afternoon and a minor concession was made. As I have said, the US had secured an overall increase of 6,900 tonnes over each of the next four years (27,600 tonnes). In terms of the overall announced increase in total import quota tonnage, the US was to be given a 70% increase. This meant that all that was available for Australia was 1,600 tonnes over each of the next four years. However, that afternoon, our officials had learnt that a concession was to be made to us. We were to be given an overall increase of 9,000 tonnes, that is, a little over 2,000 tonnes extra per year. The only improvement in the conduct of the overall trade was a relaxation of LIPC quota rules to allow a sub-quota for a Simultaneous-Buy-Sell (SBS) so that companies could conduct direct negotiations in terms of details of contracts between buyers and sellers. I tried to engage the Minister in detail on the reason for this but my Embassy interpreter, Stephen Kentwell, was simultaneously translating and the Minister's advisers were saying “do not engage the Gaijin in detail”.

The Minster was keen to take my wife and me to dinner. His squadrons of officials and of the LIPC were keen to take the Australian delegation to an exquisite Japanese restaurant, to dress them up in kimonos and inveigle them into playing Japanese musical instruments. The Minister’s beautiful wife was present at our dinner in an exclusive restaurant and, after dinner he suggested that we abandon the women and go out on the town. I said that Australians had plenty of double standards but that we normally didn’t make such suggestions in front of our spouses. He said that there was no problem for him as his marriage had been arranged. As we left, Mrs Yamamura presented June with a small square box. When we got back to Australia
we were stunned to find that in it was a ten strand necklace and bracelet of pink water pearls, which June subsequently bought after declaration and valuation\(^{29}\). All in all it was an instructive day in my education about Japanese politics and culture. I believe the ‘concessions’ were made because Prime Minister Nakasone was visiting Australia in July and he didn’t want this aspect of one part of our trade with our largest trading partner to dominate talks. But Prime Minister Hawke still took the issue up strongly with the Prime Minister Nakasone.

The next round of official discussions was scheduled for 16 June. Talks, discussions and negotiations continued in Japan. On 20 July I had to announce that they had ended without agreement on any general trade liberalisation. It was clear that the Japanese now had everything on hold until the latest agreement expired in 1988. The US, New Zealand and we were negotiating with the Japanese individually but sharing information. I should emphasise that the AMLC, the trade and its agents and officials in the Australian Embassy also strenuously continued with negotiations and discussions at various levels throughout all of this period.

On 2 July 1984 Australia’s share of the LIPC’s ‘non-Hilton’ beef tender for first half JFY 1984 quota was 66.83%, US’s was 26.49% and New Zealand’s was 6.18%. Australia and New Zealand shared all of the chilled beef tender. We were holding well onto what we were allowed to tender for. After the deal, unhappily accepted by the Commonwealth, the AMLC, the industry and the CCA, and officials still had to reach agreement on text of the agreement before it could be signed by responsible ministers and governments. Both the US and Australia were negotiating word by word, trying to establish a basis for moving to full trade liberalisation after 1988. Both countries were playing the word game hard (clauses in square brackets). The US stated that the arrangement as it stood was inconsistent with Japan’s obligations under the GATT. Officials from Trade and DPI discussed the near agreed wording of the texts with industry, which would lead to an exchange of letters and eventual ratification by governments. Both the AMEFC and the CCA accepted the stage that had been reached in full understanding of all that had been done, but the CCA reserved the right to possibly make a statement critical of the handling of the negotiations. In the event, it didn’t and Lionel Bowen and I finally announced details of the Beef Agreement with Japan to the public in October 1984.

I next met Japanese ministers in Tokyo in mid-June 1985 as part of the Australia-Japan Ministerial Committee, which was also attended by Foreign Minister Bill Hayden and Industry Minister, John Button. Mr Sato had become the Minister for Agriculture Fisheries and Forests and I took the opportunity to give him a stock-take of the importance of Japan as a major market for our agricultural products and our developed knowledge of the needs of Japanese consumers. I raised the growing trade in lamb, which Mr Sato volunteered had provided us with an opportunity. I also raised the Japanese attitude to beef access post 1987 but got little indication of what it may be. At the end of November 1985 I was able to announce an increase in our quota allocation of 9,000 tonnes, which was consistent with the 1984 agreement.

The regular technical talks (every six months) and policy talks (annually) at official level continued to take place. In 1986 I appointed Peter Grey to Tokyo to act as an Agricultural Counsellor in the Embassy. In talks in Tokyo in September 1986 it became clear that the LIPC was using ‘administrative guidance’ so that the SBS system favoured grain fed product. By the first half of the JFY our share of access under the system had dropped to 18% while the US had

\(^{29}\) Then ministers were allowed to keep gifts of up to $A200 and to pay the surplus on any gift valued at more than $200.
risen to 82%. Fluctuating exchange rates and a drop in LIPC stocks were leading to a less controllable situation by the Japanese. The Japanese conceded nothing, said they understood our position and that the next talks would be late February 1987. On 20 January 1987, the Department and I did a stock take of the negotiations and started formulating an approach for the post 1988 arrangements. We were planning to take Japan to the GATT on 4 May 1988 to keep up the joint pressure for market opening with the US.

Extensive discussions with key industry groups were held on 7 May 1987 including on trade liberalisation and possible Japanese investment in Australia. Most thought total liberalisation was not possible and were divided on allowing any overseas investment should markets liberalise, although South Korea had already invested in an abattoir in Dubbo, NSW, which was seen as beneficial. Basically, industry told us that we should fine tune the existing arrangements and work hard to identify where we were best placed to meet consumer demands in Japan. In August 1987 the now Trade Minister, Michael Duffy, and I were pleased to announce that Australia’s quota for the second half of Japan’s fiscal year (1/4/1987 to 31/3/1988) had been increased to 121,000 tonnes taking the total for Japan’s fiscal year to 214,000 tonnes, 37,000 tonnes above the tonnage written into the then current beef access agreement; the market was opening a little.

My next significant visit to Japan was on 18-20 November 1987. I met again with Minister Sato and made the usual round of appointments stressing the Australian position and utilising all information we had on the development of the market and the way the agreement, which expired in March 1988 may be supplemented if the quota system was to stay in place. It was a job that had to be done. In February 1988 the Japanese announced a global beef quota of 102,000 tonnes for the first half of JFY 1988, less than expected. There was no doubt that they were keeping it as low as possible for negotiating reasons.

I visited Japan for an extended period from 24 March 1988, pressing the Australian position with ministers and officials to the extent I could. The Japanese Prime Minister was now Mr Takeshita. By this time I had my negotiating words off pat and didn’t need briefing. I met MAFF Minister Sato, the LDP Secretary-General Abe, Mr Watanabe, Chairman of the LDP Policy Council and Mr Hata, Chairman of the LDP Agriculture Committee. On 9 April 1988 Foreign Minister Bill Hayden and minister for Trade Negotiations, Michael Duffy, and I announced that we were going to take Japan and South Korea to the GATT.

The crucial year was 1988 and negotiations by the US and Australia intensified. On 17-18 April, officials from the DFAT and my Department, the now Department of Primary Industries and Energy (DPIE), met with a Japanese delegation, led by Mr Hamada, Deputy Director General of the Livestock Bureau in MAFF, to discuss future arrangements post the 1984-1988 Agreement. We proposed a uniform ad valorem tariff. We were told that Australia would be treated the same as the US. The Japanese were still refusing to proceed with GATT Article XXIII consultations. We were told that it was not possible to abolish the existing quota system at this stage. The Japanese proposal was what we understood had been put to the US the previous week. The US wanted a modified SBS arrangement (which worried us) and abolition of minimum tonnages for chilled and aged beef (we had learnt that this proposal had been put to the Japanese by the US).

Relevant Australian ministers resolved to write letters and submissions to all counterpart ministers in Japan and the US so that there were no misunderstandings. These were handed over by our ambassadors on 21 April. Mr Shiwaku, now Director General International Affairs
Department of MAFF, was very negative in his discussions with our Ambassador and officials. He told us talks were to be held with Deputy United States Trade Representative (USTR) Smith on 22 April. It seemed to us that US officials may not have understood the implications in some of the things they were saying about the SBS system within overall global tonnages. Officials stepped up contact so that we knew which song sheet we were either singing from or whether we were to find our own song.

On 25 April 1988 our Ambassador, Rawdon Dalrymple, (a great Ambassador and a great Australian), and officials in Japan sought and were granted meetings with relevant ministers and officials to once more make our case. The Ambassador had also spoken with the USTR, Clayton Yeutter. When Deputy USTR Smith had visited Japan, taking Japan to the GATT had been emphasised. On 26 April 1988 Minister Sato went to Washington for talks on the post 1988 agreement with Yeutter. Clayton had come from the Chicago Futures Exchange and was an expert on commodity pricing and strongly in favour of complete market liberalisation for a range of those agricultural export commodities to Japan which were the source of constant friction. Yeutter promised not to undercut our interests and it was plain that he was prepared to pursue the Japanese with all the weapons he had. The phrase ‘transition period’ was being discussed as a way to move to complete liberalisation. The last formal position of the Japanese was a 25,000 tones annual increase over five years of which we knew the US was demanding 50%. Then we heard on 28 April that 40,000 tonnes per annum was on the table, that the US was to receive 40% and that this could be converted into a ‘transitional arrangement’. By this it was assumed that another arrangement would be later made.

It was these ongoing difficulties that were leading us to consider the timing of taking Japan to the GATT forum. An earlier GATT Panel in 1987 had ruled against Japan on 12 categories of agricultural imports, but not chilled and frozen beef. This was the major reason for Australia to take Japan to the GATT. On 26 April our officials had met with leaders of beef industry organisations and agreed, among other things, that we should keep the ad valorem proposal on the table. On 29 April more official talks were held in Tokyo and in private talks Hamada advised that some of our concerns could be met and made a strong request that we not pursue proceedings with the GATT panel on 4 May. Officials left him in no doubt of our resolve. Negotiations were proceeding, glacially in our terms, but speedily in Japanese terms. They were under intense pressure to come up with a deal that threaded through all the details now on the table. I spoke directly with USTR Yeutter and Agricultural Secretary Dick Lyng on several occasions, both of whom by now I knew well enough to be completely frank with.

It was US leverage, GATT rulings and calls from within the Japanese business community for example from the powerful Keidanren which spoke for major Japanese businesses and the Scholar’s Forum for Policy Innovation that brought the MAFF’s/LIPC’s walls tumbling down. In February 1988, the GATT formally decided that Japan should remove quotas on 10 of the 12 categories. The breakthrough came in June 1988 when the US-Japan Beef-Citrus Agreement negotiated a phase out of the quota system from 1988-90 but allowed Japan to impose higher tariffs in 1991 and afterward. This meant that tonnages would increase but so would tariffs on entry into Japan. This was far more acceptable than restricted quota entry. The 25% tariff effective in 1990 and before was to be replaced by tariffs of 70% in 1991, 60% in 1992, 50% in 1993 and down thereafter. We followed up in the wake and withdrew our pending GATT case. We were intent on laying down a foundation for the future based on tariff only access. Notwithstanding this, the tariff remained at 38.5% for many years.
Michael Duffy and I announced the deal publicly after Mr Sato signed it in Canberra on 24 June 1988. Minister Sato said he felt like a man diving his plane into a burning building. As Minister Sato left my office Michael and I said that we looked forward to seeing him again. He assured us that we would never see him again because his Party, the LDP, would ensure that he lost his job. He did and not long after died of cancer. It had been a four year slog by many people, apart from governmental, but worth it. Most surprisingly, Michael and I were not showered with accolades or even given laurel wreaths by industry. Just doing our jobs I suppose. We never heard a word of appreciation. The market expanded by up to 90% with an increase in value approaching that percentage once Australia converted some of its industry to grain fed beef. Australia did just as well out of the freer market, as did the US, without much harm to the Japanese industry.

The European Economic Community

Australia’s concerns about the EEC’s Common Agricultural Policy, the levels of protection and subsidisation and the administration of it by EEC authorities (Eurocrats), was of increasing concern to Australia’s agricultural export industries and governments, particularly since Britain’s entry into the EEC in 1973. Dr Bruce Standen had initiated a study in the AMLC on the evolution of the CAP to the point of affecting Australia’s international trading interests. It became apparent that the EEC could or would ship highly subsidised tonnages of beef into
Australia’s growing markets in East Asia, which we had been developing since our near exclusion from European markets.

The AMLC convened a meeting with exporters, following which Kevin Bowtell, of the AMEFC publicly stated that, “the CAP is the AIDS of international trade in agricultural products”. This had a predictable publicity impact and pressure came onto the Commonwealth to take what action it could. A conference was held in Canberra on the issue. The AMLIPC provided me with a well informed paper, which had a large AMLC input. The time to act was immediate because at that stage no EEC exporter had asked for an export restitution (subsidy) to allow the EEC to pillage the Asian markets. This meant that if we moved quickly it would not result in a roll-back of EEC behaviour. We had already initiated action against the EEC on beef in the GATT. At the time it was estimated that the EEC was prepared to spend $US1b annually on subsidies for the export of beef. Ridiculously, on some individual sales, subsidies often amounted to 100% of the sale price.

Following two meetings in 1984 in Brussels, where I had raised the usual basket of problems commodity by commodity including beef, Prime Minister Bob Hawke and I visited Brussels to meet the new President of the Commission, Jacques Delors, and key EEC Commissioners in early February 1985 and raise the issue at the highest level. Hawke got agreement for there to be six monthly meetings between EEC and Australian technical experts on aspects of the trading relationship. I met with Frans Andriessen, the relatively new Agriculture Commissioner. Frans had been the Finance Minister in the Netherlands and was worried about the growing EEC, CAP budgets. He seemed more tough minded than some of his predecessors. Following discussions, he gave me an assurance that the Commission:

would refrain, in the present foreseeable circumstances, from applying export refunds or from introducing arrangements for sales out of intervention stocks at special conditions for exports to countries in East Asia to which the Community does not at present apply export subsidies, and to which Australia, in recent years, has had substantial beef exports. The EEC also gives a commitment that no decision would be taken to overturn this assurance except at the level of the Commission.

This became known as the Andriessen Assurance, it being the first time any government had gained such an assurance from the EEC. I believed he would be a man of his word. Bob Hawke and I spoke to the President of the Commission at length on the problems we saw with the CAP in the most objective terms we could, pointing out that it was now hurting members of the EEC as well as world agricultural exporters; agricultural surpluses do not provide food security. The fourth ministerial meeting between the EEC and Australia was due mid-year in Brussels and I extended an invitation to Andriessen to come to Australia. In the one on one discussion with him, I also raised sugar, dairy, wine, barley and dried vine fruits. On wine Andriessen was keen to regularise nomenclature issues; the EEC resented our industry using names like Burgundy, Champagne and Beaujolais. I agreed with him because nearly all our wines were labelled by variety or some silly label made up by marketing experts (Cold Duck remained in the memory) but pointed out that champagne had become a generic name worldwide, akin to ‘Hoover’ for vacuum cleaners. He thought that we should be able to resolve the matter in six months. I thought six years, but it transpired that it took a lot longer than that.

Dealing with Europe requires many meetings. The very funny and competent Mike Moore, then New Zealand Trade Minister, once compiled a list of 53 words for a meeting in
‘EuroSpeak’. We are disadvantaged in Australia by not having ready access to key players whenever it was convenient to both parties. Rapid transport within Europe, by rail or air, cuts travelling time and allows more eyeball to eyeball conversations, negotiations and a chance to build good relations. Bill Hayden, Minister for Foreign Affairs, John Dawkins, Minister for Trade, and I attended the regular high level consultations in Brussels in mid-June and made some headway in having a more open dialogue with the Europeans on the whole agricultural trade scene, particularly in talking about grains where the US was now more aggressively using its Export Enhancement Programme, an inevitable result of competitive subsidisation. The approach the Government had initiated of considered and constructive dialogue was giving some good results, this time on cheese export refunds and a re-affirmation of the Andriessen Assurance. We met with Commissioners De Clercq, Andriessen, Narjes and Mosar. On all the occasions we met with the EEC we were very well supported by our departmental advisers. A report by the Bureau of Agricultural Economics (BAE) released in September analysing the cost of the CAP was particularly welcomed by John Dawkins and me.

Very shortly thereafter, Andriessen, now Deputy President of the Commission, was in Australia, having accepted my invitation. There had been some mischief put about on the Assurance from the National Party but not only was it re-affirmed but we also achieved a joint agreement on monitoring of any exports to the Asian region and agreement to consideration being given to extending the Assurance beyond Japan, Taiwan, South Korea, Malaysia and Singapore. We remained the only country with such an agreement. Mr Andriessen visited western NSW, South Australia and Sydney while in the country speaking with farmers and their organisations.

Regrettably, in July 1985, the EEC extended export restitutions to a number of Asian markets not covered by the Assurance. The tonnage was small and did not interfere with our established relationships in most of these small markets but gave joy to the Opposition and some disquiet to the industry. The Australian Government spoke many times with relevant UK Ministers. One of the Ministers for Agriculture I met, John McGregor told me in October 1987 that Britain intended tightening its spending on agricultural support in the EEC. The UK was supportive of Australia’s cases with the EEC in the general sense, but not in the particular. At least we spoke the same language in agricultural terms. I always had the view that the CAP was reducing the efficiency and productivity of UK agriculture. Clearly, the list of rules and requirements being issued from Brussels and Strasbourg (the home of the European Parliament) was driving British farmers to distraction.

The French took the view that they were, “condemned to expand their agricultural production”, as explained by Prime Minister Rocard to Prime Minister Hawke and me in 1983. Later, French Agriculture Minister Guillaume, believed that world agricultural trade should be divided along the lines of quotas based on the previous year or two’s export performance and then fixed. I provoked his ire at a conference in Brussels when I asked him how he was going to control the weather, the advent of wars, recessions and the actions of non-complying governments? If you live in Eden, why change anything?

In Germany the then Agriculture Minister assured me that Australia was so pure on trade matters that “he could get under them easily”.

On 21 December 1989 Michael Duffy and I announced the result of ongoing negotiations on sheepmeat access to the EEC. It was agreed that the existing 17,500 tonnes per annum (worth $36.5m in 1988-89) would not be cut; the 10% duty would be eliminated retrospective to 1
January 1989; and the EC guaranteed an annual 500 tonne increases in Australia’s chilled lamb exports to a total of 3,000 tonnes by January 1992. Constant dripping sometimes works, but only a little.

**New Zealand**

An issue arose in July 1984 regarding the possibility of Trans-Tasman lamb shipments. The AMLC and New Zealand Meat Produce Board (NZMPB) conducted realistic, mature discussions about the matter but a Senate Committee, commissioned to examine the overall Closer Economic Relations Agreement (CER), not just on lamb, gave the protectionist and irresponsible elements in the lamb industry the opportunity to make mischief, particularly the NSW Livestock and Grain Producers Association (LGPA). I trusted the AMLC enough not to interfere in using its statutorily based structure to conduct mature negotiations. The AMLC called the industry in and showed that in a time of low Australian lamb prices, imports had been very small but there was a possibility they could become larger when the local market recovered. The Sheepmeat Council made a submission to the Senate Enquiry. I backed the realistic line being adopted by the AMLC in protecting the interests of Australian producers. The NZMPB had undertaken not to export lamb to us without full discussions with the AMLC and then only under conditions of fair trade. The aspects of our anti-dumping and countervailing provisions and realities of exchange rate variations needed to be examined.

There had been no imports of NZ lamb in 1984. I was at a meeting in Armidale and was greeted with a full blown protest, placards, a protest march, a whipped up gathering on the basis of misinformation and opportunism. The protesters had been induced to believe that lamb imports were about to flood Australian markets by Michael Tooth, then President of the NSW LGPA. The LGPA, could not resist the opportunity to protest no matter what assurances had been given and which I had personally conveyed to Tooth. NZ had privileged access for its lamb into the EEC, with a 245,000 tonne quota negotiated by the British on their entry, due to their absolute dependence on New Zealand for the commodity. I had visited New Zealand in April 1984 and spoken with Colin Moyle, New Zealand Agriculture Minister, in the Labour Government, and with New Zealand’s agricultural commodity boards, including meat. Colin and I then met in July in Townsville and we were as one in a common approach to EEC subsidisation, with Australia already having initiated action under the GATT on the international beef trade. Some sections of our industry wanted an embargo to be placed on the New Zealand trade and were worried that Australian buyers would cut the price in the sale yard. This threat was well understood by the NZMPB.

I made a comprehensive statement on the issue in November. I had always taken the view that if New Zealand and Australia could not reach sensible understandings on trade we might as well give up our argument on agricultural subsidisation in negotiation with the major economic powers. Our dairy marketing authorities were in the same kind of discussions and eventually the reality of basic economics prevailed. New Zealand became aware that Australian exporters would pursue them into all their other markets, if they flooded Australia with lamb. On the 30 January 1985 the NZMPB announced that lamb would not be exported to Australia in 1985; an additional reality was that they were also gaining access to the more lucrative Japanese market by this time.
The USA

At the time Dick Austen was taking over the chair of the AMLC from Geoff Jones in mid-1984, a serious trade matter arose in the US. Senator Max Baucus, Democrat, Montana, moved a Senate Bill to severely restrict lamb imports, which had also been agreed by members of the House Agriculture Committee. Our Embassy in the US and our exporters raised the alarm. Dick Austen, Bruce Standen and Michael Blamey, from the DPI, visited the US post haste. The US system of government is such that amendments can be attached to any Bill regardless of relevance to the main Bill, which was another reason for our concern. US Congressmen had been trying to placate their lamb producers, whose numbers were diminishing rapidly. Following intensive lobbying by the delegation and the Embassy, we were successful in holding the threat off.

Apart from acting in a back-up role to the AMLC, building up relationships with the US trade principals and making our position plain to US Agriculture Secretaries on the problems in the voluntary restraint arrangement, it is fair to say that the Government, the AMLC and industry gained a workable business arrangement. The chemical residue issue was a problem but was resolved, if expensively. My main negotiations in the US were to gain greater entry for our lamb, which had a very ready market there. The sheep industry in the US had never become large due to predators such as coyotes. US consumers had a strong taste preference for lamb as a red meat. Our trade has continued to increase. As an aside, the AMLC and the government were also examining the market for lamb in Mexico.

The Republic of Korea (South Korea)

Like Japan, South Korea was a country which had been devastated by war, in this case in the early 1950s. Government was very centrally controlled as the country rebuilt. Twelve days after becoming Minister, on 23 March 1983, Geoff Jones, then Chairman of the AMLC Board, wrote to me to raise a unique product specification problem with the South Koreans. A dispute had developed where meat exporters, particularly Geoff Tancred, proprietor of a Brisbane abattoir, were threatening to sue the Commonwealth for $700,000 for its failure to maintain market access. The dispute was about the description of meat for the South Korean trade. Another exporter believed he could supply the market and keep the Koreans happy. The issue raised some trade and administrative principles so I wrote to the Prime Minister advising of the problem we had and to ensure that he would be briefed. While the market was the third most important export market for Australia, it fluctuated wildly, it had been shut down in 1980 and S. Korean imports, in general, were affected by their own levels of meat production, mainly pork. The market grew from 500 tonnes in 1976 to 40,000 tonnes by 1979. Re-entry into the market saw rapid growth to 35,000 tonnes in 1981 and to 71,000 tonnes in 1982.

The problem was that in the late 1970s South Korea had wanted very lean second or third quality beef. But living standards had improved. The first shipments after the trade resumed in 1981 resulted in a decree at ministerial level requiring us to provide meat of similar quality to that being exported to the Japanese. However, our exporters knew that the South Koreans would find the first grade meat being supplied to Japan was too fat and they were being guided by their customers. When the decree was made, a request was relayed to exporters to trim back fat to 1cm fat cover. First grade meat was packaged in blue printed bags and South Korea would not sanction beef packaged otherwise, because the same bags were used for the Japanese trade. The then current specifications for Korea were for first grade, bone-in quartered carcasses from steer/heifer/young cow, weight range 180-250 kg, maximum fat cover 1cm and
packed in blue bags. The problem arose when the Koreans alleged that they may not have been receiving the first grade as specified. The fact was that exports of less than Japanese first grade had been exported in blue bags for three years, with few complaints from the Koreans, but some alleged that were not receiving first quality and yet had paid full prices for first quality. It was not clear if the dispute was about the quality or the price. South Korea, at government level, wanted what Japan was receiving and were not happy with what they were receiving. If South Korea had been receiving Japanese equivalent first grade, they would have had to pay more.

I was of the view that while some in a trade need not follow the exact specifications set down, due to some realities, governments and their authorities had to do so.

It was all very complicated and it was clear that a new specification had to be negotiated that served the South Korean Government and the importers. The EIS had to investigate the complaint and found that the product was well below first grade. Clearly, we had been doing the wrong thing. Exporters reacted angrily and challenged the AMLC and the Commonwealth on the grounds that the exports permitted and accepted without complaint by their commercial buyers for three years were now to be stopped.

What the Royal Commission into meat substitution had demonstrated was that we had to clean up our export reputation. Some in our industry wanted the EIS and AMLC to sanction a temporary dispensation to enable less than first quality beef to be exported in blue bags. I did not think I could do this because a specification is a specification regardless of what the trade knew was required by its customers and what the South Korea Government was specifying. By the end of March, Tancred's sought legal advice and the Crown Solicitor was briefed and enlisted by the Government. The dispute was getting ugly. A new system of trade descriptions was due in August and I thought it best that the AMLC try to settle a satisfactory trade specification with the Korean importers. Geoff Jones was due to go to Korea in April and I met the South Korean Agricultural Minister, Park Chung Moon, on 16 April 1983 when I was in his country at trade talks. The talks were not easy and I asked him to consider regular ministerial or inter-governmental meetings. The Ministry (MAFF) seemed to be calling the shots. The Koreans also had a very strong beef lobby and were keen to develop their native Hanu breed.

The AMLC managed to negotiate a revised specification and the EIS was able to use this to give an exemption under existing Export Control Regulations. For its part the Department sped up all procedures necessary so that this would comply with the new Trade Description package which was to replace the existing Third Schedule export grades, to be effective from 1 October 1983. John Gibson, then Director of the EIS, later to be a Deputy Secretary of the Department, bent over backwards to work around the problem with the AMLC.

In many ways the Korean arrangements shadowed those in Japan with tenders being issued spasmodically and with only hints at future intentions being made. The EEC had expressed an interest in the boiled beef market as had Argentina (boiled to prevent the introduction of foot and mouth disease). The tender tonnages varied greatly as they did between boned and boneless product. We exported 58 kilotonnes (kt) in 1983, but then no tenders were issued for the first four months of 1984. Then the South Koreans said they would import a total of 40kt for the year. By November 1984 our total exports were only 10kt and MAFF planned to cut imports in 1985 to 20kt. This situation prevailed for many years with market shut downs and a very restricted import regime due to internal political pressures and the timing of elections.
A Livestock Products Marketing Organisation (LPMO) which was very much like Japan’s LIPC was later established.

Sometimes when I arrived for arranged meetings with ministers, they had decided to be elsewhere and one deputised official simply told me there was nothing to talk about. I always knew where I stood and in some ways their officials were a good match for ours. I once had to investigate a complaint about ‘bone-taint’. I visited the Seoul Wholesale Market and witnessed thawed frozen beef being chopped up with axes on wooden blocks on dirt floors with dogs and cats running in all directions. The chopped up portions were then re-frozen and sold to the chosen wholesale butchers who then on-sold them to the retail market. At a meeting with South Korean wholesale butchers I told them that their method of handling the meat meant that ‘bone-taint’ was not caused by our exporters. I was glad to get out of the meeting because I had no bodyguards and they seemed a pretty tough lot. I later witnessed the same methods of butchering being used in the Soviet Far East in Vladivostok. The only difference there was that meat was sold direct to consumers from the market and only by weight; if customers received all bone, perhaps at a discount, that was just bad luck.

I do not go into all the negotiations with South Korea over the years. Tenders were spasmodic. This was, or had been, our third biggest market, so we had to persist with negotiations to try to improve arrangements. In April 1988 the Commonwealth Government took our disputes with Japan and Korea to the GATT to set up panels to adjudicate our complaints. The market had been effectively closed to us since late 1984. This, as with Japan, caused a shift and a tariff regime to come into place. In July 1988 the South Koreans announced that the LPMO would be the sole channel for beef imports that they would be decided by open tender and that 14.5kt would be imported in 1988. A reasonable level of predictability in the issuing of tenders to 1992 was entered into by the South Koreans as their standard of living improved further.

When I was Trade and Overseas Development Minister in 1992 I continued to be involved in negotiations to some degree. As I left the scene, South Korea was moving to full GATT compliance by 1997 with tonnages envisaged for 1993 being about 72kt and with some regular annual growth to 85kt in 1995.

Compared to our negotiations with our three largest customers and the EEC, other beef trade matters were minor.

**The Trade in Live Animals and Animal Material**

From an industry perspective the live animal trade was a matter of economics, the commercial wellbeing of the grazing industry and jobs. However, there are also two over-riding aspects of the live trade in animals; animal health and animal welfare. The first requires a large input of scientific knowledge, research, regulation (including quarantine) and negotiation within and between exporting and importing countries. Animal health concerns had been addressed over many years to allow the export and import of live breeding animals, and ova and semen, with the fear of disease introduction being the main concern.

In my time in the Parliament and as Minister, in terms of the trade where slaughter was not involved, we exported live sheep to China, USSR and the US. I was once told that the earlier importation of Santa Gertrudis stud cattle from the US formed a basis to our Bos Indicus herd. However, I have since been informed that Bos Indicus blood had been first imported in the 1930s. Santa Gertrudis are a Texan equivalent of a composite, five parts Shorthorn to three
parts Brahman. We imported cattle and cattle embryos from Canada and the US. We exported live cattle to China, mainly Friesian heifers, and imported pigs from the UK and horses, asses and mules from France, Sweden and the US. I knew of no incident involving animal health or animal welfare in the export of stud or live cattle for stock-building or for the production of milk. In one year 750 Friesian heifers were transported to China with no trouble reported to me, a trade which is still expanding.

To secure an acceptable degree of animal welfare for the live slaughter trade also required some of the same inputs but was more complicated. I have said in chapter 1 that my mother educated me to be opposed to animal cruelty. Yet I once ran a dressed poultry business which involved the slaughter of hundreds of birds each week, convincing myself that the method used was as painless as possible. I had witnessed incidents of senseless cruelty and stupidity in Australian sheep and cattle saleyards, and by neighbours, but also realised that the killing of sheep by individual graziers for their own table involved cutting a sheep’s throat. If done well, the animal didn’t suffer - much. The reality of being engaged in the raising of livestock is that death by disease and sometimes starvation or, for example, by flystrike, dog attacks, or, in some cases, failure to carry out the mulesing operation, which prevents sheep from dying in agony, is something that induces and leads to a level of acceptance of what is a harsh reality and some closed-mindedness. There is a bit of sadist in most of us and constant exposure to death, as in abattoirs, breeds callousness. However, the live sheep trade was and is far preferable to allowing old sheep to die in the paddock or starve to death in droughts.

Basically, from a welfare point of view, I believed that the non-stud live trade was little different from the meat trade as long as slaughtering in both cases was carried out properly and as humanely as possible. If you don’t believe that, you should not eat meat. As I learned more about the attitudes of people in different cultures, I became aware that many, if not most peoples, are inured to animal cruelty, justified by religious edicts, societal attitudes and the nature of the society, or stage of economic development, in which they live. However, what people do to people in some, if not all, societies is also truly horrifying in terms of what ‘we’ say ‘we’ think (in superior terms) is intolerable.

The animal welfare standards I was to witness in Chinese, Vietnamese, Korean and USSR markets, some African countries and the Middle East, were incomprehensible and both cruel and stupid. Many people in many cultures have no concept of animal cruelty as being intolerable. Stupid, because the lack of knowledge of fundamental stock management and unwillingness to learn how to manage and care for stock, entailed buying countries in unnecessary costs and damaged product. But, because it is very difficult, if not impossible, to do anything about changing attitudinal, religious and cultural mores in these countries, most of us accept this as simply being the ‘real world’. We become disinterested, if not de-sensitised; the income and foreign exchange puts blinkers on our sensitivities.

Australia’s participation in the numerically larger live trades, that is mainly sheep, was very much about the economics of the industry, an attempt to improve the trade from an economic and welfare point of view to the extent we could, and to encourage a growing export trade in meat. The argument that this was beneficial or virtuous provision of animal protein to poorer people in the importing countries was either not true, or ran absolutely second to the financial benefit. Most meat in Middle Eastern countries went to the growing middle class population in the cities or to imported labourers, who were poor but non-nationals, mainly working on building sites. Animal welfare had been considered to be a State government prerogative and
the Commonwealth was reluctant to become involved. Trade Minister Doug Anthony wrote to
the RSPCA in 1981 stating that State laws provided for the adequate protection of animals and
that a Senate enquiry into animal welfare was not necessary. However, industrial disputes and
welfare concerns dragged the Commonwealth into the issue on the basis of it being an export
industry and placed the Bureau of Animal Health (BAH) at its centre.

The previous Government and the one I was a minister in, conducted many enquiries into
animal welfare and, at the professional level, we did all we could to improve the conduct of the
trade, particularly in the preparation of animals for export, the design of the fitting out of sheep
carriers and to prevent deaths in transit. The membership of those participating in the
production of reports and on committees may be questioned as being too narrow. However,
the BAH with Dr Bill Gee as its Director and the veterinary profession had always taken a pro-
welfare position. Two veterinarians in the BAH and its follow on organisations were assiduous
in keeping the welfare of animals in the trade ahead of economic considerations, these being
Dr John Auty and Dr Roger Meischke. Both became experts on the issues involved in the
handling of sheep in Australia and on board ships. The BAH published a study, titled the Sea
Transport of Sheep, which went into detail on how to limit shipboard deaths to a minimum.
This study recorded the findings of veterinarians who were accompanying shipments and
which became regularised into the Shipboard Veterinary Clinical Service (SVCS) in 1986, paid
for 50/50 by exporters and taxpayers. The study recommended more research into all aspects
of preparation and shipment and this took place.

However, the industry assumption has always been that those with fixed ideological positions
opposed to the trade are not inclined to look for practical, implementable solutions. Reports
and statements by concerned animal welfare organisations in the 1970s and 1980s offered no
compromise solutions and were legitimately focussed on their concerns about the preparation
of sheep, shipment conditions, deaths in transit and delays in unloading and slaughter, but
they essentially wished to stop the trade completely. The most comprehensive reports I
received in Opposition came for the World League for Protection of Animals, Animal
Liberation NSW and the Campaign Against Live Animal Export. They particularly instanced
some of the ships which had high levels of deaths; the SS Al Shuwaik was one. We eventually
brought the average level of deaths in transit down to one and a half per cent but this was
hardly a measure of cruelty. It was improvement at the recipient end where we were least
successful. In terms of pain at slaughter, it was the general conclusion that animals suffered
up to 30 seconds, if they were not stunned before slaughter, but pain could be inflicted in many
other ways, if sensible husbandry wasn’t practised. People of the Islamic and Jewish religious
faiths require animals to be slaughtered without any stunning (halal and kosher, respectively)
but there was some room for interpretation allowable under Islamic law. Many Ayatollahs said
stunning was permissible but it is doubtful if Saudi authorities would allow this.

Australia didn’t own the ships. In the centuries old live trade in Southern Europe, the
Mediterranean, Northern Africa and the Middle East, it was the established family companies
such as the Balzarinis and Fares groups, which virtually controlled the trade. The Saudi
Livestock Transport and Trading Company (SLTT), which I associate with the name of Al-
Makarish(?), was by far the largest importer. Because we didn’t own the ships or the sheep
on the ships, Australian exporters couldn’t write contracts with shippers for sheep on a
delivered basis, but we tried. This may have meant fewer deaths on the voyage? The irony in
the situation was that once shipments were prevented from being unloaded at destination or
disputes arose, Australian industry, agencies and the Government had to try to solve the problem even though we no longer owned the sheep.

We weren’t the only supplier to the markets. Live sheep exports in total by Turkey, Romania, Somalia, Bulgaria, Hungary and Sudan to the Middle East far exceeded ours and there were many other suppliers. Cattle came to the Middle East from Africa and frozen buffalo meat came from India. Some Australian firms conducting the trade, where we were generally acting only as agents, not party principals, were owned by overseas customer countries. The problem was that we didn’t conduct all aspects of the trade from the farm gate to the pack out of the product in foreign abattoirs if and when our sheep went through abattoirs. What happened in the backyard slaughter context was beyond our knowledge, but we knew how cruel much of it could have been.

The estimated profit for the customer countries was about $60 per head at a time when Australian graziers were receiving $24-$32. This was a good price for our graziers, particularly for older wethers, and it was obvious that all involved in the trade regarded it as a win-win proposition, financially. A flock could become younger if there was a live trade for wool producing sheep and the trade was not hindering the breeding capacity of our flock. Older sheep in good condition can travel well and the view was that, having one of the world’s largest sheep flocks, the removal of excess aged sheep should not be wasted as a protein source. It was established that the trade was not hindering the breeding capacity of our flock.

The Commonwealth Government constantly tried, from the initiation of the trade in the 1970s to control and improve the trade from the farm gate to the abattoir or unloading point in the customer country. It was beyond this point that the animal welfare/cruelty issue became most worrying. It was apparent in 1981 that there were problems with the Portland feedlots in Victoria due to wet and cold weather and shy feeders of pellets as sheep were prepared for transport. A lot of effort was put into rectifying this. There was constant improvement in the handling of sheep in Australia, even if only iteratively.

In many cases slaughtering was not being carried out properly. It is possibly plausible that Australian principals engaged in the trade were not aware of the inadequate killing practices in Middle Eastern abattoirs. I was only able to visit abattoirs in Bahrain, which seemed to be up to acceptable standards and in Jordan, which were horrifying. However, a man can handle a sheep relatively easily and if the killing was done quickly little more suffering was involved than in our own abattoirs. As I have said, it was the rule of thumb that an animal suffers pain for up to 30 seconds after its throat is cut but that stunning is immediately effective in limiting pain. Cattle, camels and buffaloes are a different proposition. In every election campaign I participated in, the sitting or aspirant ALP candidate always thought it essential that I visit every electorate abattoir. I learned that animals could be slaughtered humanely, provided workers were well trained and supervised, and I grew to believe that pigs know of the imminence of death more than cattle and sheep (since proven not to be so).

Part of my initial closed mindedness on the slaughter issue in foreign countries was an a priori assumption that, in general, it was performed properly under internationally agreed standards.

30 Rural Export and Trading (WA) P/L was established in 1977 as a wholly owned subsidiary of Livestock and Trading Co of Kuwait (KLTT), which had six ships, plus holding and feeding facilities in Kuwait. Other companies investing heavily in the trade were the Rachid Fares Group from Lebanon, the Livestock Transport and Trading Co. of Saudi Arabia and the Danish Clausen Group.
of animal welfare. Countries often sign up to international agreements having neither the will nor the capacity to adhere to them. The live cattle trade was minor during my time as minister and I never visited any abattoirs involved in cattle slaughter overseas. When I was chairman of the Board of the AMLC in the mid-1990s, I visited Indonesia and the Philippines but only feed lots, butchers and supermarkets and failed to enter abattoirs. It is the fact that during some religious festivals in countries like Indonesia that hundreds of thousands of goats and cattle are killed in all sorts of conditions during the religious festivals such as Idul Adha, which is secondary in importance to the festival named Idul Fitri.

The collapse of cattle processing in the 1970s and consequent loss of abattoir jobs made the live trade particularly worrying for the AMIEU. In the 1970s it was the main organisation complaining about the trade, backed by animal welfare groups and some abattoir owners. The live trade had expanded from 841,000 head in 1971 to 5.7m by 1980 and was still climbing in 1983. In 1980, WA and SA were supplying 4.76m of the total. Victoria was the third largest supplier. Saudi Arabia, Bahrain and Kuwait were subsidising live sheep imports so that their people could obtain cheaper product. At one stage when Saudi Arabia stopped its subsidisation, the numbers imported did not decrease.

In order, Kuwait, Saudi Arabia, Iran and Libya were the main destinations. This changed rapidly when Iran ceased taking live sheep in the mid-1970s. New Zealand also stopped supplying live sheep to Iran in 1974 concentrating on the more lucrative end of the market, as did Europe, with chilled product. New Zealand’s sheep flock is predominantly directed to meat production whereas Australia’s flock is predominantly directed to wool production. However, New Zealand continued to export some live sheep to the Middle East, particularly during religious events such as the Haj in Saudi Arabia. Iran banned the import of live sheep, mainly for fears about disease introduction, and licensed 51 Australian abattoirs as acceptable slaughterers. Although Iran is a Muslim country, it is Persian not Arabic, and enjoyed a higher standard of living than other Middle Eastern countries. It had no problems with importing meat in carcass form and in accepting our halal slaughter practices, once Iran put its own mullahs into our abattoirs.

Where sheep were being slaughtered according to halal in Australia there was a contest to see which country could authenticate our practices. A Malaysian group was carrying out the administration and surveillance within abattoirs, but the Saudis were always insistent that they should be doing it. Australia also has always sold higher value chilled product into the Middle East market and the AMIEU could never see why this could not be Australia’s main marketing thrust. Much of the product was being consumed by guest workers in these countries but was also supplied to the more typical villages and small town economies. The argument then was that the lack of refrigeration and the traditional practice of slaughter and consumption in the same day, made market development difficult at the lower value, commodity end of the market.

I find it impossible to believe as I write that there is any justification for continuing the same volume of this trade after all these years or that there is now the same paucity of refrigeration among those at whom this market is targeted – guest workers and an emerging middle class. The refrigeration argument is a furphy. Even in my time, Oman, Kuwait and Bahrain were almost completely ‘electrified’, Saudi Arabia and the United Arab Emirates (UAE) were well advanced and I was told that it was only in Libya that refrigeration and freezer capacity was lacking. Specifications of the sheep to be delivered lacked rigour and always had some double
standard in them in as much as what was required by the various dictatorships and religious zealots in charge of these countries was not necessarily what importers/suppliers on the ground wanted and could readily sell relatively cheaply.

Luckily, most of the disruptive industrial disputation around the live animal export industry took place before my time. In Opposition I took mainly a welfare interest in the issue as did Dr Ken Coghill, ALP Member for Werribee in the Victorian Parliament, from a more pro-welfare point of view, and Brian Chatterton, MLC in the South Australian Parliament, from both a welfare and industrial-cum-economic point of view. Brian was concerned that a South Australian Government Report in 1982 did not answer some questions adequately. I believe Ken was instrumental in the Victorian Government introducing a Code of Practice for the welfare of farm animals during transportation in 1981. The RSPCA became increasingly active from 1977 on the issue and to its credit always tried to take an objective position and to discover all the facts in order to see what could be done to remove aspects of bad animal welfare and of any cruelty in Australia.

A paper was published in February 1978 comparing the interactions between lean lambs, lean hoggets and live wether production, which said that the Australian sheep flock could handle the likely demands being made on it for the supply of meat and live exports, but that other overseas meat markets (for example, mutton to Japan) made it a fluid situation. The first industrial dispute occurred in March-April 1978 before I had returned to the Parliament. A stoppage occurred which looked like spreading to become a national strike with the gaoling or fining of union leaders. Workers were manning picket lines and employers were threatening to sack striking members of the AMIEU. On 12 April 1978 the union shut down all Australian
abattoirs for four days and the Waterside Workers Union began an indefinite strike in Australia’s 48 ports. Graziers were threatening to load the sheep themselves.

The then ACTU President, Bob Hawke, held talks between the relevant parties on 11 April, taking forward a proposal to calm the situation down while trying to find a peaceful resolution to the issue. The union had accepted that the live trade was necessary to encourage a meat trade, which was rising rapidly from a low base. A government survey had shown a rapid increase in cold storage facilities in customer countries. The union was demanding a ratio of two carcasses to every live sheep exported and believed abattoir owners and others were not promoting the market for meat with enough vigour. Crucially, at the time, most abattoirs were predominantly processing sheep for the domestic trade and had few links in live sheep destination countries. However, most abattoirs and brokers had access to Middle Eastern markets. On 19 April 1978, Tony Street, Minister for Employment and Industrial Relations, held an all parties conference and it was agreed that there would be an immediate examination of the employment implications of the live trade to be undertaken by Geoff Miller, then Director of the BAE. Bob Hawke also took part in the study and several countries in the Middle East were visited.

The Miller Report became available in mid-August and another meeting was held by Minister Street, which included industry representatives, the ACTU, but not the AMIEU, which refused to attend. The Report was comprehensive and examined the composition of the sheep flock, changes in the abattoir industry, meat markets, and the population dynamics of the sheep/wool industry and the impacts of changed seasonal conditions. Essentially, it recommended actions necessary to improve Australia’s current and long term position in markets in the Middle East. Miller advised that there were limitations in his report as to any analysis of employment implications in the meat industry, overall.

Industry groups strongly supported the findings and recommendations. The AMIEU rejected the findings and announced mass meetings would be held in most states to seek a fresh mandate from members. Minister Street advanced further proposals granting funds to the AMLC to try to increase the meat trade and set up an inquiry into the structural employment difficulties of meatworkers. The Government extended the secondary boycott provisions of the Trade Practices Act to prevent further strike action. The unrest quietened down in 1978 but the AMLC was working on the recommendations and had set up an exporter and abattoir consultative group in late 1978, which only came up with the need for the AMLC to carry out a more extensive examination of the question.

The Government made a major attempt to finally settle the disputation by sending a representative delegation to the Middle East to examine the trade for the buyers and the prospects for developing the meat market. It visited Saudi Arabia, Bahrain, the United Arab Emirates and Libya over three weeks. I strongly and publicly welcomed the mission. Simon Crean represented the ACTU as part of its union membership along with Jack O’Toole and John Brunt from the AMIEU. I had visited Egypt in a private capacity and made some lay observations on the nature of the market saying that there was potential for the market for meat to be developed but that the meatworks in Australia and the AMLC needed to explore the market beyond the usual official centralised channels. The main recommendation of the mission was about possible ways and means to increase the meat trade but pointed to the difficulties. It proposed the establishment of a market development fund, which Minister
Nixon accepted, and agreed to provide $1m a year for the next three years, to be administered by the AMLC.

My questions on notice to the Minister in 1981-82 were mainly about deaths of sheep in transit, which was becoming as much a public issue as the union’s actions. The live shippers claimed the death rate averaged 3% but others said it was as high as 11% on some specific shipments. If the true figure was, say 5%, then it was intolerable as it meant that, on the basis of 6.5m head exported in 1982-83, 325,000 sheep annually were fed to the sharks. This welfare aspect was fortifying the union case for sheep to be exported as carcasses. Deaths on ships were the public’s and my main concern.

Political unrest in Iran and its war with Iraq, which had been provoked by Iraq, was dramatically affecting the live trade by the end of the year and into 1983. The Iranians were also concerned about the importation of blue-tongue disease and turned away one shipment. The BAH became involved to give the Iranians assurances our sheep did not have the disease. Technically, blue tongue can be present in our northern flocks but it is not a sero-type which can cause any disease problems. No sheep were being shipped live from Queensland and very few, if any, from northern NSW. The issue continued to fester with Jack O’Toole giving a detailed speech to the Rural Press Club of WA in September 1980, having submitted a submission to the ACTU in August 1981. These were both very informative and they made clear that many sound points were being made. Issues arising included the decentralised nature of meat works, the implications for non regular employment and the financial situation of meat workers.

However, other studies were being issued also suggesting other factors to be taken into account, particularly the structure of the sheep flock and whether or not the live trade was affecting wool production. The situation basically continued unresolved and Minister Nixon clearly sided with the grazier organisations, the Sheep-meat Council and the principals in the live trade. The drought of 1981-83 (1979-83 in some parts of the country) was starting to bite into flock numbers.

Many meetings were being held and the AMIEU was maintaining its policy position and intent on being heard. While it was clear that meatworker jobs had been in decline, proving cause and effect was impossible, given the variable flock and herd numbers and changes in export destinations. For example, the sheep flock had declined from 180m in 1970-71 to about 120m in 1976 when it started to rise (136m by 1978-80) and fall again in the 1981-83 drought. Exports were under 4.3m head in 1977. Cattle slaughter numbers had also dramatically fallen in the 1970s, following our market exclusion by Japan and decline in EEC imports. Between 1976-77 and 1980-81 sheep slaughterings had increased by 1% but cattle slaughterings had declined by 30% while employment in meatworks declined by only 18%. Stock availability, alternative options for farming activities, seasonal factors and changing economic conditions in customer countries, were absolutely crucial and intersecting causes of changes in job numbers in abattoirs.

Highly subsidised beef exports from the European Economic Community and unsubsidised New Zealand exports were capturing more of the high end value of the Middle Eastern market; beef and chicken were preferred to frozen or chilled mutton. A paper written for me by the Legislative Research Service of the Parliamentary Library had informed me of the potential for exports to the Middle East of higher value chilled meat now that direct air links were coming into being but the competition was getting tougher; Europe was closer.
When I became Minister I learned that the BAE had been engaged in a very comprehensive study of the issue. The unions had quickly found me and correspondence commenced with Wally Curran, Victorian Secretary of the AMIEU. In answering him on the overall question and on the specifics of this report, I advised that I had not seen it and that I regretted that it was still not available but that I would try to speed it to finality. I received the BAE study on 14 June 1983 and made it publically available by having it published in July. It was indeed comprehensive, was over one inch thick, had four major separate studies as appendices, and to this day I confess that I have not read it all. The summary did nothing to change the general picture that was emerging as a result of all the studies and negotiations that had taken place. In short it dismissed the policy option of restricting the trade to enhance job opportunities in the abattoirs in the long term.

While the industrial issue was never put to bed, I was more concerned to see what could be done to improve the trade to ensure shipboard deaths were kept to a minimum and that healthy well presented sheep were made available for transport. I was never convinced of the union’s case from an economic point of view due to the complexity of the many intersecting factors at play. But they certainly had a case.

Dr Bill Gee, Director of the BAH, had engaged an international consultant, Dr Temple Grandin, from the University of Illinois to examine all aspects of the trade under Australian control in mid-1982. Dr Grandin was also an animal ethicist. I found her fascinating to converse with when I met her in 1983. She determined that the main problem areas were in sheep preparation, dusty feed and ventilation on ships. To reduce deaths in transit, time needed to be taken to get sheep that had lived on desert scrub to adapt to pellet feed. She found that the loading facilities at Fremantle for large ships were excellent and recommended their methods to Adelaide and Portland and any other loading port. Detailed work was presented on stress and the impact of temperature, humidity and air speed in ventilation systems on ships but we already had a good understanding of this from the BAH’s/Meischke’s work and research. The ships were mainly converted oil tankers but converted car carriers were coming into use. Attempts were made to fit ships out to better ventilation designs but the Department of Transport and my Department only had limited success with this.

The Portland Branch of the Waterside Workers Federation was expelled from the South West Trades and Labour Council in May 1984 and there was talk of a picket line being set up to stop sheep shipments. This matter was handled by the ACTU and no stoppage resulted. A stoppage, or prospect of a stoppage in Freemantle arose, and Premier Brian Burke wrote to me advising that he was holding a meeting of all parties at the end of June 1984 to resolve the situation. There were ongoing ructions between industry, the WA Lamb Marketing Board, live shippers and the unions. Simon Crean, Senior Vice-President of the ACTU, was taking a conciliatory role in resolving ongoing industrial action. We had set up a Working Group on Live Exports and by July 1984 it was holding its third meeting with all parties in an attempt to limit costs to the live trade by the ongoing actions of the AMIEU.

Many other factors were in play and cattle processing increased and took some of the heat out of the unions’ campaign. The AMLC had established the Australian Sheep Market Development Fund (ASMDF) and was doing all it could to increase the chilled meat trade and with some success. In October 1984, a Trade Commissioner, Mr J Asparlan, opened negotiations with Egypt with an initial agreement in principle to supply 15,000 tonnes of mutton and 70,000 sheep per annum. This eventually resulted in an agreement running up to
1992, involving some funding from the ASMDF and abattoirs, but I do not have any details of actual tonnages delivered.

In 1983 the Senate established a Select Committee on Animal Welfare, chaired by Senator George Georges (ALP), which deliberated on the live sheep export issues through 1984, agreed on its findings in June 1985 and tabled its findings and recommendations on 20 August 1985. The BAH had made the most comprehensive submission to the Committee in March 1984 covering all aspects of the trade from many points of view, but particularly in terms of animal welfare issues well beyond only sheep and cattle. By this time, we had extensive published work on all aspects of welfare issues from Australia’s side of the trade and during shipment. The Committee wasn’t able to investigate slaughter conditions in customer countries nor did its terms of reference cover this; Australia could not or should not involve itself in another country’s standards, religious practices or culture.

The Committee arrived at the opinion that, on purely welfare grounds, the trade should cease but that animal welfare could not be divorced from economic and other considerations. It agreed that the trade would continue for some years and made recommendations for animal welfare improvements. It also concluded that other methods of exporting sheepmeat rather than transporting sheep for slaughter should be explored. Further, it concluded that a balance between condemnation and acceptance of the trade could be found provided that there was an upgrading of facilities, standards and husbandry through action on the part of industry and better supervision on the part of the States and the Commonwealth.

I wasn’t completely happy when a draft submission responding to the Committee’s findings from the Department, so I asked my staff to engage in more extensive consultation. Tony Gleeson and Jeff Gilmore carried this out, involving as well Deputy Departmental Secretary, John Gibson, and senior officers from the Australian Animal Health and Quarantine Service. The Report was discussed with State and the Northern Territory governments, the Livestock Exports Industry Advisory Committee, peak welfare agencies and the Australian Veterinary Association. I took the re-drafted submission to Cabinet in either late 1985 or early 1986. Cabinet approved it and I made a statement to the Parliament in which the Government accepted 25 of the 29 recommendations, qualified two and rejected one (the three recommendations not fully accepted were about further research). The major three part recommendation on the welfare aspects of the trade was also endorsed but required ongoing work and negotiation and discussion with the industry to put in place. The exporters were willing to comply and from it came the Shipboard Veterinary Clinical Service (SVCS) and the stationing of a veterinary surgeon, with detailed knowledge of all aspects of stock management to act in an advisory role in the Middle East, based in Bahrain. David Paxton, my appointee, was a man of relevant expertise and infinite patience.

I later visited some Middle Eastern countries with David. In terms of the holding of sheep, the Omanis were very good, conditions were reasonably acceptable in Bahrain and Kuwait and not so good in Jordan or Egypt. The unloading of sheep was not acceptable in Bahrain and was modified. The Bahrainis had installed a modern abattoir built by New Zealand contractors. In Kuwait I had formed a good acquaintance with the CEO of Kuwait Livestock and Trading (KLIT), Nassser Saad Al Muneefi, who was US educated and willing to improve all aspects of sheep handling. In Jordan, David had advised on how to make concrete troughs for feeding sheep but his advice had been ignored, resulting in broken troughs the desert floor being covered in grain and pellets. The Egyptians did not seem to have much of an understanding
about cattle husbandry at all. When I visited a large feedlot between Cairo and Alexandria they seemed intent on convincing me what great cowboys they were, until I begged them to stop chasing the cattle around in the roughly built, sandy yards littered with obstacles - to prevent bruising and injury.

The industry and DPI set about implementing the accepted recommendations. In 1985 a major study was carried out into halal slaughtering in Australia which resulted in more regularised procedures being adopted, but there were always rumours about what was actually happening in specific abattoirs.

The Cessation of the Trade in Saudi Arabia

The trade with Saudi Arabia was stopped in 1989, but this had nothing to do with animal welfare nor, it proved, animal health.

On 24 July 1989 our Trade Commissioner in Riyadh, David Scharp, informed our Ambassador to Saudi Arabia and the Gulf States, the now late Alex Mc Goldrick, that Saudi quarantine authorities had rejected a ship containing 72,000 Australian sheep in Jeddah on the grounds that they had blue tongue disease. The trade at the time was worth $120m and the rejection immediately was of economic, welfare (it was high summer), global reputation concern and reputation as a supplier of a disease-free source of meat and livestock. This was the start of an imbroglio that lasted for well over two years. Five days later a second shipment was rejected, this time in Damman, Saudi Arabia, again because of blue tongue but the next three ships were unloaded without incident. The AMLC, Departmental and my position was to see if we could gain an acceptable veterinary protocol between the professional veterinarians of both countries and to seek access to Abdulrahman Al Shaik, Minister for Agriculture and Water. Minister Al Shaikh was not a prince of the family, which ran the theocratic monarchy of Saudi Arabia but, importantly, he was a descendant of Muhammed bin Abdul Wahab, the founder of the fundamentalist Wahabi interpretation of Sunni Islam adopted and promoted by Saudi Arabia and therefore a very powerful. Minister Al Shaik was US educated and spoke excellent English and Ambassador McGoldrick had earlier made formal acquaintance with him and his brother, Mohammed Al Shaik, Chairman of the Riyadh Development Authority. A third shipment was rejected in Damman, but this time the sheep had allegedly tested positive for sheep pox. We despatched a delegation, led by Dr. Gardner Murray of AQIS to Saudi Arabia. Charles Jamieson, Senior Trade Commissioner for Saudi Arabia and Ambassador McGoldrick were now our people on the ground for all that ensued.

The Ministry rejected a fourth shipment just after the delegation arrived. The Minister had left on an extended holiday and discussions with the Deputy Minister and other officials proved to be unproductive. The AMLC and I decided to suspend the trade on 22 August 1989. The first three shipments had been taken by the Gulf Emirates, with some making their way back by road into Saudi markets. Under pressure from the Saudis, the fourth rejected shipment was refused by Abu Dhabi and eventually placed with Lebanon. We had been advised that 5,000 sheep accepted by Abu Dhabi had died of Malta fever. This is a disease of pregnant ewes, and as all the sheep in question were wethers, our veterinarians had some scientifically based doubts about this. A newspaper in the United Arab Emirates said that our sheep were a particular threat to “pregnant camels and women”.
Alex Mc Goldrick and we were convinced that the basis of the problem was that the Saudi Ministry of Agriculture and Water was implementing a policy to restrict imports in the commercial interests of their domestic sheep industry. A Royal Decree had been issued in 1987 limiting the age of imported sheep, which had been ignored by Arab-owned livestock shipping companies because younger sheep cost more and were more expensive to ship than the older wethers, which Australia was best placed to supply. In other words, the Ministry was using quarantine to restrict imports to achieve its domestic objective.

McGoldrick, being unable to see Al Shaikh, sought the assistance of his brother but, again, this didn’t prove productive. Trade Minister Duffy wrote to Commerce Minister Al Solaim, who only struck a hopeful note in stating that a solution may be possible and that he was keen to increase the chilled trade. McGoldrick also saw Foreign Minister Saud Al Faisal twice but he deferred to his colleague Al Shaik who was somewhat unreachable. Michael Duffy and I wanted to visit Saudi Arabia but on official advice decided not to on the basis that we might exacerbate the problem. It seemed that the price of Saudi sheep had risen, ours had dropped in the sale yard and the Saudis were getting enough sheep for their market demand through the back door of other Gulf countries.

We continued to try to negotiate a veterinary protocol. McGoldrick finally saw Al Shaikh when he returned from holiday but the Minister was non-committal. Official but non-ministerial visits were made by the Departments of Foreign Affairs and Trade, and Primary Industries and Energy and also by the AMLC and the Sheepmeat Council. Senator Gareth Evans, by now Australia’s Foreign Minister and me, of course, wrote to our counterparts and I was in contact with the Ambassador of the Kingdom of Saudi Arabia, Rahman Alohaly, a personal friend. June and I had attended his son’s wedding in Saudi Arabia. I was never able to see Minister Al Shaikh but was able to see the relevant Minister, Raggabani, in the United Arab Emirates who was happy to take our sheep and was willing to come to some agreement between officials.
The Government was under heavy pressure from the Australian industry to resolve the issue. Al Shaikh eventually replied to my letter and the AMLC judged that the trade could resume subject to a number of guidelines about the age and condition of sheep and including the placement of veterinarians on every shipment. Against the advice of our Ambassador, the trade resumed in January 1990. Then two shipments were rejected, one from Australia and then one from New Zealand. I spoke with the Saudi Ambassador and informed him that I couldn’t see how the trade could continue in the absence of a formal country to country quarantine and veterinary agreement. He said he would convey our concern to the Minister but it was obvious that his hands were tied.

Shipments of carefully selected sheep were made at reduced frequency in February and March 1990. In April, three ships were rejected on the basis of scabby mouth, a minor virus disease in sheep worldwide with no human health consequence. In May a shipment was rejected for being “too old” and we again suspended shipments. I issued a statement on 28 March 1991 saying that we would not resume the trade until an agreement had been reached. In the meantime, New Zealand had negotiated verbal assurances on a formal agreement and was sending sheep in time for the Haj. I have extensive notes of meetings held with Australian parties throughout 1990, none of which arrived at any solutions.

The issues were never satisfactorily resolved during my time. I ceased to be the relevant minister in June 1991. I believe the AMLC and Australian commercial interests gradually came to some agreement to allow the trade to recommence with Saudi Arabia. Saddam Hussein’s invasion of Kuwait on 2 August 1990 diverted the attention of Saudi authorities; this distraction undoubtedly came as something of a relief for Alex and our people in Saudi Arabia and the Gulf. Alex gave me a copy of his book on his experiences in Arabia and on this issue shortly before he suddenly died31. When I chaired the AMLC in the 1990s it was apparent that the trade had been improved from the welfare point of view but no one really knew. Nor we could we ever be confident of what improvements had been made in the abattoirs as the customer societies became more sophisticated.

A National Consultative Committee on Animal Welfares (NCCAW) was established in 1988, which was composed of experts with the Commonwealth in the lead role. It continued to give good advice on topics such as feedlots, genetic manipulation, animal welfare co-ordination and drought policy. (An Australian Animal Welfare Strategy was initiated in 2004, building on the comprehensive work of the NCCAW). A Senate Select Committee also engaged in other references on relevant animal welfare topics, such as intensive livestock production. The controversy regarding the caging of egg laying hens was in its early stages of debate. And so it goes. There was obviously a lot more to do when I ceased being the responsible minister. The issues continue. Reports on the conduct of the trade were still being made to the Commonwealth well into the 2000s.

In 2012, three shocking examples gave our broader population an idea of what is occurring to formerly Australian owned animals during slaughter. I would like to think that these are isolated examples but do not believe this is so. I have no detailed knowledge on what has happened since my time. However, if a sophisticated country such as Israel cannot treat animals humanely, there is not much hope in other countries I could name.

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31 A Memoir of Arabia, Alex McGoldrick, self-published in 2010.
If the trade is to continue, the Commonwealth Government has to involve itself to a much greater extent in establishing protocols and binding agreements with customer countries and to have the power to monitor what is happening. There will continue to be pressure and negative publicity about the trade unless the AMLC, now Meat and Livestock Australia (MLA), and the Government step in to solve the problem. The reputational issue is still large. That said, we have been trying to improve the trade for over 40 years, without much success in terms of what happens once we lose control of the animals in question. Education has not worked and will not if we are dealing with illiterate people with a cultural and religious mindset which gives no credence to the need for animal welfare and the absence of animal cruelty.

I am still ‘torn’ on the trade in live sheep and cattle going to slaughter in many foreign countries. I did not stop the live sheep trade completely because of its importance to our sheep grazing industry in Western Australia, but always thought I should have on welfare grounds because of the treatment of animals at slaughter is some countries. I now seriously doubt if there is any need to continue the live sheep trade to the Middle East because of the advances in refrigeration, marketing and increased living standards there. However, I am assured by people I trust in the industry that the trade still effectively holds up the price of older sheep in Australia. This is of particular assistance in Australia’s Pastoral Zone.

The Brucellosis and Tuberculosis Eradication Campaign (BTEC)

Australia had decided to eliminate the diseases of brucellosis and tuberculosis (TB) from our cattle herds for animal health and trade reasons. The US was engaged in the same crusade and at the time the US was our largest customer for beef. The commercial rationale to commence the campaign rested on the need to assure consumers, domestic and international, that our herds were clear of these two diseases. Internationally, first Germany then the US made clear to us what product they would accept and what they expected us to do about it to guarantee continued export access. Also, the abattoirs and abattoir workers were increasingly concerned about handling diseased cattle. The States had initiated the quest to get clean herds but it was obvious that a co-ordinated national effort was needed. It was a major undertaking and once begun could not be stopped.

I became the Commonwealth Minister responsible for the BTEC in its latter, but more difficult stages, this responsibility ceasing for the very final stages of negotiation when I became Treasurer. The key issue for me concerned securing reliable and sufficient funding, shared between the industry, the States and Territories and the Commonwealth on the one hand and the absolute necessity to complete what had been started in 1970 and before at State level, on the other. Additional challenges arose from difficulties in the vast northern part of the continent; the adequacy of tests on cattle being used (particularly for TB); coping with changed seasonal conditions as they affected annual plans for the campaign; and determining the valuation of condemned cattle. Regrettably, the campaign financially devastated some leaseholders in the north due to heavy infection rates, which required total destocking. However, the successful completion of the campaign also acted as a catalyst for the major development of the live cattle trade in our north.

The basic strategy was to test all cattle, dairy and beef, and quarantine and slaughter all beasts testing positive for the diseases. As a nation, the campaign had concentrated on our dairy herds and cattle herds in the south of the country when the national campaign initially commenced in 1970. There had been industry and State voluntary campaigns before this. In particular Tasmania had started very early and paid for its scheme, alone, and had eliminated
both diseases by 1975. The north proved to be more intractable, particularly on account of field conditions, scattered herds and the feral buffalo herd. This was and had been a massive challenge to cattle producers, dairy farmers, veterinarians, research scientists, the CSIRO, field staff and administrators in the State, Territory and Commonwealth governments.

An exceptionally comprehensive, detailed and technically based book has been written on the campaign\textsuperscript{32}. Anything I write pales into insignificance compared to his book. Robert Lehane’s book celebrates what a truly gigantic achievement it was to complete such a massive undertaking. The dedication of producers, professionals, and officials, over such a long period (1970-1992), through market downturns and upturns, coping with differing production systems and all the vagaries accompanying the scheme, required resourcefulness and persistence. Once begun, industry support was always strong, in itself remarkable considering the potential for many arguments to arise about equity and payments. It had to be a national effort and as areas achieved disease freedom, stock movements then needed to be addressed. The scheme cost at least $1 billion in 1992 value terms. In truth, my role in what was achieved was minor, but I was the responsible minister for over 8 years of the total of 22 years. During my time and just before, Brucellosis was cleared up between 1980-81 (WA) and 1987-88 (Victoria) with SA, and NSW between these dates. TB was a lot harder to get on top of due to the need for repeat tests, and longer term testing, unforeseen outbreaks and suspected new infections. TB was a far bigger problem in the north of Australia than in the south.

There are too many people to mention who were crucial to the success of the campaign as were State Agricultural Departments and their scientists and field operatives. At the Commonwealth level I would at least like to recognise the late Dr Bill Gee, Director of the Australian Bureau of Animal Health (BAH) from 1974, for his key role in national coordination. It was Bill Scanlan, of the Department based in the Australian Quarantine and Inspection Service (AQIS), acting as National Coordinator who was able to finalise the campaign, by 1992. The experience gained in a similar campaign to eliminate bovine pleuropneumonia had proved to be of great value to the BTEC. Australia had successfully eliminated this disease by 1967.

The first national funding for the BTEC was decided during John Gorton’s Prime Ministership, when Doug Anthony was Minister for Primary Industry. $8m was allocated for the first three years from 1 January 1970. In the 1970s most of the action in the BTEC was in the southern States and south-eastern Queensland, brucellosis being the biggest problem there. In the early 1980s the effort became increasingly focussed on the north and the eradication of TB. Each State and the Northern Territory appointed or already had coordinators. In the earliest part of the national campaign, NSW and Victoria were able to make the most demand on available funds, industry, State and Commonwealth. Queensland began spending more, once their start up procedures were settled and underway.

I recall Primary Industry Minister Ken Wriedt having internal problems with the Whitlam Government and opposition from Treasury for the ongoing commitment of Commonwealth funds. After ‘consideration and consultation’, a levy of six cents a pound on exports of beef and veal was put in place to continue the Commonwealth’s funding. This was replaced by a $1 per head levy on cattle slaughtered in 1976 and a separate levy on live cattle exports in 1977. These were increased to $3 in 1979-80 and $4 in 1982. The national compensation scheme for TB reactors (a positive test) in cattle was extended to brucellosis in 1976. It was in Ken Wriedt’s

\textsuperscript{32} \textit{Beating the Odds in a Big Country}, Robert Lehane, CSIRO, 1996.
time that the Commonwealth took on compensation payments for condemned cattle. It was also in Ken Wriedt’s time that there was most union concern about the risk of infection by meat workers, though, understandably, it did continue. The issue of zoonoses (the spread of diseases from animals to humans) was well recognised including the threat of leptospirosis, a constant concern for workers.

By August 1976 the States agreed to adopt an eight year eradication programme. The date followed an IAC recommendation which related to the US’s target of being brucellosis free by 1983 (this was later pushed back when the Americans didn’t achieve their goal). In August 1976, the Commonwealth agreed to contribute 75% of the net compensation cost for brucellosis and 50% for TB, in the belief that TB eradication was well advanced. This proved not to be so in the north, so the Fraser Government agreed to the payment of compensation if partial or total herd destocking, without test, was advisable. This helped the campaign in the north but from the point of view of leaseholders and property owners was potentially and often devastating. An agreed national database, the Standard Definitions and Rules (SDR), was adopted and covered, among other things, an agreed basis for such terms as ‘free’, ‘provisionally free’, ‘eradication’, ‘control’, and ‘residual’. Agreed changes to it by the technical people as the campaign progressed were essential. The tuberculin test for TB was always fraught and caused much disquiet, discussion and need for further research.

Policy options for the north of the country were first being discussed in 1980. Following establishment of the NFF in 1979, the CCA was established and once more Maurice Binstead comes into the picture as the CCA’s first President. Maurice, Gerry Collins (Qld), Grant Heaslip and John Dyer (NT) and Alan Tracey (Victoria), along with government members from BAH, were on the initial planning group. The Cattle Industry BTEC Liaison Committee was also established in 1980 as a formal channel for communication between industry and the national management of the campaign. Industry did not get a direct say in decision making until the National BTEC Committee was set up in 1984. A debt of $23.6million, mainly for compensation payments had arisen by 1982, due to failings in administration by the States. A meeting held between Prime Minister Fraser, Primary Industry Minister, Nixon, Gee, Binstead and Robb resulted in the debt being forgiven.

For a long time, concern was being expressed that unless the issue in the north was ‘attacked’ comprehensively, we might lose all that had been achieved in the south (‘attack’ was the word being used by industry spokespeople). Estimates were being made of how difficult the task would be and in one study, 159 properties were judged to pose the reality of the diseases being ‘ineradicable’. This figure came from an assessment of some 500 properties with 80 plus in the Kimberleys in Western Australia, up to 100 in the Top End of the NT and the rest in the Gulf country of Queensland. The industry in these parts was marked by low capitalisation, minimal operational expenditure, and little management control of the herds.

Other areas of concern were in the arid north of South Australia, the Victoria River District in the NT, the Channel Country and Cape York area of Queensland. Here individual properties were bigger than Belgium and a ‘phantom herd’, that is an un-mustered herd of an unknown size, was often spoken about. Then there were the large free-ranging herds of buffaloes, usually found close to water, but which spread with the annual monsoon. The task was daunting. Report after report was written assessing the situation and posing options for the best strategy and tactics to be adopted. It was understood that the mustering costs would be large in an area where sub-divisional fences hardly existed. Before I became Minister, concessions in the
Taxation Act had already been agreed to so that tax wouldn’t have to be paid if a large compensation payment was made in one year. Discussions were also underway on how to pay for the next stage of the campaign up to 1992. The Fraser Government wanted to act quickly so that the campaign could start in the dry season of 1983 after the monsoonal wet—from April to May and following months, when people could get on the ground.

The March 1983 election interfered with the ‘attack on the north’. The new Government wished to address all financial and policy commitments prior to the delivery of the August 1983 Budget. I needed to become informed enough to maintain the Commonwealth’s financial commitment on the basis of the case I would have to take to Cabinet. It’s fair to say that at the outset I only knew the basic generalised facts about the campaign and little of the technical detail other than what I had picked up by reading reports during the campaign, for example a report by Hassall and Associates in mid-1984 on the buffalo issue and later by Garry Stoneham and Joe Johnston of the BAE. Luckily, Tony Gleeson, who was familiar with the campaign, and Dr Bill Gee, brought me up to speed with the situation. I was committed to the campaign, but would my colleagues be? For the whole of my time as Minister I believed that the campaign, in terms of decisions to be taken, was very much in the hands of veterinarians, researchers, field officers, the relevant State and Territory Agriculture Departments, as well as vets and officers in my Department.

The Standing Committee of Agriculture as part of the Australian Agricultural Council and its deliberations were crucial to the success of the campaign. In other words it was a scientific/technical/economic/people challenge and my job was to gain enough taxpayer funds, at the Commonwealth level, to conclude the campaign as effectively as possible. I could see little other role for me though I did have a few disagreements with some people in the north who, understandably, didn’t like people coming onto their leases and with some Ministers in the NT Government, whom I affectionately labelled as ‘rum soaked cowboys’ on one occasion. There was evidence of mal-administration in the NT but I put this down to a lack of resources in their departments. (To my shame, I also once said in the Commonwealth Parliament that the Government of the Northern Territory was the equivalent of an Apex Club. The Apex service club objected, but the NT Government didn’t). Compensation claims by the States coming out of the blue were also a problem, for example, from Queensland in 1987. Early in the piece, I was dealing with Bob Katter, when he was the ‘colourful’ Queensland Minister for Northern Development, as well as Queensland ministers for Primary Industry. I met Katter on 7 June 1984 to discuss the situation in the northern Queensland and Carpentarian Gulf areas of the State. Bob Katter also stridently raised issues about the control of ticks, which was entirely a matter for the Queensland Government.

In mid-September 1983, I was able to announce that the Commonwealth had agreed to expend an extra $5.7m for WA, SA, the NT and Queensland for new measures to accelerate the campaign, adding to a total expenditure of $12.4m by the Commonwealth in 1983-84 for BTEC. The State and NT Governments were to receive $4.0m with an increase of $1.7m for compensation for cattle destroyed, with the Commonwealth raising its contribution from 50% to 75%. As a result of this gesture, it was calculated that the industry contribution to the campaign fell slightly to 45%, the States/NT to 32% and the Commonwealth rising to 23% of the total cost for the year ahead. Some expense for national coordination was paid for more generally by the Commonwealth; the amount being privately being paid by individual producers defying calculation.
In early 1984 we ran into trouble with the campaign in the NT. On 14 March 1984 I met the NT’s Chief Minister, Paul Everingham, to try to resolve the problems. On 14 December 1983 a Mr Benjamin of the Alice Springs Abattoir P/L had informed the BAH of allegations about collusion by officials involved in the restocking of Newcastle Waters station. The allegations were numerous and serious. I wrote to Ian Tuxworth, NT Minister for Primary Production, on 19 December 1983 expressing my concern and advising of my actions. I met Mr Benjamin on 7 March 1984, by which time the NT Government had withdrawn the plant’s licence because of unpaid bills incurred by the previous owners. BAH had already requested additional documentation from the NT and when this didn’t come forward the disbursement of funds had been stopped. Newcastle Waters had been destocked on, allegedly, the basis of technically controversial advice, at a compensation cost of $1m. The Australian Federal Police, the Director of Public Prosecutions and the NT Police were all notified of the allegations. The matter was then dealt with by a Task Force of officials, without Bureau of Animal Health (BAH) membership. No criminality was found but procedures had to be and were being tightened. The detailed allegations were more than plausible but virtually unprovable. There was already a concern that NT cattle, supposedly clear of TB, had re-infected herds in SA and also when exported to Papua New Guinea in 1980.

It was clear that the NT simply lacked enough experienced staff. There were general concerns being expressed about the NT’s alleged misuse of compensation money since the inception of large scale destocking. While brucellosis eradication was proceeding reasonably well, TB eradication wasn’t. At the time it was estimated that over 1m cattle in the NT ran on TB infected properties compared to 1.8m for the rest of Australia. Total net compensation of close to $3m had been paid in 1982-83 and $8m in 1983-84. Queensland cattle men were complaining about the slackness in NT procedures compared with the procedures being required of them. Despite Queensland’s complaints, I have since been informed that since the conclusion of the NT campaign, there have been no TB breakdowns; Queensland has had some, but I haven’t been able to quantify this.

After the meeting with the Chief Minister, consultation with the BTEC Industry Consultative Committee and the Commonwealth’s offer to help in any way it could, more effective seasonal planning and implementation measures were put in place. Some DPI staff were temporarily placed with the NT Department. I told the Chief Minister that this was an Australian campaign, not just a NT campaign, and that the allegations and general concerns were so worrying that it was required for his Government to investigate each claim for compensation. It was a very difficult period in the campaign. Unfortunately and unaccountably, Chief Minister Everingham didn’t make an internal NT police Report into some of the allegations available to Tuxworth, his Primary Production Minister. Luckily, John Reeves, lawyer and Commonwealth ALP Member for the Northern Territory, was able to work on the issues at the local and NT government/official level. John obtained crucial information which led to the tightening up of procedures.

In July 1984 a meeting was held in Darwin, which raised general concerns about destocking in the north, which I subsequently took to the AAC meeting in Townsville in July. It was obvious that destocking was causing terrible financial pain, that some lease holders didn’t have the capacity to put in subdivisional fencing and take advantage of other concessions to improve their leases, even if subsidised, with the inevitable result that corners were being cut in some cases. Primary Production ministers changed rapidly in the NT and I dealt, or liaised, with Marshall Peron, Steve Hatton and Mike Reed during the time of the campaign, all keen to do
the best they could in very difficult circumstances. I also spoke with Brian Ede, ALP Member for Stuart in the Northern Territory Parliament, who had a very comprehensive grasp of the issues and injustices in the campaign as it affected some lease holders and the taxpayers.

In early April 1984 Hassall and Associates P/L, agricultural consultants, were given the task of advising on aspects of the eradication of TB in buffaloes in the NT. It was estimated that there were 100,000 to 250,000 buffaloes roaming in about 100,000 square kilometres of the NT in Aboriginal land areas, national parks, various reserves, Crown lands and on individual land holdings. It was a complex task and many people had to be consulted as well as NT Government agencies and Commonwealth Departments who were still involved in aspects of NT governance. The Report, released on 15 August 1984, showed that 65% of the land area of the top end of the NT was under the direct control of the Commonwealth Government or indirectly through the involvement of agencies within the Commonwealth Departments of Home Affairs and Environment and Aboriginal Affairs. This meant that more funding from the Commonwealth would be necessary.

Very sensibly, the Report recommended increased research into technical, sociological and economic issues which had a bearing on the elimination of the buffalo TB problem. My colleagues, Clyde Holding, Minister for Aboriginal Affairs, Barry Cohen, Minister for the Environment, and I met in November 1984. We decided to place a Commonwealth group in Darwin to improve liaison with NT authorities. Kakadu was a Commonwealth responsibility and buffaloes had been degrading the wetlands because their wallows had allowed the ingress of sea water. In Arnhem Land, where there had never been a cattle station, the Commonwealth also took on the buffalo cull. One of the many problems was that there had been several attempts to build, control and commercialise TB free buffalo properties as an export industry. Several of these had failed with buffalo herds being turned loose. It was an ambition which never went away, nor did some people cease complaining to the Commonwealth about our lack of vision in not supporting the development of such a domestic and export industry.

In early 1985, WA announced it was brucellosis free. Australia as a whole was pronounced provisionally free of the disease on 14 January 1986. Of the 153,000 herds with breeding cattle in June 1985, only 0.45% remained under active eradication testing. Australia was declared free of brucellosis in 1988-89. As the campaign continued, most of my limited involvement centred on dealing with matters too tiresome to set out here in any detail. For example, in early 1987 I had to engage with Neville Harper, Queensland Minister for Primary Industries, when he submitted an unforeseen compensation bill for destocking of $17.5m, it having risen from only $7.7m in the year before. Budgeting and timing was always a fraught process. A private report on operational aspects of the campaign was discussed within the various groups involved in it. The Stoneham/Johnson, BAE Report was comprehensively studied in early 1987 and discussed by the BTEC Committee and the Standing Committee/AAC when it later met in NZ. It was estimated that the total cost of elimination of TB in the north would cost a further $200m. The CCA had indicated that it would like to reduce the slaughter levy from $3 to $2 to keep southern producers happy, but would be amenable to holding on to $3 if the states remained fully committed.

Yet another Working Party was set up to argue the case in detail, which resulted in slightly more user friendly and additional assistance measures for top end producers. There were six categories for assistance which were to be administrated by the State and NT Governments. There was some conflict in NT laws about compensation, whereby only one Act applied as far
as the campaign was concerned. BTEC funds Part B was meant to compensate owners up to the on-farm value of equivalent disease-free stock. Part A of the funds was for destocked, or humanely destroyed on site as being ‘un-musterable’ or ‘un-truckable’, that is, deemed to have no market value, with re-imbursement only being for the costs of killing those animals. Warren Snowdon, then the ALP Member for the NT in the Commonwealth Parliament was briefing me on their ongoing concerns. Many years later I was involved in a court case being brought by lease holders against the NT Government. Criticism, at official level, was still being made about the NT’s administration of the campaign well into the 1990s. The case was heard by video link with the judge regarded me as being an ‘unreliable witness’, it not being within my capacity to recall all the details applying to a particular property and I had not been able to find the relevant papers on the specific case.

A crucial meeting with key industry people took place in Perth in May 1989 and, despite my fears, the industry remained solidly committed to the campaign, continued its funding and the goal of the 1992 finish date.

An AAC meeting was held in Darwin on 13-14 April 1989 and I was briefed by NT as well as my Department’s officers. I expressed a wish to follow this up with representatives of the buffalo industry. Another Report by a SCA Working Party on buffaloes was due by May 1990. I later met with two groups in mid-1989. The first group was led by Rod Ansell, allegedly the real or role model for Crocodile Dundee, and three buffalo graziers who between them ran some 25,500 buffaloes. They wanted an extension of the 1992 date, allowance for the continuation of feral harvesting, and a policy of containment and regionalisation of the campaign. Ansell, also wanted the BTEC to erect a 1,000 kilometre long fence to protect southern TB free cattle. These were only matters I could comment on as the campaign in the NT was largely in the hands of the NT Government. The delegation then told me that the NT Buffalo Industry Council (NTBIC) was a ‘front’ for the NT Government. I then met the N TBIC who were the owners of most of the 20,000 controlled buffalo herd, who fully supported the campaign, the end date of 1992 and believed that a viable industry was still possible.

The final Report by the SCA Working Group on buffaloes was released in June 1990. The report was comprehensive, confirmed much we already knew and advocated a Steering Committee be established to finalise an integrated strategy for the north.

The long and the short of it was that the campaign was successfully finalised by 1992. It was a magnificent achievement but not one without many headaches. Persistence paid, the industry paid and the taxpayers paid, but it had to be completed, once started.

Animal Health Issues

Where animal health generally was concerned, officials were always alert to the threat of exotic disease entering the country. Officials and vets were posted to Indonesia or were visiting countries where outbreaks of Foot and Mouth Disease occurred. A Screw Worm Fly facility was kept running in Papua New Guinea (until it was seen as not being effective) and sentinel cattle were stationed on Cape York for early detection of any disease. Disease plans were written after investigation and various moves made in the effort to bring feral animals under control. A maximum security animal laboratory was built at Geelong, after years of debate. This is now a vitally important part of our defence against exotic disease. Run by the CSIRO, this facility is absolutely invaluable in disease diagnostics, development of vaccines and analysis of the characteristics of diseases coming out of the blue, such as those affecting horses and
humans in Queensland. Recent outbreaks of Avian Flu and SARS combined with rapid travel clearly indicate that our populations are more exposed than ever to zoonoses and disease pandemics. Once quarantine came into DPI, Dr Kevin Doyle, among many others, such as Dr Bob Biddle and Peter Thornber, worked hard on the issue of importation and dangers of exotic animal diseases.

D. Whalan of the Australian National University had been invited to address the adequacy of exotic animal disease legislation in Australia and his Report was delivered in early 1987, making many sound observations and recommendations. He had also delivered a short paper on Exotic Diseases and the Law, which had been published in the publication, *Pests and Parasites as Migrants-An Australian Perspective*, by Gibbs and Meischke. We knew we had to take a national approach.

In 1989 I introduced the Exotic Animal Disease Act from which came the Exotic Animal Disease Preparedness Consultative Council (EXANDIS) from which came an Exotic Disease Preparedness Council, which I established in February 1990. This continued until the latest version of the Australian Veterinary Emergency Plan (AUSTVETPLAN) was introduced by Animal Health Australia (AHA), which set out a joint Commonwealth disease response strategy. The first edition of AUSTVETPLAN was published in February 1991. In February 1990 it was decided to close the screw worm fly in PNG, a decision we reversed in August 1990 when we proposed building a like facility in Darwin but concentrating on both New World and Old World species of the fly, plus the maintenance of sentinel herds in our north.

As I left the Ministry I was becoming increasingly concerned that our response capacity was becoming a tissue due to the retirement of so many vets and the profession being staffed by vets concentrating on domestic and companion animals. I very much welcomed the formation of AHA after my time, but in preparation during my time. I later chaired an advisory committee on Ovine Johne’s disease for AHA, which was punishment for my sins. Finally, the Commonwealth/I provided some funds for hydatid (worm) control and the provision of laboratory access, for the South East of NSW and the ACT where the disease was prevalent. Hydatidosis is a disabling disease which is preventable using existing technology and involves preventing the transfer of the organism from farm dogs to people.

**The Pork Industry**

The number of farms with some pig holdings had dropped from 24,994 in 1975 to 11,159 in 1985, some 55%. At the same time the number of farms with over 1,000 pigs increased from 174 in 1975 to 348 in 1985 and the number of breeding sows increased to 333,000 by 1985 with farms holding over 1,000 pigs, holding 143,000 of these. By 1985, a farm with 1,000 pigs was becoming regarded as marginal. The four main corporate groups in the industry by 1987 were Metro Meats with 34,000 sows; the Bunge Group divided between Fielders and George Western with 19,000 sows; and Southern Farmers part of the Industrial Equity Group with 64,000 sows in the hands of the big four but ownership was changing hands regularly. It was calculated that the corporates had 64,000 sows, or 18% of all breeding sows. The trends were clear. An Independent Pig Producers Group Ltd had been formed to counter moves to squeeze out small pig producers and bought a 50% share of an abattoir in Dalesford in Victoria. However, marketing outlets and smallgoods processors were gradually affecting the structure and finances of the grower industry.
In December 1982 a Report from the Standing Committee on Agriculture was released on Pig Carcass Classification. Like the cattle industry, the question of classification as a predictor for quality was a key one. The pork industry was one that caused little trouble for me apart from the question of pork imports. Canadian pigmeat producers had been seeking access to our market since 1984 and we were concerned about the possible introduction of three exotic diseases. By 1990, the industry’s structure was one that mirrored the broiler industry in terms of concentration of production units and intensive livestock production.

When I became Minister there was a Pork Promotion Committee (PPC). On 17 April 1985 I met the Australian Pork Producers Federation (APPF) to discuss their industry’s arrangements and issues. The delegation wished to establish a Pork Industry Federal Council as a statutory body to co-ordinate and expand promotion and research, which were activities currently being pursued by the APPF. I told them that there needed to be further discussions at departmental level and with me to see what arrangement could be made for the future. From this meeting came the Pig Research Council, which I announced in April 1986 and the Australian Pork Corporation, and the Pig Industry Policy Council, the legislation for which I introduced into Parliament in October of that year.

On John Block’s hog and cropping farm, Galesburg, Illinois. John was then US Secretary for Agriculture at a time when the Republicans were somewhat sensible.

In November, we were discussing the feasibility of a scientific trial to see if transmittable gastroenteritis (TGE), a virus disease of young piglets, could be introduced from Canada by importation. The probability of transmission from a pig incubating in another pig after slaughter was assessed at 0.74 chances in a million and then one in 3 million. It is fair to say, as with any quarantine issue, that there are always grounds for concern and the industry will naturally focus on this. The problem is that trade covers both imports and exports and one can only ever rely on the scientists and international agreements. TGE had never been known to be transmitted from one country to another and was a disease most likely to occur in very cold climates but could spread in warmer climates. The chance of transmission would require one
of our pigs to eat pigmeat with the virus and the chances seemed practically remote since Canada’s veterinary health system was as good as ours.

I was heavily lobbied by the industry on the issue on 17 May 1990 and the Australian Pork Corporation took up the cudgels in July of that year. The meeting also informed me of what was happening more generally on the commercial forces at play in the industry; the Queensland Pork Authority was becoming financially shaky. I eventually allowed entry of pork from Canada but Trichinosis and Aujesky’s disease from other countries were greater concerns.

In May 1986 a particular problem arose in Bendigo where Mayfair Foods (a subsidiary of the larger Elders IXL Company) had been subject to ongoing industrial trouble with the result that the owners were losing so much money that they wanted to sell. The AMIEU and the tally system were at the core of the ongoing dispute. The operation was Bendigo’s largest employer and the Victorian Government and other parties were trying to save the operation.

By mid-1987 appointments to the Pork Corporation Board were made following advice to me from the Selection Committee. On 21 June Bob Whan, my former Parliamentary colleague from 1972-75, was appointed Chair of the Corporation following the expiration of John Massey’s first term. Bob was then also General Manager of the NSW Dairy Corporation, appointed by the NSW Liberal Government. The Pork Corporation and Research body got on with their job and, I rarely heard from them. The industry must have been rather happy with the structures put in place and their promotion on the domestic market was very effective. I worked on plans to export pork to Singapore but nothing much came of it. The main threat the industry faces is growing imports from many countries and rising concerns from an animal welfare point of view regarding intensive production techniques. It remains a very efficient industry.

Supported by the Prime Minister at one of the endless Brussels’ negotiations.
### GLOSSARY

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AAC</td>
<td>Australian Agricultural Council</td>
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<tr>
<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
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<td>ALP</td>
<td>Australian Labor Party</td>
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<td>AHA</td>
<td>Animal Health Australia</td>
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<td>APC</td>
<td>Australian Pork Council</td>
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<td>APPF</td>
<td>Australian Pork Producers Federation</td>
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<td>AMECF</td>
<td>Australian Meat Exporters Federal Council</td>
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<td>AMIEU</td>
<td>Australian Meat Employees Union</td>
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<td>AMLC</td>
<td>Australian Meat and Livestock Corporation</td>
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<td>AMLIPC</td>
<td>Australian Meat and Livestock Industry Council</td>
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<tr>
<td>AMLRDC</td>
<td>Australian Meat and Livestock Research and Development Corporation</td>
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<td>AMMA</td>
<td>Australian Meat Marketing Authority (which never came into being)</td>
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<td>AQIS</td>
<td>Australian Quarantine and Inspection Service</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>BAH</td>
<td>Bureau of Animal Health</td>
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<td>BTEC</td>
<td>Brucellosis and Tuberculosis Eradication Campaign</td>
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<td>CALM</td>
<td>Computer Aided Livestock Marketing</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>CCA</td>
<td>Cattle Council of Australia</td>
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<td>CER</td>
<td>Closer Economic Relations (agreement with New Zealand)</td>
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<td>CU</td>
<td>Cattleman’s Union</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>EIS</td>
<td>Export Inspection Service</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>HQB</td>
<td>High Quality Beef</td>
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<tr>
<td>LDP</td>
<td>Liberal Democratic Party (of Japan)</td>
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<td>LIPC</td>
<td>Livestock Industry Promotion Corporation (of Japan)</td>
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<td>IMLPC</td>
<td>Interim Livestock Industry Policy Council</td>
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<td>LPMO</td>
<td>Livestock Products Marketing Corporation (of South Korea)</td>
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<tr>
<td>MAFF</td>
<td>Ministry of Agriculture Fisheries and Forestry (of Japan)</td>
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<td>MATFA</td>
<td>Meat and Allied Trades Federation</td>
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<td>MIA</td>
<td>Meat Inspectors Association</td>
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<td>MIL</td>
<td>Meat Import Law (of the United States)</td>
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<td>NCCAW</td>
<td>National Consultative Committee on Animal Welfare</td>
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<td>NIS</td>
<td>National Inspection Service</td>
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<td>NMIS</td>
<td>National Meat Inspection Service</td>
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<td>NTBIC</td>
<td>Northern Territory Buffalo Industry Council</td>
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<td>NTMPA</td>
<td>Northern Territory Meat Processing Award</td>
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<td>NZMPB</td>
<td>New Zealand Meat Produce Board</td>
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<td>POA</td>
<td>Professional Officers Association</td>
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<tr>
<td>RIRDC</td>
<td>Rural Industries Research and Development Corporation</td>
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<tr>
<td>SBS</td>
<td>Simultaneous Buy and Sell (Japanese buying arrangement)</td>
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<td>SCA</td>
<td>Standing Committee on Agriculture</td>
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<td>SMA</td>
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<td>SVCS</td>
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<td>UGA</td>
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Chapter 9: The Australian wool industry, the Reserve Price Scheme, the merino export embargo and the wide comb dispute

Merino rams were a symbol of national prosperity and even of national integrity. Several generations of Australians were taught to venerate not lions or eagles or other aggressive symbols of nationalism; they were taught to venerate sheep. Donald Horne, *The Lucky Country*, 1964.

The Australian wool industry is hugely important in Australia’s colonial, economic, agricultural and agri-political history. It was by far the major agricultural contributor and overall contributor to our export and trade performance for some 140 years. In Australia’s economic history, the wool industry commanded a great deal of power and influence and effectively become an icon in the minds of the broader population and decision makers. And the industry knew it; a wool/pastoral establishment, conservative and fundamentalist, was born, and endures to this day. But some huge issues had emerged for the industry by the 1980s – protection, marketing, shifting markets, globalisation, changes in world finance, competition, stock holdings, viable stock holdings by processors and so forth. But hubris militated against change; the producers believed that the industry’s buffer stock scheme simply could not fail.

None of us then, growers, marketers, industry leaders, ABARE, DPIE, or me could initially see that the wool industry was in a situation of inevitable, irreversible and fundamental change – and some never wanted to see that. Looking back from this point, we can see now that wool growers and the industry were hoist on their own petard of the myths and magic and monopoly of this wonderful product, wool, and were incapable of managing the industry in their own best interests, though this is what we required them to do. Devolution of powers was the philosophy of the government of the day, but with hindsight it was a mistake to devolve so much decision making to the industry. The result was that someone else had to beat their heads against a brick wall – and that someone, reluctantly, had to be me. The wide comb issue was also an example of resistance to change, but in this case on the part of the shearers and their union, not the graziers.

There is an inevitable tension between statutory marketing authorities and their accountability to government – and perhaps they tend to want all power but no responsibility: they resented government interference but expected its help and support when the chips were down. There were some ugly moments in what followed, including for many enormously hard working public servants who spent thankless hours, weeks, months dealing with the issues arising from the industry as it confronted a range of unforeseen circumstances. In this case, and indeed in so many others that are featured in this book, was this ever understood or appreciated by those they sought to help? I don’t think so - and so I pay tribute to them here.

Perhaps I/we were too hands off or too slow to react to industry bad management. Perhaps the accident of timing of that 1990 election meant that I, inevitably, took my eye off the ball at a critical juncture. Or perhaps the dramatically shifting international environment would have done its worst in any case. But nor did the industry do much to help itself.
Policy

The ALP’s policy on the wool industry for the 1983 General Election was as follows:

*Labor supports the continued operation of the Australian Wool Corporation (AWC), including the Wool Marketing Service.*

*As part of its review of the role and functions of the AWC (in line with its policy on statutory marketing authorities) Labor will look to increasing the commercial flexibility allowed the Corporation in its marketing activities - for example, Labor will investigate whether it would be to the advantage of wool producers and buyers if the AWC was given greater flexibility in its powers to acquire and sell wool.*

*Labor is committed to increasing government funding for wool promotion.*

*Labor also recognises the urgent need for changes in the way promotion is funded, so that a guaranteed real level of funding is available on a continuous basis. Labor is committed to supporting the research needs of the wool industry.*

Earliest History of the Wool Industry

When I was a broiler grower in the 1960s and early 1970s, I was a member of the NSW Broiler Growers Association. One of the active members of the Association was Quentin Stanham. Quentin had a large and successful broiler raising enterprise situated on the Camden Park Estate, which was part of the 5,000 acres of land granted to John and Elizabeth Macarthur. Their first land grant was of 100 acres on the riverfront near Parramatta, which John named Elizabeth Farm. Camden was then in the Commonwealth Parliament’s electorate of Macarthur, which I represented in the Commonwealth Parliament from 1972 to 1975. Quentin was related by marriage to the Macarthur-Onslow family, which still owned part of the original grant. When I was the MHR for Macarthur, and later adjacent Werriwa, Major General Sir Denzil Macarthur-Onslow (artillery man and paratrooper in WW2) and Lady Dorothy Macarthur-Onslow were constituents. Both were distinguished, civic minded people, whom I admired greatly.

One of my throwaway lines has been that the federal constituency of Macarthur, created in 1949, was named after one of the greatest rogues in Australian history and has always been represented by one. I was never precise as to my own categorisation and only so-styled two or three of my successors in the seat (not all were Liberals). My primary school history books had told me that John Macarthur was the father of the Australian wool industry and responsible for our adoption of the Spanish merino breed of sheep. Macarthur had imported some merinos from South Africa, which had probably come originally from the Netherlands. However, more than equal credit should be given to his wife, Elizabeth Macarthur, the daughter of English farmers from Devon, who, as well as bearing nine children (seven of whom survived), managed and improved the flock and improved clip preparation for marketing. John was more busily engaged in antagonising or trying to bring down the colonial government of the day, going abroad, being engaged in other entrepreneurial activities, fighting duels, fighting court charges, contesting courts martial and avoiding serving time in a British gaol. He had arguments, and feuds and created disturbances with governors from Phillip to Bourke, eight in all over his lifetime.

His participation in an illegal duel had resulted in Governor King sending him to England for trial. It is recorded that Governor King did not like the look of his eyes - enough to send him for trial?
It was while in England that Macarthur convinced Lord Camden that NSW could break Britain’s dependence on Spain and France for wool. This resulted in Macarthur being given the grant of 5,000 acres of land, hence the name of the town of Camden, where the granted land is. His biggest clash was with Governor Bligh who called for Macarthur’s arrest for illegal importation of brewery equipment. Upon his arrest, the NSW Military Corps drew up a petition for the withdrawal of Bligh as Governor. On 26 January 1808, the Corps marched on Government House and arrested Governor Bligh. This became known as the Rum Rebellion. The NSW State Parliament is ‘rumbustious’ to this day.

However, being a quiet, conservative lot, we have not had many ‘rebellions’ since. However there was an earlier one, known as the Vinegar Hill Rebellion, which took place at Castle Hill, near Parramatta in 1804. The only others are the celebrated Eureka Stockade on the Victorian goldfields in 1854, over the paying of a miners’ licence fees, and perhaps at the time of the opening of the Sydney Harbour Bridge in 1932, when the right wing paramilitary organisation, known as the New Guard, had organised its supporters in protest, and were intent on radical change. This was at a time when Fascism was rising in Germany.

When in England in 1803, Macarthur fortuitously became our first promoter of Australian wool; even if self interested, far ahead of his time. By this year John and Elizabeth had a flock of 4,000 purebred merinos, the founding stock of Spanish merinos having been bought in 1797. That being said, it is important to realise that the first person to import Merino sheep into Australia was Captain Henry Waterhouse and the first person to export Merino wool to England was the Reverend Samuel Marsden, in 1800.

During John’s most lengthy absence in England, from 1809 to 1817, Elizabeth, assisted by soldiers and convicts, managed the properties. Camden was part of the frontier in the early days of the colony and soldiers were sensible to have encamped. The population of the colony was still only about 5,000 people in 1810. In March 1816 three of the Macarthur’s servants fell victim to, possibly understandable, hostilities from Aboriginal people in the vicinity. There were many incidents at the frontier, in part caused by a drought from 1814 until 1816, which caused the Aboriginal people to be without sufficient food and also because their lands had been expropriated. It is recorded that the Macarthur household and that of Charles Throsby, another land holder, provided assistance for the Aboriginal people during this time. Rumours that there was to be an attack on the farm resulted in people taking up arms to protect Camden Park and also the nearby farm owned by John Oxley, a famous early explorer.

While John Macarthur was overseas, Elizabeth selected rams for breeding, instructed the convicts in sheep husbandry and managed the flock, maintaining the purity of the merino line. She coped with floods, drought and fires. In 1813, with 1300 ewes in lamb, she built a woolshed and in 1816 sold and exported 15,000 pounds sterling worth of wool, a fortune in those days. She recorded aspects of her management and conveyed them to her husband in England for any instructions he may have.

It was typical of the time, and even now, that women were and are not given more credit for the role they played and play in our grazing and agricultural industries. She is at least remembered by way of the Elizabth Macarthur Agricultural Institute, a vital research facility of the NSW Department of Primary Industries, located on the bulk of the original property on the Camden side of the Nepean River, which was purchased by the NSW Government. The remnant flock of about 300 to 400 head has been retained in its pedigree form on Belgenny Farm, on part of the original property not in public hands. I am told their clip measures 14 micron superfine wool, though the animals are rather small by today’s standards for merinos.
Another lesser known woman was Eliza Furlonge, a Scottish woman, whose husband suffered from consumption (tuberculosis). She had decided that she would go to Saxony, Germany, to buy sheep with the aim of bringing the Saxon strain of merino to Australia and then live in Australia’s warmer climate for the sake of her husband’s health. She had recognised that Saxon wool brought higher prices on the English market than wool then being shipped from New South Wales. She studied sheep rearing and wool preparation in Germany and used an instrument, name unknown, to measure the fineness of the wool as a guide to her purchases of sheep. She too was well ahead of her time.

Eliza Furlonge walked hundreds of miles through Saxony and Prussia selecting and buying sheep and three times drove her selected mobs to Hamburg for shipment to Hull with her two surviving sons (she had borne six children). She had travelled alone on her first journey. She then drove the mobs across England to Scotland for shipment to Australia. She also visited Rambouillet in France inspecting sheep for possible purchase but didn’t buy any. The later Peppin strain of merino in Australia involved some cross-breeding with the Rambouillet merino strain. As a further aside, it is believed that the merino breed originated as a mutation in Eastern Anatolia in Turkey and that it was the Berbers who introduced it into Spain.

In 1829 Eliza despatched a flock to Australia with son, William, then aged 18, who off-loaded them in Tasmania, which had become a colony in 1825, (formerly having been known as Van Diemen’s Land) and settled on a property near Campbelltown in the eastern centre of the island. Eliza, husband John and the other son, Andrew, came to Australia in 1831. In 1834, Eliza and John returned to England, where he died. She then returned to Australia, by which time William had sold their property, Kenilworth, and some of the flock to the neighbouring Taylor family and had shipped the rest to the Port Phillip District (Victoria). David Taylor, today’s owner of Kenilworth, has informed me that the neighbouring Taylor family at Winton has the stud on the property still registered in the Australian Merino Stud Book as Flock No. 1. Eliza then lived with William and his family on a property near Whittlesea. Later, in 1853, the family moved the flock to ‘Seven Creeks’ station at Euroa, Victoria. Hers is an incredible story far too little recognised and acknowledged, except in the National Wool Centre in Geelong, Victoria and in Charles Massy’s voluminous work, *The Australian Merino*, published in 1990.

**The Wool Industry in Australia’s Economic History**

While Australia has a rich oral Aboriginal history, we have very little recorded history compared with early civilisations in much of the industrially developed and developing world. Primary school history lessons in my time were an unrelenting recital of exploration and settlement, squatters and bushrangers, along with the occasional gold discovery. Dispossession of the Aboriginal people and our racism before and after Federation in 1901 was not mentioned - or even recognised as such back then. Until the 1960s we had a better idea of the number of sheep we had than Aboriginal people. However, it was the wool industry which created much of our earliest colonial economic history through to the middle of the last century. It was responsible for many of the facts, myths and legends that we as a nation, vaguely, hold onto until today. The ‘bush’ was synonymous with grazing and agriculture (‘squatters’ and ‘cockies’), under trying production and market conditions, of isolation, of droughts, floods, bushfires, hail, dogs, and rabbit, locust, mice and kangaroo plagues (what’s new some might ask?) The romance of the ‘squatters’ and the drama of the ‘Shearer’s Strike’, and what came from it, and the saying that “Australia rides on the sheep’s back”, are still part of the legends bearing a lot of truth and significance about earlier times.
The fact is that a large proportion of our initial wealth came from the wool industry and that transport links were driven by the urge to expand settlement and to transport wool, minerals and other agricultural produce to the ports for export to Britain. The early banking sector’s branch structure was about collecting money in country areas rather than being about lending money to primary producers (again, what’s new some might ask?). This behaviour by the banks continued in lesser degree until the financial markets were deregulated in the 1980s and later when we were all ‘fleeced’! The pastoral houses and wool broking firms, often acting as industry financiers, became very powerful and influential in rural affairs. Wool brokers were true ‘middlemen’, because they acted as agents for both sellers and buyers of wool; no conflict of interest was perceived. However, I could never quite understand why producers would sell their clip to private buyers, often at a discount.

To give some idea of the nature of wool growing in Australia, a potted history of droughts and sudden falls in wool prices in NSW follows. NSW was and is the largest wool producing state. I also record the value of wool as a percentage of the total Australian value of exports. All of Australia is rarely in drought at the same time. Droughts for much of NSW occurred in 1814-16, 1845, 1864, 1895-1905 (the near worst, if debatably not the worst ever drought since European settlement) 1911-1917, 1928-30, 1940-1946, 1965-67, 1978-early 1980s, 1993-4, 2001-10. It is hard to measure the economic impact of one drought compared to another. However, the drought of 2001-10 affected fewer producers than did previous droughts and had a lower impact with respect to a percentage of our GDP, even though just as dispiriting, was possibly as bad as the Federation drought and certainly far more costly.

For a number of reasons, price falls for wool on international markets occurred in 1818, 1826-1829, 1841, 1848 (extremely low), 1860, 1880-1897 (again, an extreme drop) and the 1930s. There was a wool boom in the early 1950s then the price fell again through the 1960s, to an extreme drop in 1970-71. The impact of drought and prices on overseas markets has always been an indicator and potent characteristic of the fortunes of the Australian wool industry. Examination of the coincidence of droughts and exceptionally low prices, indicate that this was most marked in the period leading up to 1864 and from 1880 to 1897. In the last century, the coincidence in the late 1960s was equally as bad. Some of Australia’s oldest continuous weather records exist on some of our oldest, established grazing properties. It is important to
note that droughts act as a harsh adjustment mechanism in agriculture, forcing out many properties which may have to be sold.

The reason it was said that Australia rides on the sheep’s back was the fact that from before 1830 to 1850, wool was by far our largest export earner. Gold glittered for the next two or three decades but was then again supplanted by wool and minerals, and then became again our dominant single export commodity from 1871 until the 1960s. In 1852 gold represented 35% of Australia’s GDP; it was our first minerals boom and built Ballarat, Bendigo and old Melbourne. The gold and minerals booms were what populated the country in the second half of the nineteenth century, but mainly only in the development stages and during ‘gold rushes’. The discovery of gold in Queensland in 1867, and into the 1870s, saved the fledgling colony from bankruptcy. In the 1950s wool was still 50% by value of our exports, 40% in 1960, 29% in 1965 and still 19% in 1970. These statistics give some idea of the realities of wool production. For good reason, graziers, like farmers, wax and wane between optimism and pessimism in their pursuit of trying to earn a living.

The wool price boom of 1950-51 (caused by fears for supply and by the wool trade during the Korean War), prompted the Menzies Government to propose a revaluation of our currency, because it was distorting the economy and had the potential to create inflationary pressures and induce higher wages. The Country Party fought this but, after threatening to leave the Coalition, agreed to the compromise of a Wool Sales Deduction Scheme, whereby 20% of the value of wool sold and exported was paid to Treasury and held as a credit. There is no correlation between agricultural and minerals booms in Australia. However, by 1968, Japanese demand for our minerals exceeded the value of wool. The late 1960s were my first experience of Australia’s recurring minerals booms at a time when our agricultural commodities were experiencing tough times.

The modern day example (2013) of the need for an economically sound corrective, or balancing of the goods producing sector, is the Australian mining industry. Heavy mining investment/borrowings and super-profits have always created economy wide distortions, appreciating the currency (thereby harming other export and import competing industries), provoking inflation and driving up wage pressures (though wages overall have basically remained under control in recent times). This recurring economic reality was well understood by agricultural economists in the 1970s (after the 1960s resources boom) and 1980s. The economy wide impacts of resources booms and high tariffs was particularly well analysed by Dr Bob Gregory of the Australian National University in this period. David Trebeck, then Deputy Director of the National Farmers Federation gave a key speech to wool growers on the economic relationship of resource booms to agricultural costs and their impact on exports, in Goulburn in July 1981.

The Member of Parliament who campaigned against Australia’s high tariffs, subsidisation and protectionism most persistently and for the longest period of time was the Hon Bert Kelly, Liberal Member for Wakefield (South Australia), 1958-77. Bert well understood the problem being caused to agriculture by the mining boom of the late 1960s. His father had been a member of the Commonwealth Tariff Board and the laconic Bert was a born economist. I admired him greatly; he told great jokes, was very funny and wrote a column in the Australian Financial Review for many years entitled ‘The Modest Member’. The column later became ‘The Modest Farmer’, after he lost pre-selection for his South Australian seat.
The Industry as I knew it - When I Knew Little

The collapse of the Minimum Reserve Price scheme for wool was by far my biggest disaster when I was Minister for Primary Industry. It was said by some, and at least by one prominent wool industry person, that I was “out to get the wool industry as an act of revenge”. Revenge for I don’t know what. The truth is far different. When I was a farmer, I avidly read the Agricultural Gazette, published by the then NSW Department of Agriculture, which often featured wool growing. I also then had enough courage to buy The Land (for the machinery advertisements) in the 1950s and 1960s. I rejoiced in reading about the fortunes of the industry and our top merino studs such as New South Wales’s Egelabra, Merryville, Haddon Rigg, Uardry and Boonoke/Wanganella (the latter three being of the Peppin Merino strain), to name a few. Collinsville was a renowned South Australian stud of which I was also well aware. I always visited the wool pavilion when I attended Sydney’s Royal Easter Show and viewed the top stud animals (one has to part the wool on the side of the champion rams and look at it wisely and then to show that you really know what you are doing, look again at the wool along the neck; judging fineness by crimp I suppose?) I note that the Chairman of today’s Australian Wool International has recently stated that there is no role for genetics in ram selection. Old values die hard. We all put great store in the success of the wool industry through the 1950s. In today’s terms, key players in the industry would be regarded today as celebrities.

There have been references to the key players in the wool industry as being our home grown aristocracy or ‘squattocracy’. However, compared to the English aristocracy, when we Australians talk about ‘good breeding’, we are generally referring to sheep. But there were to be huge changes from the 1960s and 1970s. Our more recent generations and immigrants do not and cannot be expected to understand the prevailing mind-set of that time, which I would typify as regarding ourselves as an intrinsic part of the British Empire, with an accompanying colonial sloth and ‘cultural cringe’. We were rather complacent, politics was a lot simpler, and Canberra was a quiet country town not infested by the media, public relations firms and lobbyists. Political parties had fixed images apart from the reputation of key individuals, voters were more denoted in class terms and it was essential to be a monarchist, or so say. The conflict between Protestants and Roman Catholics was real. Cricket has always acquired semi-religious status for many conservative thinking people. I never revered Don Bradman as much as I did Keith Miller and Ray Lindwall, as cricketers, or Ken Rosewall and Lew Hoad in tennis, who were my sporting role models.

When I was a farmer, I would have given anything to be on or to own a sheep property even though I knew that, in the perceived hierarchy of farm and grazing pursuits, not enough attribution or credit was given to forms of farming activity other than wool production; the unrelenting toil of dairy farming and chook farmers would have been beyond contemplation by the landed gentry, no matter how hard working they were. When I was 18, in 1955-56, I enrolled in an external agricultural course with Hawkesbury Agricultural College and spent two weeks in the college as part of the course requirements. I was struck by how keen all the other students of the course were to expand their properties or to one day gain enough money to take up wool growing. One fellow was flat out clearing his property to graze more sheep in

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33I was always somewhat uncharitable about The Land, Country Life, the Weekly Times, Stock and Land and other agricultural/rural newspapers due to their editorial content and my contention that they tend to only reinforce what farmers believe. I readily concede that they provide an essential treasure trove of information for farmers and graziers on many other issues, particularly relating to markets, technical advances and social issues.
the Bathurst area, at Dark Corner around the corner from Sunny Corner, so he told me. We were all farmers or graziers and it was our shared ambition for our enterprises to get bigger and for us to possibly ‘graduate’ to wool growing.

The Wool Industry as I Grew to Know it

The Bureau of Agricultural Economics (BAE) employment experience in 1971-72 had given me some insight into the traditions of the industry and the travails of the more modern thinkers in it, such as Jim Maple-Brown from Goulburn. Jim was an innovator and early adopter of selling wool by measurement and sample. He also tried to get some adaptation of strains of sheep and more consistent wool characteristics by region. There still seemed to be large differences in the outlook of sheep graziers between those in the Pastoral Zone and those in the Wheat-Sheep Zone and higher rainfall Zone, though most traditional values were widely shared and, certainly, political ideology. The gap was between those who regarded themselves as ‘free marketers’ and those who were styled as ‘interventionists’. Graziers in the Pastoral Zone were always more market orientated and necessarily tended to take a longer term view to survive in the semi-arid areas of the continent. Yet, not all wool producers were specialist and many were wool/wheat or other crop producers, or wool/beef or dual purpose wool/sheep-meat producers. While working on wool marketing in the BAE, I also gained an insight into the way the bureaucracy was required to work with or for the National Party during the dying days of ‘McEwenism’, which I have already defined in an earlier chapter 34. This was when a very senior person in the then Department of Primary Industry told me of the hours he had to spend with Democratic Labor Party senators trying to convince them to support the then government’s wool legislation in 1971; clearly political work. Ministers did not have large personal staffs in those days and public servants were a lot more involved in the nuts and bolts of gaining support for government legislation.

Working with wool producers in 1971 and 1972, at a time of exceptionally low wool prices, reinforced my perception that there was no longer a great amount of money to be made in wool growing and that the economic wellbeing of the industry was the same as it was for all of our broad scale farm industries. This involved astute management, high levels of equity, the need to manage more and higher producing animals per operator (productivity gain), emphasise care of the resource base of the property in its management, attention to detail, and, if possible, to diversify or gain off-farm or non-farm income. It also required strategic thinking, which is just as, or perhaps more important than being ‘head down, tail up’ and the relentless adoption of the production per se ethic.

Some of Australia’s larger more resilient, viable sheep properties had been split up under the Soldier Settler Schemes after the two World Wars and earlier, under pressure from people wishing to farm and for other farmers to be given access to more land for cropping. Rising

34 ‘McEwenism’ went well beyond this and was part of overall Coalition Government policies whereby there was a consensus on ‘protection all round, for all industries’. The policy setting was not much contested by the Liberal Party at the time. Bert Kelly fought a lone battle for many years pointing to the flaws in ‘protectionism’ and the deleterious effect of high manufacturing tariffs on the farm/exporting sector. The Tariff Board was effectively manipulated into maintaining McEwen’s policy and the Departments of Trade and Agriculture was effectively part of the policy instrumentality of the Country Party machine when in government. In fairness, the ALP was just as much in favour of high industry protection, especially for secondary industry, and was strongly wedded to the concept of ‘organised marketing’ for agricultural produce. In Victoria, in earlier times, the Country Party and the ALP were very close on agricultural policy.
property prices closer to the cities on the seaboard and in the high rainfall zone had led to a small farm problem in many areas, resulting in farmers being forced to try to build up, move to more intensive operations or to different enterprises.

The post Second World War ‘long boom’ in agricultural prices was coming to an end by the mid-1960s. By 1970-71 Australia had 180 million sheep, only slightly less than the 186 million in the early 1960s, and wool prices were at disastrously low levels. Even so, wool still amounted to 15% of the gross value of all farm and grazing production.

For wool, the largest change in this decade was the impact of the development of synthetic fibres. Until about 1965, wool was cheaper than synthetics, but the giant chemical firms, Dupont and ICI, were gearing up for massive production and prices for polyester and acrylics fell sharply while their promotional budgets expanded even more dramatically. There were also changes in this period and later to the wool industry's Commonwealth Government legislated national marketing arrangements. An Australian Wool Board was re-established in 1963, replacing the Australian Wool Bureau (1953-63). There had also been an Australian Wool Board prior to the Bureau. An Australian Wool Commission was set up in 1970, which lasted until 1973, when the Australian Wool Corporation was established in January of that year, replacing both the Board and Commission.

There was an active industry debate about marketing arrangements from 1964 until 1968 at a time when the average price of wool had dropped from 182ckg (cents per kilogram) clean to 92ckg. Small scale wool producers were strongly in favour of a central wool commission to bring a measure of support and stability to the industry. There was much debate about the need for a wool acquisition scheme, involving the purchase of the clip by a central authority and also a reserve price scheme. By 1969-70 the price of wool had fallen to an average 32ckg, down from the 47ckg average for the past season. Meetings of worried wool growers were being held all over the country.

**Some Basic Wool Marketing Realities**

There are several constant realities that need to be taken into account when considering wool marketing. One is that with such a high proportion of the Australian clip being exported (up to 97%), wool promotion by exporting countries, directed to user countries, is essential, given the competitive world market for textiles. It is also essential for producers and marketers of wool to have a well-researched knowledge of wool utilisation by the manufacturing industry and of the competition. Man-made fibres are produced on a batch by batch basis, not engineered for versatility but for a narrow range of advantages. Wool on the other hand is versatile. Trying to compete with synthetics with, at one stage, some three thousand types or categories of wool, posed many overwhelming disadvantages. Because Australia is the largest producer of high quality apparel wool in the world (or was in those days), we dominated that part of the world textile market, but it was relatively small.

However, and crucially, there is a need to understand that the premium to be extracted for wool’s superior quality means the price can rarely exceed two to three times that of substitute fibres - this I call the ‘300% rule’. As well, the Multi-fibre Agreement at the time was outside the General Agreement on Tariffs and Trade (GATT) trading arrangements, with most textile industries being highly protected. Further, while fine wools, say, nineteen micron and less, are generally readily saleable (they do not accord with my ‘300% rule’), they only amount to a very small part of the total clip; less than five per cent in most years at that time (the percentage
may be higher now). In 1989-90 over 10% of the clip was in the twenty micron category and only a little over 4% was in the nineteen micron or less category.

Another reality is that, in Australia, the volume of wool sold in the first half of a selling year (financial) is nearly always less than in the second half, requiring storage on or, more generally, off farm with a proportion stored in buying countries to expedite quick movement into processing. Because the bulk of the markets for wool are in the northern hemisphere, wool has to be shipped on a voyage which takes five to six weeks. This means that at any one time up to 10% of a year’s export production can be at sea and can be subject to price fluctuations. Firms downstream have always had to cope with this. Understandably the desire for price stability had always been strong among both sellers and buyers. Finally, wool is our most trade exposed commodity with such a high proportion being sold to both industrially developed and developing northern hemisphere countries.

We have never developed our own wool processing industry much beyond scouring and the making of tops (first stage processing), except for a few struggling firms. Whether this was part of our colonial mentality, or legacy, the reality of protection by consuming countries for their textile industries, or part of grower adherence to the ‘commodity producer only’ concept, I do not know. However, it means that the industry is exposed to world economic trends and the economic growth, or otherwise, of purchasing countries. International economic parameters including exchange rates, interest rates, recessions, booms and busts, share market speculation, to which add wars and political instability, make the wool industry, and Australia for that matter, exceptionally vulnerable to the vagaries of agricultural export markets.

Promotion, product development and market research were carried out by the International Wool Secretariat (IWS), composed of the four main exporting countries (Australia, New Zealand, South Africa and Argentina), and is based in the UK. Australia generally chairs the Secretariat, with this task falling to the chair of the board of our marketing body at the time. Australia effectively dominates the organisation. The IWS always had a watching brief or close knowledge of the deliberations of the International Wool Textile Organisation (IWTO), which is based in Brussels and represents all aspects of wool utilisation beyond production.

Wool Industry Politics

Sir William Gunn (then Bill) was President of the United Graziers Association (UGA) of Queensland and also President of the Australian Graziers Federal Council in the 1950s and became chair of the Australian Wool Board (AWB) in 1963. In 1961 he became chair of the IWS. Twice, in 1951 and 1965, he promoted referenda for wool growers to vote for a reserve price mechanism. Twice these were rejected by woolgrowers. Sir John McEwen was very much in support of a reserve price scheme, or wool acquisition or ‘stabilisation’. However, even with Country Party manipulation of voting eligibility, the ‘free auction’ organisations won, especially in NSW, the largest wool growing State. It was said that Sir John carried out a vendetta against the Graziers Association of NSW and its economist advisers from this time on. Bill Gunn’s home organisation, Queensland’s United Graziers Association (UGA), was in favour of wool acquisition by the mid-1960s. Both Bill Gunn and Bill, later Sir William Vines, Managing Director of the IWS, were in favour of ‘orderly marketing’ and strongly in favour of wool promotion, which had commenced in 1931.

In 1964 Gunn and Vines introduced the Woolmark, which serves as an internationally known brand to this day. The most strident opposition Bill Gunn faced, when Chairman of the AWB,
was when arguing for an increase in wool promotion funding by growers in the 1960s. He was pelted with eggs, fruit and flour bombs at a meeting in Hamilton in the Western District of Victoria in 1964, prior to the referendum for a wool price scheme. He continued his quest and eventually gained government support to lift the grower contribution to promotion funding via the existing, legislated Wool Levy from ten shillings to two pounds seven shillings ($4.70?) per bale.

**The Bureau of Agricultural Economics Experience**

Until I started working in the BAE, now the Australian Bureau of Agricultural Resource and Economic Sciences (ABARES) I had hardly any detailed knowledge of the industry and was only vaguely aware of some aspects of the wool debate during the 1960s and the introduction of the Reserve Price Scheme (RPS). I have set out my experience in the BAE more fully in the chapter on my experience of being involved in the Australian Objective Measurement Project 1971-72. I had it clearly in mind that the price mechanism used was meant to be a ‘pot holing price mechanism’, that is, one that irons out the price bumps up and down along the fluctuating price road. When I was in the BAE we were working on the science and economics of the introduction of objective measurement for the three key marketing characteristics of wool, namely fibre diameter, yield and vegetable matter, and to establish thirteen aggregated grades of wool defined by micron. Other measurable characteristics have been added through time, for example staple length and staple strength. Most interests in the industry resisted objective measurement, but the crisis of the early 1970s hastened its introduction. The language of marketing eventually changed from the type known as ‘64s’, becoming twenty one micron and so on. The objective measurement of wool not only enabled the better description of wool qualities but also facilitated sale by sample, thereby cutting the costs of handling within wool stores and at ports.

**The Wool Industry Crisis of the 1960s-1970s**

A very large meeting of up to 3,000 graziers from the three eastern States arose ‘spontaneously’ in Moree, NSW, in March 1970. This meeting called for the setting up of a single marketing authority to engage in wool freight negotiations and for acquisition of the clip, and for overall marketing reforms. The late Hon Ralph Hunt, Member for Gwydir, chaired the meeting. Ralph was a delightful bloke, whom I got to know better when we were both out of parliament. Some said he arranged the meeting with support from the Department of Trade. Ron Hunter, an executive member of the Graziers Association of NSW, said that he had spent some $20,000 of his own money to organise the meeting and that Ralph had worked on his own initiative. Speakers included Ron Hunter, chairman of the organising committee; C Bowhay, immediate past President of the Australian Association of Stud Breeders; J Lonergan, former member of the Australian Wool Industry Conference and the Australian Wool Board’s Marketing Committee; Bill Gunn, Chairman of the AWB plus two other members of the Board; the Hon Geoff Crawford, NSW Minister for Agriculture; S Neville; C Renshaw, President of the United Farmers and Wool Growers Association; Senator Bull; Bob King, Member for the Wimmera; and B Killen, who was well-known in agricultural circles. The meeting was also attended by a large number of other influential wool industry people. Prominent speakers from the NSW Graziers Association called for the “fixing of stable mill prices by a central authority”. There was also some displeasure expressed regarding the activities of private wool buyers, who were buying up to twenty per cent of the clip at the time. This was a meeting that the Commonwealth Government could not ignore.
To my chagrin, I have never been able to arrange ‘spontaneous’ meetings like this. The only
time that I attracted a decent gathering was when the National Farmers Federation (NFF)
organised an enormous rally of 45,000 farmers outside the old Parliament House on 1 July
1985, calling for my head. The President of the (NFF) at the time was Ian McLachlan, of
Jumbuck Pastoral Co., from one of Australia’s largest wool growing group of properties with
some 3.54m hectares of land in three states. Ian had been President of the Wool Council of
Australia (WCA) and later became a senior cabinet minister in John Howard’s
Liberal/Coalition Government, 1996-2007, as did Andrew Robb, then CEO of the
organisation.

How the Reserve Price Scheme Came About

In what follows I am indebted to my colleague and friend, the now late Bob Whan, who was
an active participant in and observer of the situation from a professional point of view at the
time. In introducing the legislation to establish the Australian Wool Commission in October
1970, Doug Anthony, Australian Country Party leader, clearly stated that the mechanism was
to be a flexible reserve price scheme and not one with prices fixed for a whole year’s
production, that it was not to defy the market, but to test it, and to act as a way to smooth ‘pot
holes’ in the market. There was no stated limit on what could be purchased and intervention
prices were not to be made public. In the speech made to the Parliament, Anthony said that he
had asked Sir John Crawford for independent advice on the scheme.

Sir John Crawford, one of Australia’s really great public servants, had a close involvement with
the wool industry, going back to the Joint Wool Selling Organisation (JWSO) days following
the end of the second World War, when Australia had accumulated a large stockpile of wool
and the Organisation had been given the job of disposing of it once world trade resumed. The
JWSO finished its work in 1952. Having created the BAE after the Second World War, Sir John
asked it for advice. The Bureau had been examining the inconsistencies and errors in visual
assessment of wool quality characteristics, which resulted in differences paid for sale lots of
the same type of wool sold during a single day. These inconsistent prices were also styled as
having a ‘potholing’ effect in the market. Sir John absorbed the Bureau’s research, which was
based on objective measurement, and gained a detailed knowledge of the working of the
market. The traditional subjective appraisal system could have been replaced by more accurate
measurement sooner, but this was then opposed by buyers and wool broker, and wool classers
in the shearing sheds also had to be convinced. The traditional forces and occupational
groupings in the industry were not prepared to forsake anything that could affect their power
and influence or profits.

Sir John’s advice to Minister Anthony was sound and detailed. The flexible reserve price
scheme he recommended, later to be known as the Reserve Price Scheme (RPS), was designed
to operate above a floor price and below the market price to provide some protection against
unusually low prices. It would act within a band with upper and lower limits decided by the
market. It would follow under the average market price when prices were rising, come out
above the market when prices peaked and then follow the market down. Each sale day a new
flexible reserve would be set below the average price paid on the previous day. The book Bob
Whan and Dr Ken Whiteley (ex CSIRO) were currently writing on the wool industry detailed
the working of the flexible reserve price mechanism advocated to the Minister. Sir John was
also insistent that there should be a single independent statutory authority to administer the
scheme, that the flexible reserve price was absolutely not to be a floor price and that the
authority should possess a market intelligence unit.
It was with the industry recommendation and Sir John’s advice that Doug Anthony presented the Cabinet with the flexible reserve price legislation and the establishment of the Australian Wool Commission (AWC). To be specific, the recommendation to the government had two important conditions:

1. The flexible reserve prices are designed to remove irregular price changes within a single day, they should respect the day-by-day changes and do not anticipate or determine the market by fixing a rigid price level.
2. The single marketing authority should be an independent statutory authority. It was not to be a compulsory acquisition scheme.

The legislation was opposed by the Treasurer, Bill later Sir William, McMahon, and by the Treasury. (Sir John McEwen and the Country Party were not particularly fond of McMahon because of his difficulties with the truth). There had been a long history of antagonism between Treasury and McEwen/the Country Party and the Department of Trade. Then McMahon gave in, supporting a flexible reserve price but not a floor price, but he probably did not understand the difference? There must have been some confusion in the debate because the legislation did not properly define the mechanism, even though, as I have said, Doug Anthony was at pains to be clear about it in his Second Reading speech. The fatal omission caused by Treasury’s pre-occupation with opposing a floor price was that the need for strong statutory powers to control a flexible reserve was overlooked.

Sir William Gunn was not appointed to the Board of the AWC. This was the first time for many years that he was not a crucial player in wool industry politics from a statutory organisational perspective. I do not know the reasons why this was so.

The AWC was established to deal with the situation at the time and the accompanying support mechanism was somewhat of a salvage scheme, financed by government loans. This was followed by a Deficiency Payment Scheme, based on the Commonwealth paying a guaranteed price 20% above the low point of wool prices in 1971 (65ckg). Some of the loans for stock holding were repaid when prices briefly recovered in 1971-72. Bill Gunn had requested an extra $4m for wool promotion in 1971-72 and an extra $10m in 1972-73m but this was rejected by the Coalition Government. The Commonwealth Government advanced some $21m for the Deficiency Payment Scheme and also introduced a State Grants Rural Reconstruction Act in 1971 to assist wool and wheat growers. Similar legislation was introduced to assist dairy farmers and horticultural producers. These Acts and their implementation and government assistance in general, were of assistance to some farmers when the British market for many commodities virtually disappeared or was slashed when Britain joined the EEC in January 1973. From these Acts eventually came what we now know as the Rural Adjustment Scheme (RAS), which I touch on with respect to other commodities and discuss in a later chapter.

The AWC operated the flexible reserve as envisaged by the Government during 1970. However, by the end of that year it announced that it had decided to fix the flexible reserve at pre-Christmas levels and maintain its reserve prices for longer periods. This was against the stated intention of the scheme and the wishes of the Government. The flexible reserve price had become a flexible floor price set not by the market but where the Commission thought the market should be. Following grower pressure, it then reported to the Minister and Cabinet that the reserve price should not be lowered for the rest of the season. Bill Vines who had become Chairman of the AWC, had been an instrumental backer of the scheme and convinced Doug Anthony to accept the contradiction that the flexible reserve should become a fixed reserve price during the first half of and then for all the 1971-72 season. The Minister agreed;
the rationale being advanced that it was an emergency measure at a time when prices were at their lowest for twenty five years. The industry had proved very adept in getting around the Government’s wishes in very short order. This is the piece of history that I failed to absorb and remember and also how the later aggressive use of what subsequently became known as the Reserve Price Scheme (RPS) in 1974-75 had quickly built stocks.

The Wool Commission did not last long. A review by Sir Richard Randall resulted in the establishment of the Australian Wool Corporation (AWC) from 1 January 1973 with enhanced powers, with woolgrowers, brokers and buyers given more influence in the daily running of the organisation but also with a grower levy to cover the cost of any miscalculation on the part of the Corporation in its market activities. A request for an acquisition scheme was finally rejected but the Coalition Government gave increased influence to the industry by involving it more in the setting of the, now, so-called, flexible reserve price or RPS.

After twenty three years of Coalition rule, the ALP won government in late 1972 and Senator Ken Wriedt became Labor’s Minister for Primary Industry, later to be re-named Minister for Agriculture, in June 1974. I became the Member for Macarthur in the Parliament at this time. In May 1973 Senator Wriedt wrote to the Acting Chairman of the Corporation, Mr Yeo, setting out the principles to be followed in setting flexible reserve prices. The Corporation informed the Minister that when the market was falling, its strategy was to test it by holding reserve prices firm for several days. Ken did not take the industry and Corporation to task, as far as I know. In July 1974, this approach led to the grower Wool Industry Conference being able to convince the Corporation to support a depressed market at the equivalent of 300ckg clean for 21 micron wool, without any serious government intervention.

Against the advice of buyers at the time, when Japanese stocks were high, and knowing that there would not be strong competition from Europe, the Corporation bought heavily - up to 66% of the offerings - at the 300ckg reserve price, without the approval of the Government. Did the Corporation have to have the Government’s approval or did their earlier experience incline it to speculate? The Japanese had advised that the entry price into the market should be nearer to 250ckg and decided that their mills would close for ten days. Their buyers did not return in strength until the end of the year. The Corporation finally decided to cancel all sales in August. By September 1974 the so-called flexible RPS, was being simply described as the ‘floor price’; to the original flexible reserve price had been added a minimum reserve price. In Parliament, Opposition members were claiming that criticism of the Corporation was eroding the market’s confidence in its activities. In fact the Corporation’s activities were eroding the confidence of the Government by ignoring ministerial directions and the clear intent of the scheme.

The impact of changed international economic conditions was not sufficiently appreciated at the time. The Whitlam Government was blamed for all our economic misery but much of the source of high world interest rates and inflation leading to stagflation came from actions of the Nixon Administration, which collapsed the Bretton Woods Agreement on exchange rates in response to the recession that followed from the under-funded Vietnam War and threatened trade restrictions. Because my opposition to our involvement in the Vietnam War was the reason I joined the ALP, I thought at the time that the US had a predilection to get into unwinnable, unpaid for wars, (which we Australians loyally always follow them into) only to reap the economic whirlwind later.

In May 1975, the Whitlam Cabinet refused a submission from the AWC to set the reserve price at 300 cents but decided to support 200ckg. The decision was opposed in cabinet by Ken
Wriedt, but was carried on the arguments of Acting Treasurer, Bill Hayden. I thought at the
time that Ken, having an understanding of the mechanisms of the reserve price mechanism,
was concerned about the backlash in the bush and the possible loss of regional seats at a time
when Labor was so obviously in trouble. I also thought that Hayden, who has a fine economic
mind, was acting on Treasury advice, which would always have been to consistently oppose
buffer-stock schemes and the dangers thereof, on first principles. There was also a growing
sophisticated economic analysis and literature on the ramifications of and risks in such a
scheme.

The decision caused concern in the Caucus when it met in Parliament House. An exceptionally
large gathering of protesting woolgrowers was meeting outside Parliament House. Bob Whan
led the debate opposing the Cabinet’s decision, being the most informed Member in the
Parliament on the technicalities of the issue. I supported him but my clear recall is that I
thought the Cabinet would not have appreciated all that the industry had gone through, nor
understand the technicalities of the pricing mechanism – and nor would most members and
senators. I also thought that it could work if administered on the basis of Sir John Crawford’s
original advice but that there were electoral, as well as technical, hazards in deciding on such
a low and possibly fixed price. It would have been best if I had put my economist hat on and
have let McMahon’s, or the Treasury view, prevail but I did not think this was a politically
viable option at the time.

The vote was won in Caucus by 52 votes to 29, against the Cabinet. Doug Anthony got wind of
the Caucus decision and went outside to the protesting hordes claiming victory. The chance
for Bob and me to become one-day heroes with the woolgrowers and get any credit had passed.
Perversely, this is when I decided that inner cabinets were advisable, that cabinet ministers
should not be able to appeal to the parliamentary caucus when they lost an argument or
submission in cabinet, and that all cabinet ministers had to stand behind its corporate
decisions. I am a firm believer in ‘responsible cabinet government’. I also believe it is perilous
if kitchen cabinets form or too much power resides centrally in the prime minister’s office.

The issue for Ken Wriedt then became how to set the reserve price. If the price was set too low
it was useless and if it was close to or above market prices it would destroy the market. His
decision for 250ckg was based on the average 1974 price and then to be adjusted by a cost price
multiplier, that is, the CPI formula. The Whitlam Government made $350m to $400m of loan
funds available to the AWC at commercial rates of interest to assist
the AWC and the industry
to establish a market support fund.

The RPS from 1975 to 1991

Following the fall of the Whitlam Government in late 1975, Malcolm Fraser became Prime
Minister. Malcolm came from the Western District of Victoria, the source of up to fifty per cent
of the fine wool in the total Australian clip. The wool industry’s politics are not without some
regional elements. As a prominent woolgrower, Fraser had already said in Opposition that he
had been opposed to the uninhibited auction system since 1962 and believed that an
appropriate floor price should be based on a cost of production formula calculation. His
criticism of the Labor Government was that not one extra bale would have been bought if it
had been set at 300ckg, and that its decision to settle on 250ckg was a ‘poverty level’. As Prime
Minister, Fraser was a strong supporter of the AWC and its administration of the scheme. He
also had a Cabinet including other graziers - Tony Street, and the four strong men of the now
National Country Party (since 197535): Doug Anthony, Ian Sinclair, Peter Nixon and Ralph Hunt, three of whom had sheep flocks and were well aware of the industry, its politics and its problems.

The AWC traded with the floor price very close to the market price for much of the 1970s. The AWC bought heavily in 1973-74 but by 1976-77 stocks were down to about a million bales, next starting to rise again to another peak in 1982-83. Having lost the seat of Macarthur in 1975 I went back into the BAE, working on dairy marketing, horticulture surveys and grains marketing and took little detailed interest in the wool industry. Of course, I had some general idea of how the industry was faring as a result of the deliberations of the BAE’s annual Outlook Conferences and general reading of the rural press.

In September 1978 I won the seat of Werriwa in a by-election after Gough Whitlam had resigned from the Parliament. Following the October 1980 general election I became the ALP’s shadow spokesman, or Shadow Minister for Primary Industry, and set about becoming familiar with our major primary industries with the intention of formulating an agreed ALP agricultural policy document. At one stage, I was given a copy of the papers of the First World Merino Conference 1982 containing much valuable current information. My small staff and I collected and consumed every bit of information we could lay our hands on.

From this point on to tell this story I am relying on Annual Reports by the AWC to the relevant minister and parliament of the day (for statistics and history), Hansard, articles in academic journals, farm and rural media and newsletters, books in my possession, publications, including by the then BAE, my press releases and policy prescriptions of the time, diaries, recall, and my own vast records, (now in the Archives). I do this to set out as factually as possible the ongoing working of the RPS, however defined, and the state of the industry. A newsletter by Hugh MacDiarmid, curiously called Follicle, and Ronald Anderson’s Primary Industry Newsletter had also given me an accurate, continuing insight into wool industry politics.

The Elements in the Working of the RPS

The following account is necessarily detailed in order to give the reader some idea of how immediate and unfolding events influenced beliefs and behaviour. With by now some experience with the RPS/floor price, however defined, and its ups and downs, by 1979-80 the industry had entered into less stress prone times. Stocks at the start of the year were 351 thousand bales and were down to 208,000 by 30 June 1980. Shorn wool production was 649mkgs greasy and the flock numbered nearly 136m. Bales, kilograms greasy and kilograms clean, are used interchangeably and I calculated on average that there were about 163 to 172 kilograms of wool in a bale at that time. Later calculations seem to be consistently at the level of slightly under 178 kgs per bale.

Other key variables to keep track of were firstly the Market Support Fund (MSF), which recorded profits and losses, interest payments and physical storage costs as a result of the operation of the RPS/floor price, plus grower contributions via the compulsory, legislated Wool Levy, often termed the Wool Tax. Secondly, the Market Indicator Price (MIP) gave a picture of the relativity of the actual market price to the reserve price. The MIP was the weighted average price across the thirteen wool categories and always fluctuated through a season. The MIP ranged from 360c to 433c for the 1979-80 season with the RPS price having

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35 The National Country Party, once the Australian Country Party, changed its name again and became the National Party in 1982.
been set at 315c. It had taken four years for the reserve price to average what the industry had wanted in 1975-76 and during the Whitlam years.

China was now entering the market more strongly. Strong demand for wool had resulted in the MSF achieving a credit balance of $370m, which was nearly at a level which could have allowed earlier grower contributions to be returned to them for the first time. The AWC decided to establish a Wool Marketing Service to allow it to buy wool with the intention of testing innovations in marketing. The Australian Wool Testing Authority (AWTA), which was carrying out objective wool measurement for the industry, was managed and run within the AWC.

The AWC was restructured internally in October 1979 with the appointment of a Chief General Manager and four broadly defined areas of activity, each under astute management. The AWC Board was composed of five woolgrowers, four people with special qualifications and one departmental representative. David Asimus, a prominent woolgrower from near Wagga Wagga in NSW, was appointed Chair in September 1979, having been on the Board since January 1975 and having seen the AWC and its working and that of the RPS almost since its inception. The deputy Chair, John Silcock from Victoria, was a woolgrower and the rest of the board were also people with strong qualifications, experience and skills as were senior management. Woolgrower representatives wore many hats and many had held office in predecessors to the Wool Council of Australia (WCA), which was formed in 1979 and became the peak wool commodity agri-political organisation. Credit must be given to the National Farmers Federation for unifying disparate wool industry organisations, sometimes with conflicting agendas, so that policy views could be clearly expressed at national level.

The AWC was widely regarded as the best and most competent of the Commonwealth’s statutory marketing authorities. The first seven or eight years of the reserve price scheme, that is, what had by now become the ‘floor price’, had seen the scheme operate well with the stockpile reduced and the MSF recording a record profit level. Had the industry turned the corner?

In a submission to a Senate Standing Committee inquiring into Statutory Authorities of the Commonwealth, the AWC took the opportunity to state its concerns about further constraints that may be imposed on it, pointing out that it operated with a large component of industry funds:

for statutory business authorities, accountability and performance objectives should be set against community standards applicable to the private business sector rather than government departments.... this would recognise the commercial orientation of activities directly supporting the needs of the wool industry. Curtailment of those activities would be against the long term interests of the industry and the export of Australian wool.

The organisation was becoming well experienced and very confident about its abilities as a commercial trading body and wanted more freedom to operate. Looking back, one way the AWC could have achieved more independence would have been if the MSF had been allowed to accumulate rather than being revolved back to growers. This proposition did not arise when I was Minister and I did not think of it.

In my time as Minister, the Department and I put a lot of time into trying to construct sounder statutory marketing authorities, into trying to make them more commercial and less prone to political interference at producer and governmental level, and at the same time trying to
accommodate ever increasing demands for accountability by central co-ordinating
departments, demands which were sometimes beyond my comprehension. I also wanted them
to have the flexibility to be nimble with respect to changing economic, trading and financial
conditions.

In 1981-82 the drought in the eastern States started to take hold. Despite slowing international
activity and developed world economic recession, wool performed well on the world textile
market. Stocks had dropped to 189,000 bales, the average auction price rose by 5% and the
Market Support Fund rose to $493m. This was $66m more than total contributions by growers
since 1974-75, enabling their $43.6m contribution in that year to be returned to them. The
Wool Marketing Scheme, the vehicle for innovation, made a profit. The Reserve Price Scheme
floor price was set at 365c, the Market Indicator Price was 428c kg, sheep numbers were 136m
and shorn wool production totalled 635mkgs.

The AWC disagreed with the Coalition Fraser Government’s decision to sell the Australian
Wool Testing Authority (AWTA), to sell ‘surplus’ wool stores which were owned by the AWC,
and to freeze the government contribution to promotion at $20m for three years. This was
part of the so-called Razor Gang’s decisions to cut government spending and raise revenue.
The Opposition opposed these moves and I moved an amendment in the Parliament on the 14
May 1981 accusing the Government of being ‘crazy’ and taking a decision on the basis of
ideology, not common sense. My amendment was not carried but there were concerns being
expressed by some Government backbenchers; two actually crossed the floor to back my
amendment.

With He Kang, Chinese Minister for Agriculture at a sheep show.
Daughter Heidi on my right and June beside He Kang, who I regarded as a genius.
The decision to sell the AWTA, which was already operating commercially, was a stupid decision and took a long time for the Government to settle. The decision by the Storemen and Packers Union to try to buy the AWTA put the cat among the pigeons and caused Minister Nixon to say that the AWTA was not up for sale to the highest bidder. The WCA and just about every responsible organisation in the industry were opposed to the sale. It was not until February/March 1982 that the issue was finessed with $4.5m of liquid assets being transferred from the AWC, guarantees given that testing charges would not rise beyond 4%, and that the AWC and WCA would have 51% control of the new authority. WCA President, by now Ian McLachlan, could have done without a year of negotiations with the Government to salvage the situation. This was the first inkling I had of the way bad decisions can be made when options to save money are put to governments especially by ministers other than the relevant portfolio minister who don’t have an adequate knowledge of the function they are about to destroy. When I re-read what I said in the debate, I find it hard to believe that I could say so much on the Fraser Government’s decision, but it was very inadvisable and the debate raged for months.

Another grower member was added to the AWC Board in this year but it reverted to the usual number of five in 1982-83. Grower research funding exceeded that of the matching contribution from the Commonwealth by $0.6m. In its Annual Report to the Minister and Parliament a growing concern was expressed about its ability to operate effectively in the future.

The AWC had a particular concern about the climate (my emphasis) which had developed towards smaller, less accountable government. While endorsing the principles underlying the movement, the AWC was worried by the generalised criticism of statutory authorities as a group and, at times, the AWC individually. Innuendo, suggesting unspecified and unproven fault or incompetence, was by its nature difficult to answer. It was alleged that outside sources were intent on bringing agricultural statutory marketing authorities down. I do not recall where the criticism was coming from (free marketers?), but the nature of the mass media was changing even more to the negativism, short-termism and sensationalism that prevail to this day. The more important the issue the more desperate the media now is to promote the contrarian view.

What became the 1979-83 drought was taking a bigger hold, the world was entering into an economic recession and international exchange rate variations were testing for the AWC. Stocks rose to 508,000 bales. This was not regarded as cause for concern given that there had been nearly 2m bales in stock in 1975, but it was the highest level of purchases since 1975-76. The flock totalled 137m and production rose to 711mkgs. The MIP averaged 437ckg and the RPS floor price was set at 410 cents. Japan was the largest buyer, taking over 900,000 bales.

The Joint Wool Selling Organisation’s (JWSO) role was spelt out in this year. This body was composed of industry representatives charged to administer the auction system, to establish the roster for selling, to develop and publish wool selling regulations, to minimise the effects of disruptions, to monitor technologies and resolve disputes.

Geoff Miller, Deputy Secretary, later to be Secretary of the Department of Primary Industry (DPI), joined the Board as the government representative in March 1982. In its Annual Report the AWC again took the opportunity to stress its frustration with public sector rules for what was increasingly seen by the Board as a private sector organisation. The Board illustrated this difficulty by pointing out that its commercial activity was resented as being too competitive by other established market players. It was certain that the AWC wanted more independence. For
the first time the AWC defined its description of the RPS, introducing the Minimum Reserve Price, virtually as the descriptor of the RPS:

The RPS has been operating in its current form since the 1974-75 season. It is designed to operate in a free market environment and the Minimum Reserve Price (MRP) schedule is set on annual basis with regard to the longer term supply and demand trends for wool. Flexible reserves are applied if the short term market aberrations occur when market prices are above the floor. These measures are designed to improve price predictability for woolgrowers and users and to reduce price fluctuations.

This definition was to survive for two years.

The drought and world economic recession provided a difficult year for the AWC in 1982-83. Stocks rose to 1.16m bales by January 1983 but had fallen to 930,000 by June 30. The majority of stocks were in the 21 to 25 micron range with wool 27 microns and above being the hardest to sell. The drought had reduced the flock to 132m and production had dropped to 700mkg. Despite the trading conditions, the MSF had risen to $664m and $44m of the earlier paid MSF component of the wool levy was refunded to growers. Japan’s purchases had halved since a decade earlier and now amounted to a little over 20% of total production. China was now the third largest customer. Buying was slow from Europe and the Comecon (Soviet Block) group of countries, which were experiencing economic difficulties. The MIP averaged 445 cents but a 10% devaluation by the incoming Hawke Labor Government on 8 March 1983 had resulted in the floor price being adjusted to 446c/kg, which was very close to the closing MIP of 471c/kg at 30 June 1983. Wool broking firms were being merged and taken over in this period.

To emphasise how bad the drought was, there had been hardly any rain in Victoria and south eastern Australia for ten months. On 8 February 1983 a massive dust storm spread over Melbourne, The Ash Wednesday fires in Victoria and South Australia broke out eight days later, killing 75 and injuring 2600 people, destroying 9,000 homes, and killing 300,000 head of stock, including 250,000 sheep.

In the Primary Industry policy document I took to the 3 March 1983 General Election, I did not stress any particular concern about the wool industry’s marketing arrangements as the previous decade’s activities had given me some assurance that the RPS/floor price was working efficiently enough and being well, if not nervously, administered by a capable Board and skilled management. As stated in the policy document, and in line with our policies for statutory marketing authorities, a Labor Government would look to increasing the commercial flexibility of the AWC in its marketing activities. I said that such flexibility should include scheduling wool for sale, the Wool Marketing Service should act innovatively and I strongly supported wool promotion and research. I had also said in Opposition that the ALP opposed acquisition of the clip by the AWC and supported the ban on unlimited export of Merino rams (political expediency - why take on an unnecessary fight in an election setting?). It is my recall that the briefing document I received on becoming Minister for Primary Industry largely concurred with my general views. Other industries, such as the dairy and sugar industries, were in a lot more trouble and required a lot more attention.

Seasonal conditions had improved in 1983-84, prices had also improved and sheep numbers had risen to 140m yielding a clip of 667mkg’s. However, this year saw 23.1% of the offering purchased by the AWC, the second highest percentage of purchases on record. Promotion was targeted at the US, where textile activity had picked up, but economic activity had fallen in China. By 30 June 1984, stocks had fallen to 1.23m bales, having reached a peak of 1.33m bales.
with higher than expected stockholding in the 21-25 micron range (44%) and only 8% in the 20 micron and less range. The Minimum Reserve Price (MRP), as it was now generally termed, rather than RPS, and will be so described from here on, was being operated actively. The MIP, at 485ckg (though it had reached a record 499ckg during the season), was very close to the MRP, which was set at 470ckg and it was agreed to remain at this level for the 1984-85 season.

The procedure for setting the floor price for each season involved the AWC and WCA, in conjunction, making a recommendation to me as the responsible Minister, on which I then sought DPI and BAE advice. Once satisfied as to the viability and reasoning behind the advocated figure, I would agree to it. There was no need for me to ever reject the price arrived at by consultation and independent market analysis.

Despite the large stockholding, the MSF had increased to $728m, after paying $184m interest on the stockholding and allowing for a refund of $51m of the wool levy, paid by growers into the MSF in 1976-77. It seemed to me that the AWC was in effect developing a welcome ‘spot market’ with its operations out of the stocks. The WCA recommended to the AWC that Wool Tax contributions for 1977-78 not be refunded in 1984-85. There had been a sustained appreciation of the $A, having risen by 15.4% by mid-March 1984, but had slipped back to 7.8% by the end of June.

Aided by BAE analysis, I continued to take a close interest in monetary policy during 1984. The float of the Australian dollar in late 1983 was of general assistance to our export industries but added a level of complexity to the operation of the MRP and futures markets. I broadened the relevant Wool Act to enable the AWC to engage in more flexible borrowing arrangements.

Peter Core, from the Department of Primary Industry (DPI), as hard headed an economist as Geoff Miller, replaced him on the Board as government representative in April 1984.

The MRP was reviewed by the AWC in this year. In its Annual Report to me it concluded that the scheme was serving its purpose but that ongoing experience operating the scheme suggested a change to a more precise definition of the MRP, or RPS:

The purpose of the RPS is to provide greater price stability and predictability in Australian currency terms for Australian wool while also aiming to achieve the maximum sustainable price for growers in the long term. Two key elements of the RPS are a minimum reserve price and a flexible reserve system. The minimum reserve price is set annually based on the long term supply and demand trends for wool on international markets. Flexible reserves are applied if short term market aberrations occur when the market is above the floor price.

It is fair to say that this definition did not raise any alarm with me, but in hindsight I should have queried how aggressively the flexible reserve was to be operated. The floating of the dollar and changing world market and financial trends were reason enough to re-word the definition. I still felt confident that the AWC was the most astute Commonwealth statutory marketing organisation but I also knew the pit-falls in all buffer-stock schemes from an analytical, economic and historical point of view. The potential failure of the International Sugar Agreement and later, the International Tin Agreement were well known to me.

As I have said, each year it was my responsibility to agree to the RPS price, that is the now MRP as agreed by the AWC and WCA, or not. Agreement on the suggested price had always been forthcoming, following Departmental analysis.
World economic recovery in 1984-85 resulted in a recovery in world textile activity and, more importantly, saw the first real increase in wool prices for five years. The MIP rose by 8% to average 526 cents for the season. The MRP was set at 470 cents clean per kilogram for the year. Stocks and trade clearances were now reported to me in terms of millions of kilograms instead of in bales. Stocks peaked at 270mkg (second only to 278mkg in 1975) but had dropped to 168mkg by 30 June, 1985. Trade clearances totalled 698mkg, 27% higher than the previous season and the highest for 14 years. The WMS made a profit of nearly $600,000. Shorn wool production was estimated at 717mkg, the highest production for ten years, with sheep numbers having risen to 151m. By December 1984 the AWC had used all the MSF’s holdings, leading the AWC to engage in extra borrowing utilising new borrowing facilities. Yet, with the rapid turnaround in the second half of the season, the 30 June 1985 credit balance had been restored to $892 million, an increase on a year earlier after paying interest of $109 million. The $A depreciated by more than 20% between February and by the end of the season had helped sales but made consistent expenditure for overseas wool promotion difficult to maintain in real terms. Research funding allowed possible expenditure of $30m in 1984-85 but only $22m was employed. The AWC only slightly adjusted its definition of the MRP.
using flexible reserve prices more often. None the less, world demand for wool increased and this year was more one of consolidation. The flock rose a little to 156m with shorn wool production rising to 749mkg. It was calculated that export income from wool was $3.1 billion (the largest earner of any other farm commodity) and that the average price received per bale was over $580. The MIP rose by 1.3% to 533 cents average. Not as much was sold from stocks but they fell to 159mkg by season end (895,000 bales). Strangely, the AWC bought 19 micron wool for the first time since 1979. The MSF rose to over $1 billion for the first time despite having a trading loss of $120 million for the season, this being mainly due to high interest costs at the time. An increased amount of $101m was spent on wool promotion through the IWS, although the depreciating $A was causing concern. Some $24m was spent on research. A rebate of wool levy, paid in 1977/78, of $56m was paid to growers, this being the first refund for two years of the funds they had contributed to the MSF component of the levy.

On 10 October 1985 the NSW Livestock and Grain Producers Association (LGPA), now NSW Farmers Association, resolved to bring down the Hawke Government. The NFF was urging the Hawke Government to “Put Australia Right”, straight away. I found this all very confusing. Perhaps we were doing a good job if the very political LGPA was now campaigning against us so publically?

In 1986 I introduced new arrangements for the funding of agricultural research and development based on a guaranteed matching funding by the Commonwealth up to 0.5% of the gross value of production and paid by the industry as the research component of the wool levy/tax. The benchmark of 0.5% was set using the amount being spent on wool research as a reasonable level for other primary industries.

In this year Chairman Asimus asked if I would be agreeable to Margaret Jackson being appointed to the AWC Board, to replace a member with special qualifications whose term had finished, (Warwick Holcroft, formerly Managing Director of Brambles Industries and Chief Executive of Peko Wallsend). Margaret was well qualified with a strong accounting and corporate background and I advised that this would be welcome as I wanted to see women on marketing boards. Grower members of the board changed more often than those with special qualifications but all had strong wool industry backgrounds. Margaret was appointed in March 1986 for three years and later became Chair of the Qantas Airlines Board.
Stocks halved during the 1986/87 season amounting to 66mkg (381,520 bales, mainly in the middle to coarser micron range) and production rose to its second highest level of 806mkg, shorn from a flock of 159m. Export income rose to $3.9 billion, an increase of 25% since March 1983. The MRP was set at 508ckg with the MIP averaging 626ckg, ending the season at 755ckg. China and the USSR, combined, were now the largest market for our wool, although Japan remained the largest single customer. Growers contributed $251 million to the MSF, and for wool promotion and research. Refunds of the wool levy for the seasons 1978-79 and 1979/80, totalling $128m, were made in October 1986. The balance in the MSF was $1.149b. Depreciation of the $A had made wool cheaper to overseas buyers since 1984 but appreciated by 47% in the last nine months of the season, making sales difficult in some markets. Despite this, overall sales held up well and a view was growing that wool had turned the corner and that some level of stocks, say up to half a million bales, could therefore beneficially be held to meet diverse customer needs. The Commonwealth Government contributed $37m for promotion and $13.2m for research in this year.

Good Times and the Start of the Downfall

It was during this year, 1987, that I made the crucial decision to devolve more powers to the AWC and to let it stand more on its own two feet as a commercially experienced, professionally run authority. I make no excuse for this. The Government I was part of was inclined to take an economically rational freer market approach and the AWC could be regarded as an experienced commercial organisation, though backed by government legislation. The Board wanted to be regarded more as a commercial entity at a time when the business community was expressing a need for government to reduce regulations. The NFF was critical of the Government and me because we were not acting quickly enough and it was a vociferous advocate for the deregulation of the banking and financial sector, as well as deregulation in general and the outsourcing or privatisation of government bodies.
The Government, on the basis of my cabinet submission, gave the AWC the power to set the MRP in consultation with the WCA and formally vested the wool stores in the care of the AWC. Consultation with the WCA did not mean that the AWC had to comply with it. I had great confidence in the AWC Board and the professionalism of its senior staff. It was a mature, capable organisation. It was a wrong decision to involve the WCA, but the peak industry organisations had been heavily involved in the functioning of the MRP price setting of the AWC from 1973 and earlier. It is entirely conjectural whether the MRP would have been less if it had been set in the usual way. I think it would have been, but I cannot prove it. At one stage one of my staff, Tony Gleeson, made the suggestion that we should put a Treasury representative on the AWC Board, perhaps in lieu of the now Department of Primary Industries and Energy (DPIE) representative, advice I should have acted on. Senior DPIE officials did not think this was a good idea. Some in the Department thought the AWC was more untouchable than I did, due to the political power of the wool industry in the minds of the farm sector and general public.

While campaigning during the 11 July 1987 double dissolution general election, I visited the Army’s Puckapunyal tank training and exercise ground of some 40,000 hectares in Victoria. A lessee was grazing and shearing sheep, which he had bought for up to $90 a head and assured me he was doing exceptionally well. I only reached two conclusions as a result of the visit. Firstly, that driving tanks on training exercises and tearing up the country provided for good grazing and, secondly, that the industry must be doing even better than I thought. I strongly recall having an ‘uh-oh’ moment at the time. The deregulation of the banking sector had resulted in banks competing with each other to gain market share, not to reduce interest rates as believed would occur by the NFF.

The OECD economies grew by 3% in 1987/88 this being the sixth year of world economic growth. This was remarkable, given that the US stock market crashed on 19 October 1987, plunging Australia’s down, but which recovered quickly and fully within two years. The wool industry enjoyed one of the best years ever in the 1987/88 season. The MIP averaged 1003ckg for all of the year reaching 1269ckg in April 1988 and ended the season at 1091ckg. The prices for fine and superfine wools increased to record levels with the 19 micron price indicator reaching 2304ckg with the indicator price increasing by 104% and 72% for 20 and 21 micron above the 1986-87 price averages, respectively. Incredibly, wool stocks dropped from 351,000 bales at the start of the season to 9,200 bales by June 30 1988. This was the fourth season in a row when more wool had been sold than was produced. The MSF had well over $1.5b in reserve, after $78m being rebated to the industry, this being its 1980/81 contribution to the wool levy. The AWC had lifted the MRP to 645ckg (27% above the previous season) the clip rose to 841mkg, with the flock increasing to 162 million head. Wool exports were worth $5.7b and $179m was allocated to wool promotion, a record amount, not that it was, nor could be properly spent in one year.

The industry enjoyed a great burst of confidence and believed that more stable times had returned. A record price for a merino ram of $450,000 was paid in Adelaide; that was confidence. The Bicentennial Wool Collection was mounted for the Bicentennial year with a grand fashion show put on at the Sydney Opera house in early 1988 featuring international super models. The show was attended by Prince Charles, Princess Diana, the Prime Minister, Bob Hawke and Hazel Hawke. My wife and I met the royals and had a great conversation with the Australian born model, Elle, and the opera singer Dame Joan Sutherland. Dame Joan was an easy person to talk to and exceptionally friendly. It was a great night. The models giggled
happily while talking to Prince Charles and I got the strong impression that Princess Diana was not too happy with ‘the palace’ and ‘the palace bureaucracy’ and that she did not quite know what she had got herself into.

David Asimus’s term as Chair expired on 30 June 1988, to be replaced by Hugh Beggs from 1 July. I had appointed Hugh acting part-time Chair some time earlier during the year. Hugh was a prominent fine wool producer and merino breeder from a long standing family of graziers from the Western District of Victoria. He had a degree in Rural Science and had been Chair of the WCA. Jim Young replaced Arthur Farnworth to become Managing Director, Jim having been the senior manager whose specific responsibility had been to introduce the RPS into Australian wool auctions. David had already advised me that the directors of the AWC had determined an MRP of 870ckg for the 1988/99 season and privately asked for my view on this decision. I said I was concerned because this was 35 % above the previous year but I also said that I had given the AWC the power to set the price and trusted that its decision was based on sound, professional, analytical, marketing and economic advice. He assured me that it was. I could hardly take the industry to task after having given it the power to do so, a power which was being exercised for only the second time. The now NSW Farmers Association demanded a floor price of 1000ckg. David’s last report to me and the Government was for this year. He was well satisfied with his long term at the helm and moved on to a number of prestigious appointments, including membership of the board of BHP, Australia’s biggest company, and the chancellorship of Charles Sturt University in Wagga Wagga.

In a speech I made in mid-July 1988 to the Australian Bicentenary Wool Conference, I put the Government’s position on the industry and its marketing activities. I was at pains to again give the reasoning behind our general approach to statutory marketing authorities and the place of oversight, control and accountability. The AWC had to present an Annual Report to the Parliament and its Annual Corporate and Operating Plan to me for tabling in the Parliament. I stressed that the AWC was still dependent on the Government for the powers it had been delegated and that the taxpayer was still contributing funds to the industry such as the $260m provided in the past five years for research and promotion. But how much notice do audiences take of set-piece ministerial speeches? Even if what I said was fully absorbed by the conference, attendees tend to be an elite and only a small cross-section of an industry - and the media cannot see much that is newsworthy in a speech about trends and accountability.

Growers through the WCA determined the levels of wool tax to apply within the 10% ceiling and I said, re the floor price of 870 cents per kilogram clean: “This decision was made on the basis of the industry’s assessment of the future direction of the market and without government involvement, which is as it should be”. Two days earlier, Geoff Miller, by now Secretary of the Department, had also made a speech to the Conference, warning that the industry had little actual control of the market, that stockholding and promotion were prone to free loading, and that market reaction to the ongoing relatively high wool prices could be expected.

Hugh was probably not on the Board when the AWC/WCA made the 870c MRP decision but he would have been most likely fully aware of it due to his WCA position. I take the view that boards make decisions, not just their chair; it is simply childish to praise or blame individuals for decisions taken the way the media does. I knew two of the long-serving board members who had special qualifications from other contexts. Bryan Kelman was a former General Manager and Director of CSR Ltd and had an enormous knowledge about commodity trading on export markets. Ernest Barr was Chair of the Australian Dried Fruits Corporation and had held a number of other important positions including Chair of H J Heinz (Aust) Ltd. David
Fletcher Jones was the Managing Director of the Fletcher Jones Organisations Pty Ltd, manufacturers of apparel and fashion. The AWC possessed a first-class Board.

However, the view had grown in the industry that wool had reached a ‘new price plateau’. David Asimus had been particularly of this point of view. The AWC was trying to set the price. The Annual Report defined the MRP (RPS) as follows:

The aim of the RPS is to provide price stability and predictability for Australian wool at the maximum sustainable long term level. The scheme is financed entirely by woolgrowers through the Market Support Fund component of the wool levy. The reserve price is set each year by the AWC, in agreement with the Wool Council after consideration of long term supply and demand trends for wool in international markets. There is provision for the AWC to intervene in the market at prices above the reserve level in extraordinary circumstances. Under the scheme, the AWC is prepared to buy and hold wool offered at auction which fails to attract a trade bid equal to or above the reserve price.

This was a subtle change in definition, apart from adapting to its new powers. Again, it was not one that I particularly picked up in reading the report. I also assume that the Department did not either, as it raised no issue with me. Ministers receive dozens of reports and an avalanche of paper every day and I couldn’t swear that I read or analysed the AWC Report in detail to the extent I should have; I was just as confident in the industry and carried away as everyone else. Optimism abounded. It was to prove that the definition per se was not particularly the cause of what later followed so much as the setting of the MRP at 870ckg. However, in the circumstances, world economic conditions changed so rapidly that we will never know what rate of MRP would have been able to be sustained. Risk analysis, management and risk auditing were not then in vogue. If they had been we do not know what the decision would have been. Uncertainty is about insufficient knowledge, risk is about the future and the two should never be confused. The orthodox economists’ view on the potential failure of all buffer stock schemes had been disproved, but only to the extent that the AWC had successfully negotiated two very large stock-building periods. It had also had survived a very bad drought, an industrially developed world recession, managed vast sums of money and borrowings, coped with a floating dollar and been successful in promotion and research. The remaining risk issue was the relativity of price to substitute fibres, the ‘300% rule’, and exposure to unpredictable international events and economic conditions.

Following the July 1987 Double Dissolution General Election, the Prime Minister re-organised ministerial arrangements creating so-called ‘super ministries’. I became Minister for Primary Industry and Energy with Peter Morris, from NSW, being appointed the other Minister in the portfolio as Minister for Resources. I have described how we handled these joint responsibilities in the previous chapter. But of great relevance to the wool story as it turned out was that one of Peter Morris’s staff, Susan Johnston, with a strong coal and minerals background, came across from his office and was to be the ‘budgerigar-in-the-mine’ when it came to the wool stockpile saga.

While there was growth in the OECD countries in 1987-88, vast changes were afoot. The USSR collapsed during the period 1985-1991, with fourteen new nations being formed. Poland’s Communist government fell in April 1989, Communist East Germany’s government fell in October 1989, Hungary’s Communist government fell in October 1989 and the Berlin Wall was torn down in November of that year. I was in Rome at the time and casually switched on the TV in my hotel room only to watch the fall live. I never thought this would happen in my life.
time and I had ‘goose bumps’ as I watched and rang others in the delegation to tell them to turn on their TV sets. It is said that the Chernobyl disaster was what woke up the Soviet Union leadership to the fact that it could no longer continue with its Communist dictatorship. The Canadian Minister for Agriculture, Eugene Whalan, had told me of an early conversation with Gorbachev, who became the Soviet leader, when he was in Canada. He concluded that Gorbachev was going to collapse the Soviet Union’s communist system of government. Gorbachev introduced perestroika (restructuring of the political and economic system) in June 1987 and glasnost (openness) in 1988. The drop in world oil prices in 1985 and 1986 had given the USSR severe foreign exchange problems. The collapse of Communism brought much uncertainty and an upheaval in their fossilised manufacturing industries (except for defence) including in textiles and in all the Comecon countries. India was also processing Australian wool for the USSR clothing industry (greatecoats for the Soviet Army) and was badly affected by the Soviet Union’s economic problems.

As noted above, on 19 October 1987 there was a stock market crash in the US with the value of its stock market falling by 23% in a day; the largest one day drop in US stock market history. The United Kingdom’s stock market dropped by 26% in value and Australia’s by 42%, but this was of limited significance to the Australian wool industry. This was when I finally realised that economic recessions in Australia are generally imported from overseas. I also became aware of how computer trading in derivatives and securities, illiquidity, trade and budget deficits and overvaluation are prone to error in world financial markets. I remember telling Geoff Miller that I thought these markets were nothing but a ‘stack of cards’.

Availability of Australian wool was down 2.6% in 1988-89 due to reduced AWC carryover stocks. The MIP averaged 980ckg clean after peaking at 1100 cents in October 1988. At the end of the season the market price for 19 micron wool was still at 1600ckg, with Merino cardings, the lowest quality end of the clip, selling for nearly 600ckg. The wool clip was a record 882mkg and the size of the flock was estimated to be 165m head, up by 8.4m on the previous year. Wool exports were worth nearly $6 billion. AWC purchases only totalled 5.25% of wool offered at auction with the trade taking 89% of offerings, some 4.7 million bales. By June 1989 there were only 188,000 bales in stock and the carry over stock in the five major exporting countries was a low 84mkg. However, and not that I knew it at the time, stocks were rising in the second half of the season. This was odd. The MSF stood at $1774.6m (with aggregate investments above this figure) with the, by then, 8% wool levy contributing $435m. The promotion reserve stood at $123m, the R&D reserve was $75m and wool store reserves stood at $80 million. Growers were refunded their 1981-82 and 1982-83 contributions to the MSF of $166m. The industry was self-evidently more than holding its own and the prosperity of the year earlier and this year was continuing the mood of unbridled optimism.

Addressing the WCA Conference in May 1989, AWC Chairman Hugh Beggs told the gathering that “demand was firm and that there were widespread sustainable foundations for the industry and that the MRP was sound”. With such a low stockholding and the idea that Australia was becoming a price maker for wool, it is easy to understand his optimism. Hubris in the industry was in the ascendancy.

However, in the AWC’s 1988-89 Annual Report, Hugh noted that although there was an indication of some uncertainty expressed by manufacturers and retailers on account of the new higher price levels for wool, real consumer demand for the product was strong and widespread. Entering a period of consolidation, the AWC concentrated its efforts in quality control, research and development and promotion, particularly of the developing Chinese market.
The following two tables portray the movement of key wool production variables.

**WOOL PRODUCTION (mkg) STOCKS ('000 bales)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wool Production (mkg grey)</th>
<th>Stock in '000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>200</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>600</td>
<td>1,000</td>
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<tr>
<td>1982/83</td>
<td>800</td>
<td>3,000</td>
</tr>
<tr>
<td>1983/84</td>
<td>1,000</td>
<td>5,000</td>
</tr>
<tr>
<td>1984/85</td>
<td>1,200</td>
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</tr>
<tr>
<td>1985/86</td>
<td>1,400</td>
<td>7,000</td>
</tr>
<tr>
<td>1986/87</td>
<td>1,600</td>
<td>8,000</td>
</tr>
</tbody>
</table>

**Notes:**
Stocks as at 30 June – they would change during a season.
The sheep flock steadily increased each year (except for 1982-83 (drought) from 136m to 175m by 1989-90

**MINIMUM RESERVE PRICE, MARKET INDICATOR PRICE AND MARKET SUPPORT FUND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Reserve Price ($/kg)</th>
<th>Market Indicator Price ($/kg)</th>
<th>Market Support Fund ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>200</td>
<td>400</td>
<td>0</td>
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<tr>
<td>1981/82</td>
<td>400</td>
<td>600</td>
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<td>1986/87</td>
<td>1,400</td>
<td>1,600</td>
<td>1,200</td>
</tr>
</tbody>
</table>

**Note:**
The graph shows how dramatically the MSF collapsed when the market collapsed. It also shows the reasons for the industry’s optimism.
The Collapse

The wool industry’s fortunes rapidly changed in 1989-90. Calendar year 1990 was one of great distress to me and entailed many sleepless nights. In the second half of 1989 I was blissfully proceeding with my ministerial duties, happily assuming that the wool market and the industry’s wellbeing were still relatively sound. Margaret Jackson retired from the AWC Board in March 1989. John Silcock, long term grower Deputy Chairman, retired in May 1990 to be replaced as Deputy by David Fletcher Jones. John Silcock’s place as a grower member was taken by John McCracken from Victoria. Bryan Kelman retired from the board in February 1990 and two new members with special qualifications were appointed, namely Robert Douglass, who had strong banking experience and Anthony Whatmore, who had held several managing director positions in a range of major firms. Members of the board were selected by the Wool Industry Selection Committee, which comprised nominees of the WCA and was chaired by Sir Roderick Carnegie, a very prominent businessman. However, it was not a good time to change board membership. On 1 January 1989, John Landy, scientist, former world class athlete and later to be Governor of Victoria, became Chair of the Wool Research and Development Council. He later chaired the Board of the successor Australian Wool Industry Research and Development Corporation.

Early in the 1989-90 season the AWC purchased 39% of wool offerings, there being high stocks in Japan and China, with offerings 50% higher and trade purchases down by 10%. By the end of 1989 the AWC was buying over 60% of offerings. On 8 November 1989, the AWC publically said “the MRP was doing exactly what it was designed to do”.

My Senior Adviser by then was Tony Gleeson, a creative, lateral thinking agricultural scientist who had been employed by the NSW Department of Agriculture as a livestock and grazing specialist. Tony’s great benefit to me was that he made me think (or try to make me think!). As Chief of Staff, he had allocated livestock and pastoral, coal and uranium to Susan Johnston as her areas of responsibility in my Office. Susan, who came from a Queensland coal mining family, like Tony, was also highly intelligent and politically astute. Susan advised me in October 1989 that the AWC was buying too much wool at auction. I gently (pompously?) explained to her how the RPS/MPR worked and that the AWC had gone through two large stockholding events since the scheme had been put in place, that it had a first class Board and an experienced, professional staff and held massive reserves. I thought I had learnt something about wool marketing and the industry by this stage. Susan came back to me in early November with the same observation of AWC rapid purchasing at sales. I asked her to keep an eye on the situation but advised that there was probably nothing to worry about.

In late 1988 the price had dropped but then recovered in 1989 and the AWC and the IWS projected strong demand into the future. ABARE’s analysis given to the 1989 National Outlook Conference, had made some cautionary points and issued some warnings but predicted a recovery to 1050c MIP for the 1988-89 season. Again, how much notice is ever taken of such research by primary producers? However, economists cannot predict the future any more than people from any other discipline can. They can only analyse the past and present and define the relationships and project the best bet probabilities. ‘When you are on a good thing, stick to it’, was the mood of industry and grower confidence was still high.

The NSW Farmers Association called for the MRP to be raised to 900c at its conference. Later that year, in November 1989, not that I knew it at the time, Dr John McPhee, Managing Director of the IWS, warned the WCA of the dangers inherent in increasing wool production. At its subsequent meeting the WCA resolved to increase the tax from 8 to 10% (15-20% was
also canvassed) and to defend the MRP. In fairness, the WCA did not have a strong analytical base for market projections and was not fully aware of the unfolding situation, particularly in overseas countries. At the agri-political level the MRP appears to have induced the industry not to think. Again, not that I knew it at the time, the Australian Council of Wool Exporters was also very concerned by the situation and commissioned the consultancy firm, ACIL, to examine the situation. The report became available in January 1990 and among many other criticisms pointed out that the MRP had risen by 71% since 1986-87 compared with a rise of only 39% in the previous six years. The Report canvassed a drop in the MRP, which did little to calm speculation. On 26 October 1989, the Stock and Land stated that an AWC internal paper had canvassed the possibility of a reduction in the MRP - but I’m getting ahead of myself.

Susan came back to me again in early and late November 1989 and showed me that the AWC was buying over 60% of the offerings, which was leading to her increasing concern. I referred the matter directly to Geoff Miller and requested Dr Brian Fisher, the head of ABARE, to focus on wool. By this time Brian Hill had been appointed as Commonwealth Government representative on the AWC Board, from July 1989. Brian had an exceptionally strong resource, commodity and trade background but no specifically detailed knowledge of the wool industry that I was aware of. All departmental representatives on the board had very strong professional back-up from the commodity divisions within the Department and ABARE. Brian fully understood the basic flaws in buffer stock schemes having participated in several International Sugar Agreement meetings and became a key person in all that followed. Geoff and the ABARE quickly sought a meeting with me, being by now alarmed at the situation that was unfolding. The AWC’s Wool Production Forecasting Committee estimated that wool production for 1989-90 would be 1048mkg, up by 9% on the revised 1988-89 level.

A meeting was arranged in Melbourne in late December with Hugh Beggs and some of his senior people to express my concern about the rapid build-up of wool stocks. I cannot recall if the AWC’s Managing Director, Jim Young, was present but I think so. I had known Jim from my BAE days and respected his sound knowledge of the industry. While Hugh and the AWC’s professional staff expressed some concern, they basically thought that the second half of the season would see sales to the trade resume to a more normal pattern and that a level of stocks, say a million bales or so, was not necessarily a matter for concern. By the 1989 Christmas recess the AWC had exhausted its $1.8b liquid reserves and had borrowed $500m to hold its growing stock of 1.8m bales. We agreed to keep a close watching brief on the situation. The wool producers had faith in the Minimum Reserve Price and the AWC’s capacity to hold it at 870 cents.

To emphasise, the WCA never seemed to me to understand the very basic point that by setting the MRP at the high 870c level, production would be stimulated and that any buy-in of the industry’s own wool was going to cost a lot more than if the MRP had been set lower.

There had been discussions, and caution expressed by the AWC and ABARE about the higher prices of 1987 and 1988. When Chairman Asimus urged caution at the January 1987 BAE Outlook Conference he was rebuked from the floor for being “too gloomy”. David Asimus also issued a warning to the industry in August 1987 about the uncertainties of the market. When he advanced the idea that the market was over-heated to a meeting of the WCA he was roundly berated.

I should have been more aware that WCA conference delegates had prior agreed positions and tended to follow intuition because they lacked independent market analytical capacity. The purpose of the MRP was lost sight of and with a world textile market growing by 2.5% annually,
an increase in wool production by 50% was going to bring trouble even if it was only ever a small percentage of the total production in the world textile market. I was not aware of the extent to which the Intervention Price was above the MRP, or to what extent the Intervention Price tended to precede increases in the MRP, thereby effectively pre-empting the floor price setting mechanism, because this was up to the experts in the AWC.

One contention being bandied about in industry circles was that the AWC/WCA had misjudged the Chinese market and wool processing in third countries. The Australian Wool Processors Council and the IWTO were regarded by wool producers as being partially removed from the market by those experiencing optimism in the wool producing industry. Producers did not seem aware that a free exchange rate made it impossible for the MRP to simultaneously pursue the stabilisation objective for both growers and processors/manufacturers. Intervention prices were crucial and should have only been used to follow the market up; were they? Also, high inflation and high interest rates equal a real drop in the level of the floor in the absence of an active decision to raise or maintain it and that raising the MRP on the basis of the exchange rate was illusory. If the MRP is going to be manipulated or goes beyond its brief, there is no sense in saying what you are going to do twelve months ahead.

In sum, the world had stopped buying wool and production was rising, encouraged by current high prices. Apart from the dramatically changing international conditions and people buying when our exchange rate favoured them, it was the final market that was telling processors in the early steps in the chain that wool had become too expensive - the ‘300% rule’ again. There had been more world economic growth in 1987-88. AWC stocks had nearly been cleaned out by the end of 1988, but I was unaware of how this was starting to turn around in the second half of the season, that is the first six months of 1989, when stocks again began to accumulate in the last six months of the year. It was hard to convince anyone that the higher MRP had caused the problem, because it was well below the MIP. The problem was the speed of the turnaround and that now the AWC had to buy unsold wool at a higher price than ever at a time of historically high interest rates.

To confess, I wished I had known a lot more about the various costs and margins in processing wool from producers to final sale. I have weighed my heaviest suit and it weighs well less than two kilograms. Let us assume that 10 kilograms of wool are needed to produce enough material for a suit. If wool cost 870c/kg or 2,000c/kg then the difference in cost would be $113 ($200 minus $87) for a suit that may cost anything from $2,000 to $6,000 or higher. Some suit lengths of superfine wool today (2013) sell for $15,000. Who in the value chain takes the decision to switch to synthetics?

Sales did not pick up in the second half of the 1989-90 and stocks rose quickly in the first months of 1990. An opening stock of 188,278 bales at the start of the 1989-90 season rose to 2,45m bales by April 1990 and eventually rose to 3,064,693 bales by 30 June 1990. The turnaround from the situation of 1986-87 and 1987-88, when sales exceeded production by one million bales, was exceptionally fast. The continuing analysis of the international market and world economic and political conditions showed a bleak future.

Australia produced a record wool clip of 1049m kg (5,716m bales) in 1989-90, up by a massive 17% from the record of the year before, from a flock now reaching 175m head. Wool exports only earned $3.8b, the MIP was spot on 870c/kg clean and total assets were $3,184.8m, most of which was in the value of inventories, with over a billion dollars borrowed from external lenders. This sorry picture was caused by conditions on international markets, apparel wool availability rising by 16% because of higher world production and the 3,064,693 bales in stock
in Australia by 30 June 1990, the AWC having bought 52% of auction offerings for the season (the stockpile was eventually to rise to 4.7m bales).

The AWC’s operating loss for the season became $613m, which was caused by the write-down of stock and trading losses due to my decision to lower the floor price to 700c on 31 May 1990 and the redemption of investments to pay for stockpiled wool. This was as a result of my/the Commonwealth’s response to the unfolding crisis.

**What to do?**

Australia slumbers somewhat in January and there were no Cabinet meetings in the first two or three weeks of that month. Apart from other pressing portfolio work, one of the diversions that happened about this time was the general election to be held on 24 of March 1990, which meant an inevitable hiatus as the Government went into caretaker mode for some five weeks.

The ALP may not have won government, and even if it did, I may not have continued to be the Minister for Primary Industries and Energy. At one stage before the Government went into caretaker mode, Geoff Miller, Secretary of the Department, Dr Brian Fisher, Director of the BAE and I met with PM Hawke to brief him on the economic situation in the wool industry was and how little could be done in the short term, politically, because the industry was largely, totally unaware of its predicament, the AWC remained optimistic about the future and the WCA was adamant to hold the MRP at 870c. Neither the AWC nor the WCA were convinced that there was anything to worry about, let alone wool producers.

The election involved me in a full month of campaigning in nineteen regional seats. With fifteen regional seats at one time, we had become the largest regional party. The ALP won again, despite interest rates being at 17%. I was re-appointed as Minister. The Prime Minister had offered me the possibility of taking on either the portfolio of Environment or Defence after the election. I rejected both, the Environment portfolio on the basis that I could not possibly live up to the expectations of the environment movement after Senator Richardson’s stewardship of it and that, in my opinion, no-one is capable of mastering the Defence portfolio, certainly not me. However, the main reason I rejected the offers was that I did not want to bequeath the wool industry to a, possibly inexperienced, new ministerial colleague.

The first five months of 1990 were a period of intense concentration by the DPI, ABARE, the AWC, the WCA, other industry players and me as I, particularly, sought advice and weighed up the best course of action on the unfolding situation in the wool industry. I was receiving plenty of advice from many quarters, including from my old friend, the academic economist Al Watson. The absolute crucial issue in my mind was that I could not allow the industry to bankrupt itself by carrying a stock so large that the cost of maintaining the stockpile would exceed its value and continue to grow with record production. Estimates of the cost of storing a bale of wool for a year were up to $220 because interest rates were very high at the time. Stock could become valued at less than cost within three to four years. I did not think the industry could afford to have more than one year’s production in store and no-one knew how much wool was stored on-farm. I was not prepared to use Parliament to tax woolgrowers out of existence. The liquidity of the whole industry was the issue and brave comments by industry leaders “determined to weather the storm” did not give much comfort when compared with international conditions in customer countries, or economic, financial and arithmetic reality.

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I also had to assess the long term impact of the growing stockpile on the processing/manufacturing trade. On this issue I was receiving mixed messages. Some said the wool pipeline was nearly empty, having only three weeks supply before exhaustion, others said there was still a lot of early stage processed product in it. The only accurate figures available to me showed that the pipeline was below average levels. In early 1990 there was already speculation that the MRP would be reduced by some in the trade. One wool processor privately pointed out to me that the trade had paid 40% above the MRP in 1988 and hadn’t objected to the fall thereafter. This ignored what financial penalty the weaving trade would impose on early stage processors, once the affect of any lower MRP flowed through. I also thought that a message had to be sent to wool exporters in other major wool producing countries that Australia could not continue to, effectively, carry the world’s stock overhang. I did not think that the Government could be persuaded to buy the stockpile and burn it.

Nor did I think that it was feasible - or politically feasible - to eliminate the MRP scheme and simply throw the market open and see what buyers would pay for the stock overhang. This was because manufacturers would have to gear up production, on the basis of buying wool at fire sale prices and then try to sell more cheaply produced goods or horde wool and simply delay further buying. I also had an inkling that if we had to guarantee funds to finance the holding of the stockpile that it would not be easy to go to Cabinet for such guarantees. As it turned out I was to go to Cabinet five times to secure guarantees, by the taxpayers, half a billion dollars a time. I was amazed and grateful that Treasury so well understood the situation the industry was in and did not block me - or was it their understanding?

It is fair to say that I was assessing the situation in terms of a broader longer term economic analysis, rather than simply dealing with the immediate market situation, watching each day’s sales and hoping for a turn around on the basis of intuition. I could not be involved in the AWC’s strategies and attempts to stimulate the trade. There also was not much sense in the political strategy of telling people what they wanted to hear. Buying by China was down by over 44%, that by USSR by 39%, by Japan 29%, by the US 26% and Comecon countries by 16%. The EEC purchases were only down by 5%. However, I did not believe that Western Europe buying at the rate of a MRP of 870c, (being mainly the sales of fine wool alone), considering its small percentage of the clip, and with the industry paying a wool tax of 20–25%, could guarantee that the industry would not go broke. The arithmetic simply did not add up. It was quite clear that the high prices had stimulated increased supply, that alternative production by woolgrowers of other commodities (if easily possible) still would not pay as well as wool and that growers had enjoyed at least two exceptionally good years, financially, with record returns of previously paid tax. At this time there were 22,000 specialist wool producers in Australia and over 6,000 producers with mixed enterprises. In some ways it is easier to swing from sheep into cropping than vice versa and this offered the prospect of some enterprise adjustment. It’s always easier to ‘lose your shirt’ in cropping and the best strategy is to diversify production if possible. Wheat prices were relatively low and the price of cotton and synthetics was lower than in previous periods of high stocks. The constant prospect of drought also haunted me, particularly if I delayed any decision and if it was shown I had little choice but to use the reserve powers available to me in the relevant legislation.

The WCA met on 9 February 1990 and re-affirmed that it wanted to maintain the MRP at 870c with the tax to be set at up to 15%. Calculations were being bandied about showing that borrowings may have to go to $3.5b to hold the line. The three main options available to me were to stick with the status quo and agree to a wool tax of up to 20% to try to pay for the maintenance of the growing stockpile; to drop the floor price to a level that may stimulate
sales; or to seek to persuade the AWC and the industry to reduce the MRP for 1990-91. If this latter option failed then I would have to take a submission to Cabinet and set the maximum tax at 20% to send a message to the industry. I decided to pursue the third option strongly with the AWC on 21 April 1990.

At one stage I wrote to every woolgrower about the looming situation, but most of my discussions were with the AWC, the WCA, other industry players, agricultural organisations and many individual graziers. Only one small group of producers from Western Australia, some in Western Australia’s Pastoralists and Graziers Association (PGA) and some in NSW suggested dropping the scheme completely. On 11 May 1990 the PGA stated that there was less risk with dropping to 700c MRP with a 20% tax on the basis that “short sharp pain was better than a slow death”. I do not know where the 700c figure ever came from exactly; it was simply around. I recall on one occasion that the ABARE had calculated a drop to between 600 and 650c, say 640c, might be the “right level” to stimulate sales or possibly act to clear the market. Some prominent industry individuals came forward trying to get a better idea of the situation and seeking negotiated alternatives but told me the WCA was locked in and would not envisage anything other than holding onto the 870c MRP and increasing the wool tax. The problem with this strategy was that the further the MIP dropped, (implying slowing sales) the higher the tax had to be and there were limits to how high it could be raised.

The Australian Association of Agricultural Consultants advised lowering the MRP by 25-30% or abandoning it in 1990-91. They calculated that grower equity in the stockpile would drop from 80% to 25% and that it wouldn’t be able to be financed by the industry, even if the Wool Tax was 40-50%. For the sake of their reputation with their clients, I did not meet their key people, but their calculations were in line with some ABARE modelling. Most producers seemed convinced that the market would turn around and didn’t seem to grasp the seriousness of the situation in terms of the financial arithmetic they faced if there was no upturn in sales and if we delayed any decision for a year or two. The only comforting message I received was from one prominent industry person who advised “whatever you do will be wrong, but do it quickly”. Another large producer suggested taxing the industry at up to 30% might be the best way to get marginal producers out of the industry.

I did not make up my mind until mid-May 1990 that I would have to drop the price by using my ‘last resort’ residual power, under the provision in the Act, to lower the MRP to 700 cents on 31 May 1990. The Cabinet had delegated the power to me to try to resolve the industry crisis. I believed that a 700ckg price would suffice and that the market would respond. I thought that this price could be held onto due to the then high rate of inflation and the possibility of a lower exchange rate. It did not. But I have no idea by how much we may have had to raise the wool tax, or how large the borrowings would have had to be, to run down the stockpile; and we’ll never know. The stockpile was so large that other exporting countries could sell below us to clear their stocks. It was my judgment that, no matter how unpleasant for our growers, the AWC and the wool processors, that a decision had to be taken. And I knew that the decision would cost growers and processors in the wool pipeline a lot of money, particularly any merchant top makers who were carrying large stocks.

The AWC’s Annual Report to me of 1989-90 (that is, later than when I had to take the decision I did) stated that “demand had fallen sharply, partly in response to high market prices in 1988, but also as major export markets in China, Russia and Eastern Europe almost collapsed because of unpredictable and political changes”. This was correct and as I have said elsewhere, the changes in the market may have meant that if the MRP had been unchanged from the level before I gave the AWC and WCA the power to set it, it still may not have sufficed. We will never
know. The report also stated the factual situation that my decision to lower the minimum reserve price, for the first time since 1974 when the RPS was instigated, was against its commercial judgment and advice. The AWC had had the responsibility of setting the MRP since 1987 and had lifted it by 27% followed by a further rise of 35% to the 870 cents level.

I do not blame the AWC Board or the industry for their decisions to raise the price to 870 cents. I have been told that it was the AWC and not the WCA, which pushed for this figure, yet I certainly know that some in the NSW Farmers Association, one of the WCA's constituents, were pushing for an even higher price. The history I have tracked above shows that there were reasons, but only based on perceptions, to believe that wool, as the premium apparel fibre, had possibly, very possibly, reached a new price plateau. However, the economic verity of the vulnerability of buffer stock schemes and changing international trading and political conditions prevailed. Relative costs and changing technology in the production of substitute fibres became ever so real a factor. The longer the delay in taking a decision the quicker textile manufacturers would take wool off spindles. Being in politics means that, sometimes, terribly tough decisions have to be taken.

As I write this over some twenty years later, the sheep flock has been reduced to less than seventy million head (over 100 million less than at the peak!). Yet, until very recently, prices have not picked up by all that much, even though sheep meat prices are high. This fact probably needs exploration and analysis.

There were only two issues I became particularly cranky about. One was the assurance by the AWC that traditional European buyers would continue to buy at 870 cents, or less if I lowered the MRP, and their claim that I ignored its advice on this. I did not ignore this advice but simple arithmetic showed that Europe's buying would never be enough to turn the situation around nor could sales of our very fine wools carry the majority of types of wool not selling. The other was the way some graziers turned on Hugh Beggs and his family. He too was in an impossible situation and, regardless of his personal view of me, or whether or not he personally thought we had to stick with 870c come hell or high water, I had great respect for the way he took on the responsibility of dealing with the situation and faithfully represented his Board's ongoing decisions to me. The first five months of 1990 were rather tumultuous for all concerned.

**Scenarios and Models Leading to my Decision**

So, what did all the analyses of the situation and widespread views tell me? What follows is just a fraction of the information and analysis being made available to me and the discussions and negotiations I participated in, leading to my eventual decision to reduce the Minimum Reserve Price from 870c to 700c.

Estimations and modelling of the various parameters by the AWC and the Government were taking place in an ever changing market situation. By January 1990 AWC borrowings were heading for $1.5b. On the 24 April, Hugh Beggs advised that delays in Soviet Union payments now amounted up to $100m. In addition, an increase in the buy in rate of 43% had resulted in stocks reaching 2.434m bales. The Market Indicator Price was still at 899c/kg, this being the fine wool effect on the MIP due to ongoing sales in this part of the clip. Through March and April both the Department and ABARE were producing the possible range of scenarios in out years on the basis of known figures, modelling and analysis of international market conditions\(^7\). What I did not know was what the processing/manufacturing trade was telling

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\(^7\) The departmental officers most intensely involved during the period of the wool crisis included Geoff Miller, Secretary of DPIE, Brian Hill, Deputy Secretary, Graham McGregor, First Assistant
the AWC. I met with Hugh Beggs privately on 27 April 1990 and he kept me up to date with agreed AWC considerations by telephone. ABARE modelled the many permutations of differing floor prices, levels of tax giving projections of borrowings and level of debt, and the value and level of the stockpile on varying assumptions as to the level of sales.

While there are always issues associated with the results of modelling there is little choice but to use this technique to give a picture of what I was faced with. The Department did not present me with any iron clad assessment of what was right or wrong with the modelling of either ABARE or the AWC/WCA but simply catalogued the options available to me on the basis of the best assumptions in the models being used. It goes without saying that I was also engaged in keeping the Prime Minister, the Treasurer and the Caucus Parliamentary Primary Industry Committee up to date on the unfolding drama. Questions were asked in Parliament but neither the Opposition nor the NFF sought to exploit the situation for short term gain. There was a debate on the issue in the House of Representatives on 16 May 1990. The Victorian Labor Minister, the Hon Barry Rowe, supported me in whatever decision I had to take, the NSW National Party Minister for Agriculture, the Hon Ian Armstrong, wanted me to call an emergency meeting of the Australian Agricultural Council and the Australian Democrat Senators supported the WCA and a tax of 25%; ignorance always being a virtue?

All the information available to me showed that to delay a year in any decision would be fatal for the industry. If the sales situation became worse, the industry would be locked into an even higher wool tax rate and the taxpayer would have to bail the industry out. The cost of borrowings at the time was devastatingly high with interest rates rising to 18.5% and still being at 16% in May 1990. The rate of inflation was also high and this prevented me from contemplating any MRP lower than 700c. Most of the lobbying by the domestic industry and key organisations was about the rate of the wool tax, as the key players were determined to hold onto the MRP no matter what and were engaged in much public lobbying. The industry was insistent on a 25% tax. In one meeting I was told by the WCA that the industry would be prepared to pay a 40% tax to hold onto the 870c MRP.

As I have already said, in my view, sales at the finer end of the market were nowhere near strong enough to carry or enable a 25% wool tax to save the industry from bankruptcy, nor could the industry possibly stand a 40% tax. It was calculated by the Australian Association of Agricultural Consultants that equity in the stockpile would drop to 25% even with a 25% tax. The Department opened a hot-line for growers. Of 815 calls made, 436 callers favoured an MRP of 870c and a tax of 25%, 174 an MRP of 700c and a 20% tax, 130 wanted a devaluation of the $A and 25 callers wanted interest rates to be dropped. No-one wanted no MRP. No doubt the phone-in could not be regarded as a representative sample, but I was surprised that over 23 per cent of callers were in favour of a drop in the MRP to 700c.

Internationally, nearly all correspondents in the textile business were in favour of the status quo, which was understandable from their point of view; most lobbying came from Europe. One French firm wanted me to drop the price by half a percentage point per month. Korean spinners informed me that the high prices in 1988-89 led to a weakening of their preference

Secretary, Ken Moore, Assistant Secretary, and Paul Morris from ABARE, who also had a team working with him. Graham Lawless, a First Assistant Secretary, became heavily involved in the second half of 1990. On 14 May 1990 Brian Hill set up a Wool Taskforce in the Department composed of Simon Hearn, Onko Kingma and Ken Moore.
for wool and suggested that I “remove 10% of the flock”. The IWTO urged me not to drop the MRP.

When I examined the price of wool on the basis of conversion to weighted buyer currencies from mid-year 1982 to mid-year 1989, the price was the highest ever in 1988 and only a bit less in 1989. It was apparent that the Australian Wool Processors Council and the IWTO were somewhat removed from the debate in Australia though their positions were clear and understood by me. At the time the Australian wool processing industry had eighty plants (some very small) engaged in some aspect of early stage processing (worth $1.8b annually in 1988-89) with 5% of their production being used by twenty six local plants in textile production, employing 1,500 people with an annual turn-over of $844m. Most early processed product (scoured, tops, yarns etc) went to overseas buyers and in early 1990 exports were down by 370% on the year before\(^{38}\). Our local industry was in trouble and there was a particular concern for wool carpet manufacturers.

On the assumptions of confidence in strong support from the finance sector, a continuing government guarantee, a marketing strategy to clear one year’s production and for growers to reduce wool supply, the AWC put before me their modelling for three scenarios of tax rates for the three out years from 1991-92. All three were based on retention of the 870c MRP and on borrowings remaining between $3 and $4b. The AWC had already estimated that stocks would be at 4.7m bales and borrowings at $2.5b by 30 June 1991. The three tax percentage rates for the next three years modelled were 25, 21, 21; then 25, 25, 20; and then 20, 20, 20 - giving borrowings of $3.0b; $2.75; and $3.7b respectively, and stocks of six to six million bales plus, also respectively. Six million bales was well over a year’s gross production which meant that it would compose a massive stock and market overhang. ABARE’s modelling roughly agreed but showed stocks closer to seven million bales with borrowings still at $4.2b by 1993.

Some estimates being derived from the modelling were more optimistic, some were far more pessimistic. On 7 May 1990 the Department’s and ABARE’s modelling showed that with the MRP at 870c and 25% tax, stockholding would rise to 5.8m bales and borrowings would be up to $3.4b in 1992-93. If the tax was set at 20%, then stocks would be 6.0m bales and debt would be $4.0b; and if MRP was set at 700c and there was a 20%, tax then stocks would be 4.4m bales and debt at $2.1b with a 10% tax rate able to suffice only by 1994-95. On 7 May 1990, ABARE and the executive of the AWC had a meeting to assess the figures. From this came an agreed assessment that if the MRP was held at 870c and there was a 25% tax, then the AWC would not be able to manage with only $2.5b borrowings. If the upper limit on borrowings was set at $3.9b, then stocks would in all likelihood climb to 8m bales by 1993-94. Further, if there was a reduction in demand by another 5%, then the stock could climb to 9.6m bales and the debt would blow out to $5.0b or more.

Following this meeting, on 8 May 1990, Hugh Beggs and Chip Sawers, President of the WCA, put out a joint News Service advice to growers saying that if the MRP stayed at 870c and there was a 25% tax, then there would be only 4.5m bales in stock in 1990-91. It would seem that they were into denial. The AWC publicly stated on 10 May 1990 that “it would be better for Government to leave our options wide open for good commercial decision making when we’re allowed to make it, rather than constraining the options we have”. In other words the AWC

\(^{38}\) Australia’s last wool-combing and scouring plant closed in November 2010 at a time when China was taking 80% of our clip and prices were extremely strong. The firm, Fletcher International Export’s Wool Top Processing Facility, said it could no longer compete with China.
wished to work with options only based on the level of tax, which the Parliament had to agree to and the level of borrowings that the Government had to guarantee.

I had agreed to a maximum 20% wool tax in discussions with the WCA but on 10 May 1990 Chip Sawers publicly stated on radio that in hard currency terms wool was now 15-18% below 870c at last year’s level and that “it’s in our interests, not the Government’s to interfere in the market and they have interfered by only agreeing to a tax rate of 20%”.

On 14 May 1990 Hugh Beggs rang advising that the Board was split down the middle and that my choice was to intervene or stick with the status quo. I surmised that if a casting vote had been asked for, Hugh would have been in an impossible position.

I met with the Sheep Meats Council Executive on 16 May 1990, briefing it on the way I saw the situation. They agreed with the seriousness of the future course of the industry and seemed to have a more open mind on the options that may need to be envisaged. Even though much of the flock is dual purpose, I could never quite understand the difference in attitude of organised wool producers vis a vis organised sheep meat producers. Perhaps it was their failure to believe in the ‘merino myth’, it being the view that “fine merino wool is the best, most versatile apparel fibre in the world, therefore, we can hold onto our stocks until the world wakes up and pays us a decent price”. I was always surprised by the antipathy of industry spokespersons to the buyers of their product. I had the naïve view that these people were the industry’s customers. But then again, the industry has had strains of anti-science and anti-economist in it for a long time, as witnessed by experience with objective measurement in the late 1960s - early 1970s, the merino ram export issue, and genetic research into specialist wool sheep over the years.

On 21 May 1990 the AWC issued a News Release saying that wool was now 40% cheaper than two years ago (that is what the market had paid), and that: (1) there was no evidence that the MRP at 870c had caused a fall in demand; (2) that the loss in the value of the stock would occur no matter what was done; (3) that a new MRP would have no credibility; and (4) that it was the run of good seasons that had caused the problem. My private view on this and only expressed in conversations with the AWC and WCA and others was that, on the first point, prices had been four times higher than two years ago and had maximised at just under five times in 1988-89, and that the differential between the price of wool and synthetics was far too wide. The second contention was beyond the point as there were many other causes of the loss in value of the stock, not least international conditions. I agreed with the third point but only if the MRP was not backed and the trade had different perceptions. On the third and fourth point I said that credibility did not hinge on the capability to hold the MRP against the odds, but that the liquidity of the whole industry was the issue. While I agreed that good seasons had helped give a record flock and record clip, alternative agricultural pursuits in the Wheat-Sheep Zone paid nowhere near as well and that there was therefore little incentive for producers to change production mixes.

The late Rick Farley, then CEO of the NFF, best summed up the situation when he said, “the AWC can’t demonstrate that a 25% tax rate will reduce supply and that ABARE can’t demonstrate that a 700c MRP will increase demand”.

On 15 May 1990, ABARE released its analysis for all wool growers, Wool: Outlook and Options for the Future. To my mind, this was the most comprehensive analysis available. I don’t know how many producers were convinced or even got hold of it; as I’ve said, ministers never know
what role the release of information plays in forming the attitudes of constituents, *but this was essential reading.*

On 29 May 1990 the AWC released its refined estimates, based on latest available market information, saying that an MRP of 870c and a 25% tax would suffice and that the tax could be reduced to 15%, and 10% in out years, with borrowings of $4.0b and stocks peaking at 5.4m bales.

There is little sense in setting out any other of the permutations and combinations of the calculations being carried out by the AWC/WCA, ABARE and others as new sales figures were coming in week by week and assumptions were being varied in the light of evidence, for example China’s buying pattern. At one stage I received eight pages of very elegant modelling from ABARE, which gave me an excellent analysis of the problem the AWC, the industry, the taxpayer and I faced if the existing sales kept up, or even if there was an increase or a decline in sales. The big fear was a further drop in sales. One iteration showed me that maintenance of the *status quo* of an MRP at 870c, with the industry’s desired tax of 25% and virtually unlimited borrowings, would see average wool grower returns from sales being minus $11,000 in 1990-91, with an implied debt of $60,000 *per* average wool producing property by 1993-94. If the MRP was dropped to 700c then the projected average farm cash operating surplus would still be $15,000 above what it was in 1985-86. I closely examined twelve options in all. I also had in mind that the industry had enjoyed exceptionally high prices for at least two seasons and would have some capacity to withstand a cut in the MRP, if properties had reasonable levels of equity and moderate debt levels.

When ABARE and the Department analysed likely wool demand, it was clear that prices were still too high in both $A and buyer currencies. Sales would have to increase by at least 5% pa, but were only increasing by 2.5% to date and a 5% downturn in sales (30kt) would blow out stocks to five million bales and require a deleterious tax rate of 40%.

The Department mailed briefing documents to the main industry organisations and wool industry leaders on 3 May 1990 as well as writing to all producers. I issued media releases and engaged in press conferences. While I was being represented as the devil incarnate by many in the industry I did not criticise the AWC or WCA on a personal level, though I lashed out on a couple of occasions to the media on the idiocy of the AWC/WCA’s locked in position. The city media would have loved me to have simply represented the AWC and the industry as being greedy and stupid, stressed the usual stereotypes of wealthy woolgrowers or provoke a brawl. While I privately thought that the RPS/MRP had become too much the Holy Grail, had given the industry too much of an assurance and had led the industry to stop thinking, the social consequences of the plight of the industry and of the people who would be affected by either maintenance of the *status quo* or any intervention by me, chilled me. The situation was too serious to play politics.

During the first half of 1990, I met with the WCA Executive on at least two occasions for formal discussions and with the AWC Board also twice, and twice with both organisations together, the first time on 3 May 1990. Compared to dealing with Victorian and NSW dairy farmers, discussions were exceptionally polite and civilised. To try to convince the industry that it would be better if it took decisions other than to hold onto the *status quo* and higher wool taxes, I went to Roma, Queensland, to address the WCA Conference on 23 May - and wrote every word of the speech myself (sometimes it happens). This was the most significant public meeting on the issue. I then met again with Council and AWC representatives on 25 May and formally with the AWC Board on 18 and 24 May.
At that Roma meeting, the audience was very well-mannered and there was probably no need for me to have been given police entry and exit by a side door. I put four options before the meeting. Firstly maintenance of the status quo with a borrowing limit of $4b, and concentrated marketing strategies on medium wools and wool blends - but I said that I had determined that the risks in this were too high. Secondly, re-affirm the existing 20% tax and $2.5b borrowing limit stating that all projections showed that the industry could just manage in 1990-91 - but risked a much worse situation in 1991-92. Thirdly, if the industry was convinced that it could not change from the path that its leaders had been pursuing, then I would consider taking the decision out of the industry’s hand - but that this would neither be consistent with my approach to government and nor could I rule it out. The fourth option was for a decision to be taken after further consultations between industry and the Government, stating that I was willing to meet with a small group of industry and AWC representatives on Friday, two days away.

At the joint meeting of the key executive people that followed, both the AWC and ABARE made presentations on the way they saw the situation. My records show that at the joint meeting were AWC Chair Hugh Beggs, deputy Chair David Fletcher Jones, WCA President Chip Sawers, Mac Drysdale, Deputy President of the WCA, and Mr Bowman, Jamie Hoadley and Margie Thomson, the latter two being on the WCA’s professional staff. Also at the meeting were Jim Young CEO, Alan Mahoney (Finance) and Dr Bob Richardson (Economics) of the AWC’s professional staff. I’m not sure if David Combe and David Moore, two other professional members of WCA staff were present, but other people were present as observers. The economic situation in the main buying countries was presented, as were the latest figures on stocks, likely borrowings and a detailed analysis of scenarios from both presenters. Industry was united on the supply side, believing that a tax of 25% would deter production, and on the demand side that new markets could be opened up in Italy, China and elsewhere. They also believed that the AWC could sell aggressively into men’s trousers and women’s separates into the US, giving a rapid turnaround in sales.

One of the difficulties of being in a ministerial position is that you cannot negotiate other than with principals, not professional staff. I got the impression that at least two people from both organisations would have liked to have had a one on one discussion with me - and, possibly, a better meeting of minds could have taken place as to possible compromises. Looking at the pipeline from sale to final product, I was not convinced that a rapid increase in sales could occur, and I wondered why these strategies had not already been pursued. I suspected that my personal staff was also becoming a bit ‘frosty’ with the public comments being made by industry leaders. The AWC and WCA were as one on an MRP of 870c and a 25% tax, and a projected peak debt of $3.7b with stocks being at a level of 2.8m bales by 30 June 1990. We agreed that we make no comment to the media.

I would like to record here that I believe the late Dr Bob Richardson and John O’Connor of the AWC were the only people to come out of the wool debacle with their reputation unscathed. At all times they acted with absolute integrity and objectivity, though I did not know at the time what debate had gone on within the AWC. I would also like to record my appreciation for all the work that officials (too many to name) in the Department and ABARE carried out during the period of the crisis. I remember that Paul Morris and Steve Beare toiled tirelessly in ABARE, as did Graham McGregor and Brian Hill in the Department.

It was apparent that I had no choice but to intervene or let the industry bankrupt itself. If I was to reduce the MRP for the last month of the season to get the decision over and done with and in time for arrangements to be made for 1990-91, I would have to institute interim
arrangements to finance the 870c MRP for June and take a submission to Cabinet on this and other measures. Preparations on many options had been underway. Having made up my mind I wrote a formal letter to Hugh as AWC Board Chair under paragraph 120(1)(b) Wool Marketing Act 1987. It stated that I was considering dropping the MRP to 700c on the grounds of exceptional circumstances, in terms of management of the economy, the situation of the Commonwealth Budget, Australia’s external debt and the situation in the Current Account. I subsequently met with the AWC Board and it was clear that the decision to do so would not come from them but would have to be taken by me. On 30 May Hugh and I held a joint media conference, making our positions clear. On the same day and after taking the decision, I wrote again to the AWC stating that I was very concerned about the estimated rate of demand in their final submission to me. Hugh Beggs replied a day later requiring me to explain why I did not accept the advice of the Corporation and a day later publicly criticised me for over-riding the AWC and for taking the “advice of a bunch of bureaucrats and purist economists”. Geoff Miller, rightly, took exception to this and I formally advised the AWC that ministers take decisions, that attacks on public officials are wholly inappropriate as their role is only to advise, and that officials cannot defend themselves or express public views on government decisions.

The decision was taken bitterly by the industry - but relatively civilly given that the stakes were so high and the future so uncertain. I could not see any sense in publicly criticising individuals in either the AWC or the WCA and I did not. True to form, the NSW Farmers Association took a challenge to the Federal Court but this was dismissed on 14 June.

The Cabinet, ad interim, agreed to $300m as a supplementary payment scheme for the rest of the season; a wool tax at a maximum rate of up to 25%; borrowings to be sanctioned up to $3.5b on guarantee, with a guarantee by the Government beyond 1992; the debt and stockpile responsibility to remain with the AWC; the Government and the AWC to jointly develop a management plan for the debt; that there be additional funds to be advanced for carry-on finance in the Rural Adjustment Scheme and for rural counselling; and an additional $75m for wool promotion. It also agreed that sales from the stockpile be limited for the rest of the season; that a Wool Research and Development Corporation be established separate from the AWC, but with shared accommodation; that a marketing quota scheme not be pursued; and that the idea of a flock reduction scheme be reviewed. Quickly following the Cabinet’s decision I introduced nine Bills into the House of Representatives. The Opposition agreed to the 700c decision but with probably the same degree of reluctance as I did. In mid-June, the AWC published price relativities for the 1990-91 season. The next day the new arrangements were placed in the Australian Government Gazette.

I required the AWC to produce a Business Plan and established a Committee under Sir William Vines to review the industry’s marketing arrangements, to report by July 1991. I chose Sir William and was grateful to him for accepting, because I wanted to assure the industry that I was not establishing bodies to carry out a hatchet job. His reputation with the industry was impeccable. I also established an Interim Wool Policy Council on 20 September 1990 to give a greater opportunity for all domestic players in the Australian wool industry to have a say. The AWC and I started working together to re-assure the buyers of wool that this was a one-off decision to stimulate demand and to deal with unprecedented circumstances. Hugh Beggs, Geoff Miller and I went to Cavtat close to Dubrovnik in Croatia (before it was shelled by the Serbs) to attend meetings with buying countries and address the conference of the IWTO, planning next to visit Italian woollen manufacturers to talk up the industry. Later in November, I also visited Germany, the Soviet Union, Japan, South Korea and China, with the
same purpose in mind. The Government extended a $400m credit line to the USSR to help it buy more and pay for the commodities it had already purchased, particularly wool. I wasn’t overjoyed when the Soviet Union disappeared not long after!

At first, the IWTO did not want me to address their meeting and we had to ask the AWC to arrange for me to speak. The Cavtat meeting gave me exposure and exposure to how unpopular the decision was. I had to set out the facts as bluntly as I could, stressing that the situation was unprecedented and that speculation would not cease if I had sat on my hands. I told the meeting that the Australian producing industry faced a debt of up to $3.5b to service the cost of purchases, interest and storage and that the stockpile would be valueless after four years or less if nothing was done to increase demand. I told them I wasn’t prepared to see a full year’s production go into stocks nor to tax wool producers out of existence - even a 20% wool tax would be very tough. The meeting also gave me an understanding of how the wool processing and manufacturing industry regarded the wool producing industry. Manufacturing representatives gave the impression that the AWC and the MRP, and thereby the wool producers, were there as their benefactors. This included carrying the risk of price declines and cost of changed market conditions. While I personally believed that the MRP had allowed the Australian industry to stop thinking, I was unaware until then of how the manufacturing industry had also been carried away by the scheme, had assumed it was permanent and always to their benefit in terms of price stability, regardless of the fact that the market price had been on a roller coaster in recent times. The MRP had become the Holy Grail to our customers as well.

My speech to the meeting was met with deathly silence and the questions fired at me from the floor were full of venom. The fiercest criticism came from the leader of the Indian delegation.

With Dr Geoff Miller, now Secretary of my Department who became a great friend, in Moscow, on the wool sales mission following the collapse of the MRP.
Hugh, Geoff and I then met ten user country delegations, one by one. The Indian leader apologised for how hard he had criticised me from the floor of the conference, but then gently asked if there was any chance that I could please take the MRP down to 500c? I smiled. It seemed that the German and Japanese delegations had a better understanding of arithmetic than other user countries. Each delegation was insistent that I give “hard and fast”, “iron-clad” and “absolute guarantees” that the MRP would drop no further. We eventually came up with the word that the decision was “immutable”, a word I had used on an earlier occasion, but which I then got stuck with. The wool trade left the Dubrovnik/Cavtat meeting relatively happy, that is relative to how vociferous they were before and during the meeting. They had got their guarantee, that the decision was a one-off and were pleased their insistence that more should be spent by producing countries on promotion had resulted in an increased commitment from the Australian Government.

What Followed the 700c MRP and the New Arrangements

The AWC intensified its activities in the second half of 1990 to stimulate demand. A wool marketing video was produced which set out the factual situation regarding stocks, the projection that they would peak in 1991-92 and an estimate that stocks would amount to 4.5m bales by June 30 1991. The goal was to maintain 70% of wool’s declining share of the world textile market. The extra funding for promotion was being judiciously employed with an emphasis on the 21 to 26 micron range where sales were slowest. The AWC was working hard on its Business Plan and its Strategic Plan to be delivered by 31 December 1990.

The re-organisation I required was being put in place. When I established the Interim Wool Industry Policy Council (WIPC) in September, chaired by Sir William Vines, I placed my old friends Dick Austen, Bruce Vaughan and Fred Millar on it, all independent men I respected enormously. I thought it important that the industry had some re-assurance that there were people there who had good judgment and experience and could be trusted to do the best for the industry. I involved myself heavily in giving re-assurances to the trade and downplayed ongoing speculation by way of media appearances, consultations and meetings.

As everyone is now aware the digital age developed rapidly in the early 1990s and contributed to triggering the greater globalisation of markets. Where there are markets, there will be greed, fear, speculation and hoarding, with futures markets being volatile. In this setting changes in the international political, financial and commercial scenes will affect confidence and inhibit risk taking. As I have already noted, 1990-91 was a period of continuing profound international turbulence and this too affected the market for wool. Already in 1989, the Tiananmen Square massacre in Beijing had taken place on 4 June, the Solidarity Government was formed in Poland after much turbulence on 12 September, on 9-10 November the Berlin Wall was breached, on 22 December the Rumanian Government was overthrown, and the Havel Government in Czechoslovakia came into being on 28 December. Lithuania declared its independence on 11 March 1990, Iraq invaded Kuwait on 2 August, and the re-unification of Germany took place on 3 October, resulting in a massive cost to West Germany to re-vamp East Germany’s redundant industries and broken economy. Soviet-style Communism had collapsed and on 16 October President Gorbachev announced reform of the Soviet economy and on 27 November signed the Union Treaty with the Soviet’s satellites. China was not in the turmoil being experienced by the Soviet Union but had its own internal problems, including with foreign exchange. The Uruguay Round on international Trade negotiations collapsed on 7 December and Slovenia voted overwhelmingly to split from Yugoslavia just prior to Christmas.
There had been a history of damaging international trade and finance disturbances since the RPS/MRP mechanism was put in place, including the two oil shocks in the 1970s, the economic recognition of stagflation and certain deleterious economic policies of the US. The crucial international reality that Australia faced in the 1980s was the importance of the trilateral relationship between us, the US and Japan. The economic turbulence at the start and end of the 1980s was more pronounced than in earlier periods due to a more globalised market more sensitive to ‘sentiment’ and ‘confidence’, producing swift changes in the main macroeconomic indicators such as exchange and interest rates. The invasion of Kuwait by Iraq resulted in the AWC’s buy-in of wool rising from 40% to 70% of offerings. The year 1991 witnessed more international disruption with Croatia going on military alert in early January and Serbia invading in late March. The air war on Iraq began on 16 January and battles on land in Kuwait and Iraq continued until early March, by which time Iraq had set most of Kuwait’s oil wells on fire.

I kept in close contact with the AWC in the first half of the 1990-91 season. I made a statement to Parliament on the wool industry in September trying to induce judicious confidence. The AWC’s Business Plan was submitted to me and I welcomed their aspiration to contain borrowings, to hold grower equity at 50% in the MSF, moves to reduce production and increase sales and implement flexible strategies. The Plan was supported by the WCA. The Government and I endorsed a maximum tax of 39% but with an operational rate of 25%, reluctantly, from 4 October; that the MSF portion of the wool tax not be revoked for at least two years; and a limit of 140,000 bales per week be placed on the market. In late September/early October I agreed to lift the ceiling on borrowings. I also decided to remove carpet wool (over 32 microns and less than 0.5% of the clip) from the MSF proportion of the tax. On 12 October, the AWC announced that the MRP for 1991-92 would be 700c. On 12 November, with strong AWC and industry endorsement, I announced that the Government would put $100m into a flock reduction scheme, to bring the flock down by 20m sheep and 50mkg of production, and that a quota of 750mkg be placed on sale for exports in the year ahead. After I led a wool sales mission to Russia in late November, it started to buy more wool, but this faded away again in January 1991.

The AWC was not able to deliver a long term plan by 31 December 1990 as it was being clubbed by reality. Even if the tax was lifted to 35% with an export quota of 700mkg, the flock reduction scheme further expanded and extra measures taken to increase demand, the AWC could still not see any way out. The AWC had assumed a buy-in rate of 28% of offerings in October/November but it had risen to 50%. Borrowings were close to $3b and further finance was “up to the Government” The Corporation stated that it could not bring forward a plan its Board could unequivocally endorse. There was an expected fair proportion of “I told you so” in the submission. The AWC advised that stocks could be 8m bales by mid-1992 and 8.6m bales by mid-1993. Hugh then advised early in the New Year that he thought he had no choice but to announce suspension of the MRP and sales in his speech to the coming ABARE Outlook Conference. I cautioned against this on the basis that he would be skinned alive. I quickly had some more arithmetic done. The estimate was that a price of 350c would be better for the industry than a tax of 35% and a 700mkg export quota. The industry would be greatly stressed but the estimate of the average farm cash operating surplus was $9,500 following the three previous good years.

After the Outlook Conference, the AWC announced the cessation of sales. I met with the AWC and the WCA on 2 February 1991. It was a sober but polite meeting. I held a press conference on 11 February announcing that the Government was extending a $400m credit facility to the
AWC and explained the reason why the AWC had to take the decision it did. I explained that even if the MRP had remained at 507c where it had been four years ago, the international political situation, exchange rate movements, financial deregulation and currency speculation, would still have caused the same problem but to what degree would never be known. I also informed the media that some $677m had been spent by the Government on the Supplementary Payments Scheme and other assistance measures; that 4 million sheep had been killed by flock reduction measures; that to stay the course had become impossible; and that the Government was waiting on the report by Sir William Vines at the end of March to determine its next course of action. I then wrote to every wool grower on 13 February explaining the Government's case and the reason for the AWC's decision to suspend sales and abandon the MRP.

Sales commenced again on 18 February but into a free market for the first time in over twenty years. While many will believe that dropping the floor price by 19.5% caused the collapse of the MRP, I simply say that I don't know, but I doubt it. Looking at the fact that there are one hundred million less sheep in 2013, and considering current prices and exchange rate oscillations and the impact of the mining sector on the agricultural exporting industries inducing a high exchange rate, I don't know how any floor price scheme could have survived, notwithstanding the Global Financial Crisis, the effects of which will be with us for a long time to come.

After receiving the Vines Report, I released it in early April 1991 and moved to come up with a comprehensive recovery plan by the end of the month. By this time the stockpile had reached 4.7 million bales and the AWC's debt was $3.1b. Sir William's committee recommended: rescinding the MRP; freezing the stockpile until 30 June 1991 (except for Russia); the release of certain types of wool if they exceed five sevenths of the former MRP; and transparency in stock composition. It welcomed futures trading and recommended that the WCA and WIPC review stock disposals at the end of the 1992-93 season; that the wool tax be 12% for 1991 to 1993 (with 3.5% of the tax to be spent on promotion) and proposed that it was desirable for all stocks to be sold by June 1996. The committee further recommended that the AWC and WCA be restructured; that two new organisations be formed, namely an Australian Wool Promotion Corporation, (to be known as Auswool) and an Australian Wool Realisation Commission (AWRC). The Interim Wool Industry Policy Council was to be no longer interim and become the Australian Wool Industry Policy Council (AWIPC). The Report also recommended that there be a major revision of the wool industry selection committees, because “WCA expertise is questionable”, including revision of IWS selection procedure. In all there were forty recommendations. There was to be some cross-linking in the four organisations, that is, the AWC was to remain and existing staff were to be retained as far as possible. Auswool was to have the conduct of sale standards, quality control and inspection and tasked to advance sale by description, the reporting of statistics and develop a register of wool producers. The AWRC was to have the sole responsibility for disposal of the stockpile and the servicing and discharge of the debt. The AWIPC was to have either an advisory or consultative role only, but to include all relevant industry players.

On 30 April 1991 I announced that an Australian Wool Research Council (AWRC) and a Wool Research and Development Corporation (AWRDC) would be established, that the Australian Wool Council (AWC) would be responsible for promotion and facilitation of marketing, and that the AWIPC would be the industry's policy forum. I also announced that it was intended that the debt be repaid over seven years; that a $200m interest free loan would be made available to sell property assets; and that the tax would be dropped from 25% to 15% from 1
July 1991; that the debt guarantee by government would continue; that any surplus on wind up of the stockpile be returned to growers; that the AWC Board continue the arrangements made to set up the new structure; and that there be $96m RAS funding. The AWRC was to have discretion to determine sales policy from the current frozen stockpile. Michael Blamey, a DPIE First Assistant Secretary, and Jim Young were to draft operational plans for the new bodies. Sir William took on the task of chairing the AWIC, Mac Drysdale became Chair of the AWC, John Landy became Chair of the AWRC (research), and David Clarke from Macquarie Bank chaired the AWRC, with Bob White chairing the Wool Industry Selection Committee. Hugh Beggs resigned some time during this period and Credit Suisse First Boston became heavily involved in establishing the new arrangements. More reports were produced by ABARE and one by Professor Ross Garnaut, analysing the market situation for the consideration of the Government and industry.

The task of running down the stockpile did not end for another decade and took the attention of my succeeding ministers, the AWC, the industry and many officials. The headlines were no longer as vivid but the stress continued for so many people during the stock liquidation phase.

**But Then What happened?**

Following Paul Keating’s failed first bid to wrest the prime ministership from Bob Hawke, I became Treasurer on 4 June 1991 and, my colleague, Simon Crean became Minister for Primary Industries and Energy and had to deal with the terrible problem bequeathed him by the industry and me. I inherited the “recession we had to have” and Paul’s Budget strategy, which was clearly designed to burn inflation out of the economy, the sale of the Commonwealth Bank, the sale of Fairfax media and the introduction of the Superannuation Guarantee levy. From the wool industry to the economy, I went from one train wreck to another, after years of combat with recalcitrant farm industries not prepared to adapt to new realities. Ralph Willis and I were inclined to introduce stimulus into the economy through the budget, but at this relatively late stage, it was decided to stay with Paul’s budget strategy. According to John Edwards, who worked for Keating, it was Paul who:

> encouraged, authorised and insisted on interest rate rises that were the cause of the subsequent recession. This recession was in many respects the most severe Australia had encountered in half a century. But for the recession, half a million or more people might still have been in jobs rather than unemployed.\(^{39}\)

My difficult, near impossible at times experience with the wool industry probably prepared me for the situation I inherited to some degree, but it was not pleasant to know that I had to deliver a policy designed and supported by Treasury to increase unemployment as the only way to set up the economy for the next two decades. Not being enamoured of macro-economics, I felt somewhat out of my depth and as Paul delightfully told me, “John, they all know you hate them over there in Treasury”. I didn’t. John Button and I as industry ministers merely disagreed with the Treasury mantra that “there is no need for any industry policy, the market will prevail”. The implicit belief that a floating exchange rate would keep Australia out of trouble and that ‘automatic stabilisers’ would see us through any downturn, were too simplistic to convince me.

**The Court Case**

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Unilan Holdings Pty Ltd, (a Uruguyan firm) Unilan Australia Pty Ltd and Hamilton Wool Processors Pty Ltd sued me/the Government for breaking the “immutable” pledge to hold the MRP at 700c. The amended Statement of Claim was for $11,441,657.66 with hearings in the courts taking place in early 1992. I could not see how the claim could be mounted because, technically, neither the Government nor I had dropped the price beyond the 700c decision, suspended sales or moved to the free market. However, the case was heard on the grounds of my/the Government’s promise not to drop the MRP further. As is customary, the Government defended the case, which continued for over a year.

The Commonwealth’s Principal Solicitor was Greg Kathner and my barrister was David Bennett, QC, who became Solicitor General during the time of the Howard Government. I was very well represented and although the law has always been a great mystery to me, the case was dismissed on 26 March 1993. At one stage I was in court for three days undergoing examination following discovery of all papers relevant to the matter and held by me and my office. I detailed book, chapter and verse on how the Government had done everything possible to hold the MRP at 700c having spent hundreds of millions of dollars in support of the industry. It became apparent that the Uruguayan firm regarded the AWC as a philanthropic institution. I didn’t think the plaintiffs helped themselves when Mr Sasha from Uruguay said he thought he could trust Anglo-Saxons as distinct from Latins. Mr Justice Lockart, effectively, ruled that no government can predict the future and that the situation had changed dramatically from when the assurance was given.

A Summary

To briefly summarise, industry policy is about people, their aspirations and hopes not just about economic parameters. When dealing with a difficult problem, I prefer explanation to blame. One can only try to explain what fundamental economic analysis shows and the need to take this into account in a policy context. The industry often demonstrated that it was exceptionally anti-economist, a problem common in political dialogue to this day. I used to estimate that about three per cent of our population had any sound knowledge of economics; it might be more now? It takes a long time to persuade an industry to embrace a more economically rational approach. Others may consider it a weakness, but I was more inclined to use the language of reconciliation and consensus rather than the blunderbuss or than giving the appearance of ignoring what was being said by those I was trying to persuade to see what I regarded as reason.

Before ending this chapter, I should briefly discuss two other issues affecting the wool industry, these being the long running debate on the ban on the export of merino rams and genetic material and the wide combs dispute.

The Export of Merinos

At some stage in my early life I met the distinguished animal geneticist, Dr Helen Newton Turner, who was an acquaintance or a friend of my Aunty Ruth. This was possibly when I was at primary school or in my early teens and it was she who first told me that there was no risk to the Australian wool industry from the export of our merino rams on either a scientific or an economic basis.

I could never understand the unrelenting vehemence with which the industry, particularly the stud breeders, was opposed to any export of ‘our merinos’. I could understand the emotion of stud breeders who had put so much effort into breeding superior stock that they did not wish merinos to be exported because of the harm it may do to our overall industry in terms of the
sale of wool on international markets. However, the facts to maintain a ban never stacked up. In the mid-1980s Australia had a wool flock of about 156m sheep while the rest of the world had nearly 1100m; there was plenty of merino genetic material outside Australia. We dominated world exports with over 54% of all trade, with a particular front-line position with finer wools. In 1986 we exported 1330mkg of wool compared to the rest of the world’s 393mkg exported from the five other major exporters. There was always a fear about the intentions of our cold war enemy, the USSR, which had the world’s second largest sheep flock. But this flock had expanded the most when we had a ban on exports. At best we only possessed 40% of the world’s merinos. What were the facts?

We may have been fortunate to be able to purchase sheep when the colony of NSW was founded. Before the 18th century, the export of merinos from Spain was punishable by death. Luckily, I was never threatened by death on the issue. In the 18th century, Spain allowed the export of some of ‘their merinos’ to Sweden in 1723, a larger number were sent to Saxony in 1765 and 1774, some to Hungary in 1775, to Prussia in 1786 and to France also in that year and also to the Netherlands. The sheep exported to France provided the foundation for the stud at Rambouillet. There had been free trade in the export of merino rams from Australia prior to 1929, trade on a regulated basis between 1970 and 1973 and again during 1979-86. In 1982 there had been a formal review of wool production in a number of countries but the reviewing committee recommended the export of merino rams on a restricted basis with a review of the policy in three years. I inherited this recommendation and, under pressure from the industry, established the Merino Export Review Committee in October 1985. The Committee was chaired by Alan Newton from the Department, who was also one of the key players in the setting up of the Rural Research and Development Corporations. The Committee was composed of a member each from the WCA and Stud Merino Breeders Association, two from the Australian Workers Union and a nominee of the Australian Agricultural Council. The terms of reference were very broad and I gave the Committee no instructions. I was confident in general terms, of what the Committee would advise but was interested to see what the specifics of the recommendations to me would be.

After the release of a draft report for comment in April 1986, the full report came to me in May 1987. This review also suggested another review in five years by which time Australia had a totally different industry due to the collapse of the floor price scheme. Regarding the threat from the USSR, where only 62% of the flock was merino, the Committee pointed to the fierce environmental conditions where sheep were grazed: the temperature range was from minus 45 degrees to 23 degrees Celsius in summer. Sheep had to be penned for 5-6 months of the year but were grazed openly in summer with shepherds always in attendance - labour was intensive. Soviet breeding techniques and science were still being influenced by ideological diktats from Moscow, husbandry and yields of clean wool were poor and even if the Soviets were able to buy our very best rams on an unrestricted basis, it was doubtful whether the clip could be increased per sheep or increased in quality, quickly.

Given Australia’s push for freer trade for our agricultural exports it was hardly logical to be arguing for absolute protection, particularly with such a large customer as the USSR, later Russia. China’s wool industry was similarly sited in some of its harshest environments with the temperature range from minus 40 degrees to 45 degrees Celsius in summer. It was in our interest to encourage sheep production in what has now become the largest buying country. There was simply no way in these two vast countries that they could increase production anywhere near ahead of planned consumption. In China there were also land shortages,
competition between alternative land uses, land degradation and genetic and nutritional restraints.

The Review’s report was very comprehensive but in summary it made the case that the wool industry in other major wool producing countries posed no threat to our industry on the basis of a combination of environmental, technological, management and economic factors. We simply possess a strong competitive advantage in wool production. The recommendations included an export quota of 500 merino rams be set for the 1987-88 season, to be increased by 100 annually up to 900; that rams for export be bought at auction; and that the export of ram semen be subject to adequate safeguards, to be overseen by the stud industry and officials. Further, it was recommended that the ban on the export of merino ewes, embryos and ova be retained, but that some export be permitted for research purposes where there were approved joint government-to-government agreements. I accepted the recommendations and while the WCA and stud breeders at organised level were still opposed, I am not sure what their later position was. I suspect that less than 900 rams were sold by 1991-92.

The Wide Comb Dispute

One of the first telephone calls I received on becoming Minister was from Ernie Ecob, the NSW Secretary of the Australian Workers Union (AWU), of which by then I had become a member, about the wide comb dispute. This dispute, as with the merino ram export issue, was about protection, but had deep roots in history, elements of class warfare and the not long formed National Farmers Federation which was cutting its teeth on this philosophical-cum-ideological issue, based on those of the political New Right movement in conservative circles in favour of deregulation, wage deregulation, privatisation and breaking union power. Initially, while I sympathised with Ernie and had some understanding of his feelings for his members, I then simply had no idea of the issues involved and considered that I was powerless to do much about it because I thought that the whole matter could only be resolved by arbitration. I had no experience with industrial relations apart from my one attempt at debate in the Bowral Brickworks.

Ernie rang me quite a few times and it was said that he alone kept his members out of work fighting on a redundant issue. But it wasn’t quite that simple. I gradually learnt a lot more about the issues involved but it is fair to say that departmental advice was not all that sympathetic, but factual, as one would expect. On application from employers in 1927 it had been agreed that in the Federal Pastoral Industry Award that the combs on shearing hand pieces were to be no wider than two and a half inches. This became a union rule for all members. The membership of the union among shearers was nearly 100%, at a time when we had 30,000 shearers and about 135m sheep. It goes without saying that shearing is hard physical work and that shearing fine wool ‘wrinkly’ merinos means that a wider comb may require more effort. However, some shearers were heating the two outside teeth to make the hand piece a little wider, but gradually, wider combs were coming into use by New Zealand shearers entering Australia in greater numbers in the 1970-80s, but initially in the 1960s in Western Australia. I was informed that the combs were manufactured in Australia not New Zealand. It was argued by the union that New Zealand’s sheep were predominantly British breeds and smoother, with coarse wool, and that while wide combs suited these sheep they didn’t suit Australia’s finer wool sheep. The issue broke down to the standard agreed comb being of ten teeth and 64 mm wide compared to 12-13 teeth and 86 mm wide.

As some species of an applied micro-economist, my first instinct was that this was a case of workers resisting change from a job protection point of view; simple protectionism as
practised by farmers and squatters via the conservative political parties. I gradually learnt that the issue went a lot deeper and was related to the ongoing battles between employers and workers about the Pastoral Award, where conditions had been hard fought. The safety net for shearsers was not arrived at until 1907 after the shearer’s strikes of the 1890s, when the shearsers were put down by the authorities. There also had been other strikes by shearsers, one in 1956, which arose in South Australia. Folklore and a culture had grown up originally between ‘mates’ and ‘others’, with overtones of strong solidarity and with such mateship implying that one did not scab on one’s mates. A culture had also grown up opposed to ‘gung-ho fast shearing practices’ so that work could be spread over a season. Given that shearsers were paid on a piece-work basis, it was also seen by many shearsers that more sheep could be shorn in a day, if wide combs were used, which equalled more pay. Shearing contractors were naturally less inclined to employ less able shearsers. The AWU believed it had both the existing law and its own rules on its side and that it was acting to maintain the longstanding agreed status quo.

This culture and these principles ran headlong against the New Right thinking being promoted by the Melbourne based HR Nicholls Society and endorsed by the NFF in wanting to free up industrial relations with a view to wage deregulation, or at least a more flexible industrial relations system. A convert to wide combs was Robert White, a shearing contractor and AWU member from Bathurst, NSW. He was opposed to the union limiting his output and was ably used by the NFF. In 1980 Ian McLachlan became chairman of the NFF’s Industrial Relations Committee and Paul Houlihan, a former unionist, and New Right convert, became Industrial Officer. The Committee had been engaged in the live sheep export issue and in shearing wage applications and had formed strong views on wage determination. The Livestock and Grain Producers Association of NSW (LGPA), later to be the NSW Farmers Association, made an application to the Arbitration Court to modernise the wide comb clause in the award, advocating, at first, for trials to be carried out on the use of the wide comb, on the basis of scientific objectivity. The AWU also made a claim to the Court to re-assert the award in Western Australia.

Both matters went to Court in mid-1980, with the Judge reserving his decision on the first matter and stating that as wide combs were in common use in WA it was pointless to reintroduce prohibition. Wool growers were induced to believe the issue could be worked through, but the dispute soon heated up and bubbled along through 1981. The Union placed a ban on Robert White’s activities and the NFF took the view that he was being victimised. Whether or not there was collusion between White and the NFF, I simply do not know. The LGPA’s position hardened and a revised application was made in late 1981. Arbitration under Commissioner Mackenzie proceeded through 1982. The AWU threatened to ban Sunbeam, the firm which was making the equipment, and White became the victim of attacks, both verbal and physical. The Commissioner handed down his judgment in December 1982 stating that the extensive use of wide combs and evidence put before him showed that their use could not be ignored. The decision was appealed by the AWU, by which time it was losing members. When the appeal was rejected by the Full Bench in March 1983, a strike was called. It became a test of will and McLachlan and Houlihan saw the chance to break compulsory unionism. By this time the ALP was in government. The AWU Executive met in May and was informed that many members were willing to defy their union’s direction.

The Commonwealth Government was pressing for a settlement of the dispute. Thankfully, my colleague, the Hon Ralph Willis, Minister for Industrial Relations, called for a conference between the parties and an agreement to end the strike was reached with the Commissioner
agreeing to hear more evidence. Commissioner Mackenzie stipulated that while consideration was being given to the issue, employers were not to discriminate against shearsers using the narrow comb. It was believed that most shearsers had already switched to wide combs. The AWU was still concerned that the NFF would use the dispute to water down the shearing pay rate and shearing formula that had been used in award determinations. A final decision was handed down by Commissioner Mackenzie in June 1984, upholding his earlier decision and trusting that ‘fair play’ by all concerned would prevail. Violence in the shearing sheds continued but eventually the dispute subsided. The AWU continued its campaign but members became more divided and it was clear that long held principles were not impervious to technological advance. It is fair to say that the AWU had been defined by its history in the shearing industry and that the dispute harmed it greatly. It is also fair to say that the NFF and LGPA won.

The Politics of Grazing and Agricultural Organisations

The politics, particularly of the Australian wool industry, are crucial and explain a lot about Australia. Australia, as a continent and a federation, had State based farmer and grazier organisations particularly up to the 1970s. Federations of primary producer organisations were essential to give considered advice to and effective lobbying of Commonwealth and State governments. Agricultural politics were and are fierce. The power exercised by such organisations has always had to be taken into account by governments and has often been encouraged by them.

Statutory marketing pre-dated grower organisational attitudes and government intervention in marketing was of long duration particularly during the two World Wars. Nearly all statutory agricultural commodity marketing boards became Country Party fiefdoms. Sir John McEwen was supremely aware of this and it was his and the then Country Party’s alleged philosophy to represent and reflect farmer wishes, if they could speak with a unified voice, though Sir John did not always do so. He was astute enough to make suggestions to the organisations, on the basis of informed advice, generally prepared by the Departments of Trade and or Primary Industry. Coming from the years of wheat industry campaigns to gain wheat stabilisation, Sir John was opposed to the free trading philosophies of the more established grazier’s associations and stylised them as representing “wealthy interests”. Sir John’s strong beliefs had once caused him to be expelled from the Victorian Country Party in the 1930s. Bill Gunn was always well supported by John McEwen.

The grower push for a wool acquisition scheme was more than being entertained in political circles but was eventually rejected by Doug Anthony some time after he became Minister for Primary Industry, 1967-71, and Leader of the Country Party and Deputy Prime Minister in 1971. A proposal by Sir John Higgins, Chair of the Central Wool Committee in 1916, made to the 1931 Empire Wool Conference during the Great Depression, was the first time the idea of an acquisition scheme had been proposed. By the 1960s, then, the idea had been around for a long time. The problem with an acquisition scheme for Australia was that it required a large stockholding capacity and, because Australia produces such a large proportion of traded world wool production, it would risk becoming the world’s stockholder, with accompanying large stockholding costs, to maintain world prices. Competitors in other wool exporting countries could easily undercut the price in such a situation. As well, by acquiring all the clip, market signals to growers would inevitably become disguised and pressure would be exerted on government for subsidisation during price slumps. The appeal of an acquisition scheme continued to burn brightly in the minds of many industry players for many years.
The key peak organisation at the time for the wool industry was the Wool Industry Conference, which was established in October 1962, and composed of twenty five members from the Australian Woolgrowers and Graziers Council and twenty five members from the Australian Wool and Meat Producers Federation. Its role was to make recommendations to the Commonwealth Government on policy matters, to nominate woolgrower representatives for appointment to the Australian Wool Board, to prepare a panel of names for government consideration for three Board members with special qualifications and to recommend rates of levy for wool promotion and research. Sir John Crawford became the first Chair of the Conference. Whereas the Conference had deferred consideration of a reserve price scheme in 1964, it had supported such a scheme in the late 1960s due to the sharp decline in prices in 1969–70\textsuperscript{40}.

The history behind the formation of these two organisations goes to the heart of Australian agricultural politics. The history of grazing and farmer organisations that is agri-political organisations, in Australia has always been marked by amalgamations, diffusion and dissent. Although farm organisations have become fewer, they are still evolving. It is very important to have producer organisations in a country such as Australia where political power is pluralistic to a large degree - some would now say that economic rationalism and the ‘business paradigm’ is all.

At Commonwealth level the National Farmers Federation, which formed in 1979, is an adornment to agricultural politics and essential, even if many farmers and graziers don’t support it. Dissatisfaction with marketing bodies always gives opportunities for industry demagogues, supported by populist ‘shock-jocks’, to arise. In my time as Minister, the United Graziers Association in Queensland was significant but its various branches weren’t always that ‘U’. This organisation has now become Agforce, which tends to represent broad acre graziers, farmers and leaseholders. There is also the Queensland Farmers Federation, which tends to represent farmers of all hues. The National Party is strongest in Queensland. The Pastoralist and Graziers Association of Western Australia were and are very pro market whereas the Western Australian Farmers Federation is much less so. The Liberal Party is strongest in Western Australia. The NSW Farmers Association took about eighty years to come into being in that form. The Farmers and Settlers, United Farmers and Woolgrowers and Graziers Association formed the Livestock and Grain Producers Association in 1978 which then became the NSW Farmers Association in 1987. Victoria and South Australia have State based and titled Farmers’ Federations. It is only in Tasmania that we have a Tasmanian Farmers and Graziers Association. It was these organisations that were instrumental in forming the various State Country Party branches and the Federal Country Party in the first half of the twentieth century.

As far as wool growing is concerned, one fundamental split goes back to the formation of grazier and farmer organisations in the late 1800s. The formation of the Amalgamated Shearers Union in 1890 and its demand for shearing sheds to be closed shops and for the imposition of union bans on the handling and shipment of wool shorn by non-union, scab labour, provoked the opposing formation of the Pastoralists Federal Council in 1890. The prime purpose of the Council was to fight the union about wages and conditions for shearers. The various State Farmers and Settlers Associations split from the Council in their fight for land and to lobby governments to break up large pastoral holdings for cropping. The

\textsuperscript{40} Detailed information on the formation and history of organisations relevant to the wool industry can be found in a book written by Tom Connors, formerly on Ken Wriedt’s staff, for the NFF in the 1990s.
Arbitration system established in the early 1990s for wage determination entrenched the organisational need for the industry to contest wage cases, particularly for pay rates for shearers and farm hands. The more radical wheat growers’ organisations, which were formed between the World Wars, were distrustful of the graziers and their organisations, well into the 1960s, particularly those who also grew wheat. The Australian Wheat Growers Federation was formed in 1931.

A great deal of corporate memory exists within some of our oldest agri-political organisations. In making policy it is important to refer to corporate memory to see what can be gleaned to apply in the analysis of the challenge at hand.

The absolutely fundamental drive of farmer organisations and the then Country Party (then the National Party in my time) and Liberal Parties is for wage deregulation - and to ‘keep Labor out’ at all costs, the ALP being the ally of the unions. This drive has continued for over one hundred and twenty years. It is an article of faith for the two conservative political parties; it is in their DNA. It is said that being a Liberal is not so much about a philosophy as about a state of mind, but I will stick to the view that beliefs are involved. The wide comb dispute reflected the animosity between the pastoralists and shearers going back a century. As Minister for Primary Industry, as a former farmer and as an economic researcher, sometimes styled by others as a market economist, I had disagreements with various unions and had profound misgivings about union authoritarianism. However, I could never believe in total wage deregulation. The reason for this is that I do not see wages and salaries as being only, simply, another cost of production, nor do I see policies, such as those on taxation that skew income to the richest as having the best economy-wide solutions to economic management or problems. Economic systems are there to serve people, not the other way round. The sky has not fallen in despite the constant prognostications of the conservative political parties and business lobbies about some measure of wage ‘justice’ and safety regulation. The Liberal Party now argues that a deregulated wage system brings higher wages. It does but only for some now that we have one booming sector of the economy (2013), a large casual and part-time workforce and are heading for the US system of government and economic management (sic) and three political parties of capital. The arguments against ending slavery in Britain in earlier centuries could well serve as arguments for those still trying to achieve their goal of absolute wage deregulation.

While there were, and still are, State based pastoral and farm organisations as just described, these in some ways are subsidiary to - or active constituents of - the national commodity councils, which formed in the 1970s. These councils assumed more importance as far as the Commonwealth Government was concerned from the late 1970s (not that State based organisations could ever be ignored). It took until 1960 for the Australian Wool Growers Council (AWGC) to be formed, the Australian Wool and Meat Producers Federation (AWMPF) having been formed in 1939. The differences between these organisations still resided in the former being based on larger holdings with differences also based on social status, property size, private or public schooling for children, permanent versus seasonal labour etc. Members of the AWGC were more, or just as, likely to vote Liberal as Country Party and support the free auction of wool, whereas members of the AWMPF were most likely to vote Country Party and support market intervention. I have only met two wool producers who confessed to having voted Labor (deluded?) but there must be a few of them; silent no doubt? The two federations composing the Wool Industry Conference did not always speak with one voice. By my time as Minister I was able to meet with and later negotiate with the Wool Council of Australia (WCA, now Wool Producers Australia) which formed in 1979 and basically spoke for the whole
organised wool growing industry; not that all primary producers are members of agri-political organisations.

In general, it is a characteristic of the sociology of conservative farm organisations that they are unable to anticipate the future in any cohesive way. It is the politics of industry organisations that inhibit a whole-of-industry ability to look forward. Organisations are less flexible than individuals as they become fixated on current problems and the fight to be heard by government and thereby become passive regarding the challenges ahead. This is so, even when there is deep knowledge, rigorous analyses and long experience with the constant fundamental characteristics of the commodity, its production and competition, such as with wool.

There was and is no lack of objective information about the wool industry. To anticipate the future, an industry needs to look outside the industry and must act as a whole. Due to their structure, farm organisations tend to look at symptoms, not causes and when the causes arise externally, organisations become reactive. There are few incentives for primary producer organisations to anticipate, act quickly and embrace the challenges of change, because of the way they are constituted. Australia’s major political parties are all also conservative from differing points of view and have the same attributes, unless manipulated or modernised from within. The political conservatism of Australian voters militates against political parties identifying and pursuing progressive policies. This is why ongoing, rigorously thought through policy alternatives, leadership and the development of a philosophy are so important.

**Personal Perceptions/Reflections**

Notwithstanding the wool industry’s ups and downs, for one and a half centuries of our history, it was held in the public’s mind much in the same way as the mining and energy industries are held today. Our natural mineral and energy endowment, owned by all, requires massive capitalisation to gain the benefit for investors but is bent on the exploitation of a non-renewable resource. The wool industry can be a sustainable industry even though subject to the vicissitudes of weather and markets.

It is important to have some knowledge and understanding of history about policy formation. Written histories are always interpretive. I am strongly of the belief that economic history and political economy should be taught more in our schools and universities. Books by Geoffrey Blainey on our early history generally and on the mining industry in particular, are illuminating reads. The role of Mt Lyell in Tasmania’s economic history, for example, is remarkable. I hasten to add that Geoffrey Blainey is widely regarded on some issues as being as reactionary as Prime Minister John Howard (1996-2007), but I believe his specific economic histories are exceptionally sound.

When I was no longer a member of the House of Representatives, I undertook an enquiry into NSW’s Western Division for the NSW Government. This enquiry reinforced my contention about the need to teach economic history because, in the process, I learned so much more about pastoralism and the history of the development and decline of this part of NSW, as the sometimes fragile, sometimes resilient landscape was ‘mined’ by pastoralists. Primary producers hold onto long held concepts and behaviours and often do not change that much, and individuals and their organisations resist change fiercely. There is always a preference for the known past among the conservatively inclined. In terms of property management there are often good reasons for a conservative or careful approach. The prominent sheep grazing industry leader, Sir William Gunn, would be the best person to attest to the wool industry’s
conservatism, if he were still alive. But it is important not to become hamstrung by history if constructive and essential change is to be advanced.

I will be long remembered for ending the Reserve Price Scheme for wool, though I now occasionally meet graziers who say I either did the right thing or had no choice. This was something that I, desperately, did not want to do at the time. It was the toughest political decision I ever had to take, because I knew of the misery the decision would cause. By giving the AWC the power to set the reserve price in 1987, I did not take history enough into account, particularly the history of the brawls within the grazing industry organisations in the 1960s. The Government and I were carried away with the idea of the need to allow industries to stand on their own feet from a pro-market, free enterprise point of view, which was the dominant economic philosophy of the time. This market approach was endorsed, if not demanded by conservative forces, including the farm sector and organisations such as the National Farmers Federation (NFF), the business communities and their lobbies.

I also failed to give sufficient weight to the intersection of managing a floating exchange rate in a globalised world where the international, as well as domestic economic conditions which affect our industries, moved even more quickly than they had in the immediate past. It was this latter reality that proved to be crucial. Some things neither the AWC and the wool industry nor I anticipated or were responsible for were the collapse of Communism and the first Middle East Gulf War. We also did not anticipate the internal problems of China and the Soviet Union at that time, or developing world recessions, or the ever-ongoing, unconscionable antics of Wall Street banks, venal merchant and investment banks, the irresponsible denizens of the world’s financial markets and nor the policies, particularly fiscal and monetary, of customer countries. The behaviour of the financial sector in developed overseas economies in the late 1980s was a precursor to the irresponsibility which eventuated in the 2007-2008 Global Financial Crisis and the following Global Debt Crisis, exacerbated by the inadvisability of the way the euro single currency was implemented, and fiscal incompetence, characteristic of many European and other countries. What happens in world financial markets vitally affects our exporting industries, particularly the wool industry which exports such a high proportion of its production.

If the Coalition had been in government with the usual arrangement of the National Party having the portfolios of Primary Industry, Trade, Transport and Communications and the National Party had retained corporate memory, I have often thought it would not have given the AWC the power to set the wool price. However, the Liberal Party steadfastly holds to the need to deregulate and privatise our institutions. It was the Howard Government which introduced a half-baked privatisation of the Australian Wheat Board, which got itself into trouble dealing in corrupt markets against corrupt competition. I always thought it essential that research and development should be kept separate from marketing in any statutory sense. The AWC was so well regarded that, fortunately, its research and development function had been retained.

Many things go through the ministerial head when an industry faces a crisis situation. In 1986-7 I had established a Rural Counselling Program during some very difficult financial times which particularly affected wheat farmers as a result of their increased borrowings fed by aggressive bank practices following financial deregulation. It had a broader reach now.
Afterthought

Since writing the main text of this chapter in 2010, Charles Massy has published his *Breaking the Sheep’s Back*. He interviewed many of the principal players about the collapse of the MRP, producing a very well researched work. It has provided me with much information I certainly was not aware of at the time. He also spoke with me during his preparation of the book. The main matters I was not aware of then were what information and insider advice the AWC was receiving at the professional and Board level and the background to Treasury endorsing the loan guarantees being extended, which amazed me at the time. I thought that the Treasury would have jacked up and simply said “no” and that the Cabinet would have backed the advice. I cannot recall Treasury or the Department of Finance officials ever giving me prudent or detailed advice on the matter.

Charles alleges that the latter of these contentions was about the deteriorating relationship between the Treasurer and Prime Minister and that the Prime Minister was, as a result, currying favour with me. All I can say is that at no time did Bob Hawke ever ask me for my vote when challenged for the leadership by Paul Keating on the two occasions in 1991. I have already spoken in a preceding chapter of my early doubts about Bob and then my growing admiration for him in the job. Hawke was hardly currying favour with me in offering me the portfolio of Environment after the March 1990 election, which I regarded as a poisoned chalice. I also knew what a truly great contribution Paul had made to the success of the Government, very well supported as he was by key economic ministers, particularly Peter Walsh, Ralph Willis, Bill Hayden, John Button and John Dawkins as well as by Cabinet generally. Prime Minister Hawke had supported me very well in all the changes and reforms I was advancing in primary industries, not least of course because these were part of the overall economic thrust of his Government. For both Hawke and Keating deregulation and privatisation were priorities, but it was to be carried out thoughtfully, and consistent with Labor’s social democratic philosophy, as witness for example, the Accord, Medicare, and much more. As also recorded earlier, Hawke gave his ministers much delegated authority within a sound Cabinet process.

The research and analysis by Charles has been illuminating for me, albeit after the event. Not that it would have changed much. I did not know, for example, the extent to which Phillip Davis, from the Victorian Farmers Federation, had argued with the AWC/WCA in 1989-90, trying to convince the industry to be more open-minded on the downturn in sales. He was voted out as a VFF delegate for his pains. Nor did I know of the analysis provided by Dr John Strak, chief economist in the IWS, or of the professional and political problems of the IWS in late 1989 or, indeed, to what extent cover ups played a part, as Charles proposes.

By April 1990 the wool establishment had hardened its attitude to hold onto 870c no matter what. Leading figures from the past were coming out in support of holding onto 870c. While I was aware that the IWS had announced a new marketing thrust that would move 800,000 bales in April, I was not aware that its chief economist did not believe this could be done. I did not know that the debt-to-equity ratio was worse than people pretended, nor the efforts by the AWC and WCA to put down anyone who dissented from the established view. One of my office advisers, Charles Savage, says that I privately met John Hewson, then Opposition Leader, before the Roma meeting. Dick Wells, by then my Senior Adviser, says it was he who talked to him. Hewson would have taken a hard free market line. I honestly have no recall of this meeting, but it may explain why the Liberal part of the Coalition did not so stridently criticise

41 University of Queensland Press, 2011.
me for the decisions taken. I did not know that Jim Young thought the 700c position was disastrous but I would assume that he thought no MRP was equally so at the time. And I did not know, either, that Brian Fisher had received a spent bullet case with a future threat in his mail at that time.

While Charles is kind to me in his book, his main criticisms are that I did not act quickly enough, that I prevaricated, that the choice only ever was 870c or the free market and that I did not act as ‘a trained economist’ should. On the first of these, may I repeat that there was a practical timing issue. I became aware of the rapid downturn in sales only in the last two months of 1989, Australia goes on holiday in January and Cabinet normally does not meet and the Government was moving into caretaker mode for an election. Following the election and with the key organisations, the AWC and the WCA and their clients still not convinced that there was any problem, this gave me little time to try to get the industry to understand the plight it was in. I do not think anyone can say that the Government could have envisaged suddenly abandoning the scheme after twenty years, or considered dropping the price to 400 cents (as was suggested to me once) without there being riots. Brian Fisher of ABARE had suggested 500 cents at one meeting with the WCA and had been howled down. One can imagine what would have happened, and what the reaction of the whole conservative establishment, let alone the powerful wool establishment, would have been, if the Commonwealth had wiped the MRP out in early February 1990.

After all, the MIP in 1989-90 came in at 870c, but with low sales. Does anyone honestly think I could ever quickly explain dropping the MRP altogether to wool producers who barely had an inkling of their potential plight and still implicitly believed what their leaders were telling them? There had been nearly 2m bales in stock in 1974-5 and over 1m bales in both 1983 and 1984 and the AWC had managed this well. The stock by Christmas 1989 was 1.8m bales but what was apparent and deeply worrying was the speed of the AWC’s purchases and the previous reaction of the trade to the high prices and changing international economic conditions. The rapidity of the AWC’s purchases into stock, changing world conditions and the implications of this had to be explained to the industry. This would take some time. It would have helped if the AWC/WCA had on even one occasion, just one, been prepared to work with me on the problem rather than sticking its head in the sand and only being prepared to increase the tax as the answer. It would also have been handy if the AWC had admitted, just once, that to increase the MRP by 71% over two years was an error. It would have been helpful if the AWC could have told me how it arrived at the decision in terms of its analysis. However, I honestly did not think that 870 cents and a 25% tax or the free market, only, was ever a political option at the time, certainly not in February 1990.

As for the last criticism, I’ve never claimed to be a trained economist. I was only ever an economic researcher who understood what economics was about and what the words and key economic relationships meant. The issue was about arithmetic and logic, not economics. The only bit of economic logic, in one sense, was to try to convince the industry that supply did not induce demand (although building roads induces more cars to use them!). The problem is that in politics in attempting to find solutions to problems, it is simply not possible to apply pure economic criteria only. Other factors have to be taken into account, including political feasibility, - and that the social sciences, and rural sociology in this case, have to be considered as well. I knew what many farmers had gone through. To contemplate pulling the MRP from underneath the wool industry completely, in what is the classic wheat/sheep belt, was impossible to contemplate and not only politically. I think the most valid, trenchant criticism of me was that I stuck with the industry for too long after taking the decision to drop the MRP
to 700c and, particularly, that the AWC was given a further loan guarantee of $500m in September-October 1990 to prevent ongoing speculation by the trade.
GLOSSARY

ABARE  Australian Bureau of Agricultural and Resource Economics
ALP   Australian Labor Party
AQIS  Australian Quarantine and Inspection Service
AWB   Australian Wool Board (also Australian Wool Bureau, earlier)
AWC   Australian Wool Corporation (also Australian Wool Commission, earlier)
AWGC  Australian Wool Growers Council
AWIC  Australian Wool Industry Council
AWIPC Australian Wool Industry Policy Council
AWMPF Australian Wool and Meat Producers Federation
AWRC  Australian Wool Realisation Commission (also Australian Wool Research Council, earlier)
AWRDC Australian Wool Research and Development Corporation
AWTA  Australian Wool Testing Authority
AWU   Australian Workers Union
BAE   Bureau of Agricultural Economics
CPI   Consumer Price Index
CSIRO Commonwealth Scientific and Industrial Research Organisation
DPI   Commonwealth Department of Primary Industry
DPIE  Commonwealth Department of Primary Industries and Energy
IWTO  International Wool Textile Organisation
IWS   International Wool Secretariat
JWSO  Joint Wool Selling Organisation
LGPA  Livestock and Grain Producers Association (NSW)
MRP   Minimum Reserve Price
MSF   Market Support Fund
MSP   Market Support Payment or Market Support Fund
NFF   National Farmers Federation
OECD  Organisation for Economic Cooperation and Development
PGA   Pastoralists and Graziers Association (WA)
RAS   Rural Adjustment Scheme
R&D   Research and Development
RPS   Reserve Price Scheme
UGA   United Graziers Association (Queensland)
WCA   Wool Council of Australia
WIPC  Wool Industry Policy Council
WMS   Wool Marketing Scheme
Chapter 10: Australia’s Grains Industries

While driving to an August 1988 meeting of the Queensland Grain Growers Association (QGGA) at Caloundra Queensland to discuss the next Five Year Wheat Plan, I heard on the car radio a prominent wheat grower being interviewed, saying that my entry to the meeting would be like “Daniel entering the lion’s den”. When invited to speak, I rose and said “Good morning lions, my name is Daniel”. This seemed to quieten them down.

Wheat and wool are at the centre of Australian agricultural politics with both being our dominant export industries for a very long time in the history of the nation. The battle between the squatters (wool growers) and cockies (wheat growers) for land was most pronounced in the 19th century. Whereas wheat growers fought for government assistance and stabilisation in marketing arrangements, woolgrowers were inclined to want no government assistance and preferred to live with the international market, unhindered, until the 1960s. Both industries faced cruel marketing conditions in the late 1960s, with the wheat industry, particularly, no longer able to weather the storm of drastically low prices compounded by its specific marketing arrangements and the general approach to agricultural policy being taken by the Commonwealth.

In terms of agri-politics the Australian Wheat Board (AWB) and the Australian Wool Corporation had iconic status and were not subject to as much dissatisfaction by their levy payers as some other statutory marketing authorities. Wheat had just survived through the 1970s but then had hit the drought of 1979 to 1983. While most wheat was grown in areas where livestock and alternative crops were also an option, the industry had little if any financial reserves by 1983. It was still an industry with State based characteristics: State based transport; handling; storage; and wheat breeding based on State borders; with a strong supporting infrastructure from the AWB. I knew that Commonwealth/State issues would confound efforts directed to modernisation, adaptation to a rapidly changing world and possible new opportunities. The issues arising for grains cut across, or were centrally involved, in the Government’s economic reforms and spearheaded the work Australia was doing to pursue international free trade arrangements. Australia’s farmers were seriously disadvantaged by the self-interested policies of the US and the European Economic Community (EEC) where huge subsidies were paid to their farmers.

Some commentators expressed the view that the two wheat plans I introduced in 1984 and 1989 were hard fought battles in which I finally got my way. I have two comments on this. Firstly, I did not have any overall ideological plan for any of the industries in which I ‘reformed’ the marketing arrangements. I was acting on the basis of evidence and the more forward looking views of many commentators as well as some growers who wanted to embrace change, not only industry economists. Secondly, there were elements of a ‘class war’ argument being bandied about at the time. Many wheat growers were as firm in not wishing to give up on hard won conditions as were, for example, waterside workers who being labelled as ‘bludgers’ by the National Farmers Federation, which was stridently supporting deregulation. Yet it was due to astute union leadership, the ACTU and key ministers in the Hawke Government that union reforms were steered through at the same time.

Because I was never prepared to follow policies based on the interests of the farm sector alone, I was not inclined to be party to waging ‘class war’. As it was, I came up against the rail unions once the Government accepted the findings of the McColl Royal Commission, which were designed to make a more profitable, efficient industry. I was intent on bringing modernisation
and professionalism to all statutory marketing authorities, not in deregulating them entirely. This was so that the industry could match the circumstances of the market, particularly market specification and finance, and compete in changing international conditions. Further, the Government was fighting on other fronts to assist primary industry in overall economic ways: bringing down inflation, attacking subsidisation by the US and EEC and negotiating freer agricultural trade in multilateral forums. It was never about wheat alone. The industry has changed vastly since my time fortifying the views I then had. If there was only one good thing I did for the grains industry it was the creation of the Grains Research and Development Corporation.

Policy

The ALP’s election policy paper which I released in February 1983 stated:

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abor will:
support the Australian Wheat Board (AWB) to take on the role of sole controller of wheat (as opposed to sole trader) on international and domestic markets; support any future initiatives by the AWB to enhance its competitiveness on world markets; explore the ways in which the grain handling system can be improved, e.g. Labor will examine the need for a National Grains Handling Authority with the power to make decisions relating to the transport, storage and handling of all grains in Australia; increase research funds allocated to plant breeding and other programmes aimed at increasing yields and on-farm productivity, as well as providing funds for research into the infrastructure needs of the wheat industry and improve marketing systems.

Not incorporated in the policy statement was the general view I had about agricultural/rural policy which was to widen the scope of rural policy from the traditional emphasis on commodity policy to take in rural communities and to pursue policy rationalisation in administration as well as economic management.

I had learned a little about the grains industry during my first time in the Parliament in the seat of Macarthur from 1972-1975 and during my time in the Grains Marketing Branch of the Bureau of Agricultural Economics (BAE) in 1978 when I mainly researched wheat quality price differentials and also the logistics of grain transport and handling. I recall exploring the wonders of ‘farinographs’ and ‘falling numbers’ (both being measures of wheat quality characteristics), and linear programming techniques for optimising grain transport. I was trying to assess which segregations of wheat for specific markets would pay best and where the wheat could be optimally produced. I did not make much practical progress because premiums on the world market for quality were few at the time. I spent some time in Toowoomba, in Queensland’s Darling Downs, speaking with the Queensland Grain Growers Association, which was actively selling grains other than wheat, and acquired a better understanding of grain marketing instruments being used for their producers, particularly sorghum. The organisation later ran into trouble with its hedging operations.

On the logistics of grain handling I had spent some time with Peter Druce, of the NSW Grain Elevators Board, and came to understand NSW’s transport and storage system better. The absolute importance of rail in early times to transport grains to mills, capital cities and the ports, and the need to safely store and handle grain quickly after harvesting, meant that the supporting infrastructure of the industry was, understandably, based on earlier conditions, rather than those prevailing in the 1980s. The NSW Board was under pressure to cope with
the demand, accentuated by transport by larger trucks from the paddock and the need for fewer and larger silos. I learned of railway union practices which were hindering the delivery of unit trains to the seaboard and the pluses and minuses of the various State handling systems.

My colleague, Senator Peter Walsh, had been Primary Industry spokesman prior to me taking on the role. Being a Western Australian wheat grower, he knew far more than I did about the realities of the industry. Peter was also a far more 'pure' economist than I ever was and didn't shrink from attacking the self-interested nonsense and economic bullshit arising in industry demands and debates. His monthly *Rural Digests* were one valuable part of the information I was amassing once I became ALP spokesman. I wrote an 11 page paper setting out my thoughts on the industry and its future. I relied, in part, on reflections on 42 proposals, which had been put to and agreed at a Grains Industry Conference, promoted by the Australian Wheatgrowers Federation (AWF) held on 26-30 October 1981. My paper also referred to some proposed minor amendments to the Wheat Marketing Act placed before and enacted by the Parliament in 1982. The industry must have seen no need to take anything I had said seriously, because I received no feedback.

The Industry in 1983

In 1983, wheat was being grown on up to 47,000 properties and was Australia’s largest rural industry. The number of properties growing wheat in any one year varied greatly. Off-farm employment in the flour milling and flour using sectors had engaged about 40,000 people in the 1970s. The domestic consumers were other farmers, the intensive livestock industries, food manufacturing industries, as well as households. Their needs couldn’t be totally ignored although the emphasis was always on exports. The BAE *Wheat Farm Survey* assessed the average wheat farmer’s income at about $30,000 *per annum* through the 1970s. In 1981-82 the gross value of wheat production reached $2,525m but the 1979-83 drought reduced it to about $1,480m in 1982-83. As I keep saying, ‘average’ is a statistic of use only in looking at trends; the median statistic is far more telling. The wheat industry had a long tail but it was scaling up. It was estimated at the time that the volume of production could increase by 25% to 20m tonnes by 1990. Three quarters of the crop was exported and the largest buyers were the USSR, Egypt, China and Japan, although the tonnage bought by the USSR varied greatly from year to year, depending on their own variable harvests. In any one year the AWB had well over 40 international customers. Almost 50% of domestic consumption was accounted for by stock-feed and industrial use.

Background and History: Guts, Grains and Gore?

The extensive Australian wheat/sheep belt, or zone, extending from South Central Queensland through NSW and Victoria into South Australia, and then west (ignoring the massive gap of the non-arable Nullarbor Plain) into Western Australia, forms much of the backbone of Australian agriculture and most of our best broad scale cropping land. The poor nature of much of the soils where we grow grains and oilseeds means lower yield *per hectare* than our competitors, and our growers are not subsidised to pour on fertilisers to the extent occurring in European countries.

The Australian grains industries are crucially exposed to a highly variable climate (not then yet underlined by climatic change), drought, hail and other natural disasters, such as locust and mice plagues. As well, growers are exposed to fluctuating market prices due to Australia’s high exposure on international markets. Grain varietal breeding and research needs to be
constant to guard against diseases, such as the rusts on wheat. Ongoing research is also
necessary to increase productivity, for adaptation to our climatic conditions and for the needs
of growers and/or markets.

The early work of the pioneer wheat breeder, William Farrer, took place at Lambrigg on the
Murrumbidgee River, not far from where I live in Canberra. His work on cross breeding
varieties to combat rust led to the development of the variety, Federation, in 1901. It was
released in 1903 and dominated Australian production from 1910 until 1925. It is important
to realise that the reason why the wheat and grains industries have received so little direct
government assistance over the years has been the result of ongoing research, development
and extension, and of innovatory agronomic techniques and inventions in tilling, planting and
harvesting machinery. It is this that has enabled productivity per hectare and per operator to
be increased.

Wheat is one of the world's five most important grain food staples. In 1983 the others were
rice, maize, barley and sorghum, but as I write (2013) the top five are maize, rice, wheat,
soybeans and sorghum, in that order. Wheat is a major food export industry and a source of
food security in famines and major natural disasters. Wheat was once second only to rice as
the source of carbohydrates for humankind. Food is primal and one of the reasons for
agricultural fundamentalism and political conservatism among Australia primary producers
and in most, if not all nations, both the industrially developed and the developing.

Australian wheat producers were and are crucially subject to the market, particularly the
distorting policies of other major grain exporters. While we make a comparatively small
contribution to total world wheat supplies, say 1.2% to 3% in any year, we make a much larger
contributor to the percentage of wheat entering world trade, up to 12% to 15% or more in some
years. Typically, during my time, the US, Canada, the EEC and Australia were the major
exporters, supplying up to 90% in total of wheat entering world trade. In my time Argentina
was also assuming a higher profile as an exporter and this has continued. India was not then
producing a surplus.

The search for stabilisation of wheat grower incomes by using the domestic market as a price
cushion has always been the main historical quest of Australian wheat producers. The
Australian Wheatgrowers Federation (AWF) formed in 1931 was the main agri-political
organisation fighting for wheat stabilisation. The fundamental problem in the quest for
stability is that Australian wheat growers have had to live with the roller coaster of
international wheat prices because we export, or once exported, such a relatively large
proportion of our production.

Most of this chapter will be about wheat, our major grain commodity. The statutory marketing
arrangements, apart from wheat, were for barley, oats, maize, sorghum and a range of other
crops such as other coarse grains and oilseeds. The arrangements I inherited for the wheat
industry were historically rooted in the industry and in battles between growers and
governments in the 1930s. This was followed by measures introduced in the late 1930s, the
experience of the World War Two (WW2) years and the late 1940s. Wheat Stabilisation Plans
were introduced in 1948-49 and renewed at five yearly intervals. Though modified over time,
the basics of the industry's marketing structure and assistance measures had largely remained
the same since their introduction. The first one I was to introduce was for the eighth Plan for
the period 1984-85 to 1989-90.
The State based infrastructure provision I inherited was based on the absolute importance of rail in earlier times to quickly and safely store, then handle and transport grains to mills, capital cities and the ports. The supporting infrastructure of the industry still reflected these earlier patterns in the 1980s.

The legacy of colonially based States rights marketing arrangements meant that the various commodity boards, co-operatives, pools etc were often in competition. Economists emphasise the benefits of competition, but sometimes the competition between State based statutory marketing bodies was price depressing on the export market, because overseas buyers could play them off against each other. However, by the 1980s some marketing bodies covered more than one State, for example, the Australian Barley Board, which covered South Australia and Victoria. The AWB, with a monopoly position as Australia’s sole exporter of wheat, had immense power on the domestic market but, arguably, failed to exercise the power it may have had on the international market. Some analysts thought the AWB tended to wait until customers came to it rather than using the crop vested in it to choose the time of sale and engage in the world futures market via the Chicago Grains Exchange. The time of sale by a marketing authority or private grain trading firm, can be crucial for the level of profits for producers.

Grain handling authorities were generally separate from the various marketing bodies but the cost of their activities was also pooled within each State. Another legacy from colonial days was differing rail gauges, which prevented optimal transport from some major growing areas such as southern and northern NSW. It is also important to record that the AWF, as well as lobbying for marketing stabilisation plans for the industry, was also active in the 1930s when Grain Elevator Boards were being established for the management of the storage and handling facilities being built. As wheat began to be handled in bulk rather than in bags as horses gave way to tractors, and bags gave way to bulk, road transport was partially taking over from rail.

Wheat breeding had also, basically, developed on a State by State basis and was based on closely held State gene pools.

As noted, wheat growers had always been more strident in their demands for government action and market intervention than the livestock industries. The storage of grains in our hot climate has always been problematic and was one reason for this. It is to be noted that Canada and US, having such cold winters, were more able to store wheat on farm. This also explained why the US was more inclined to favour private trading, a view not held by Canadians. Part of the stridency in Australia was agri-political but then other broad acre products such as wool could be stored. Also the cattle industry was not then selling the majority of each year’s production on the export market and had a product which could be more easily stored.

The debates and grower ballots in the 1930s and 1940s about how best to stabilise prices and thereby achieve some stability of income, were exceptionally politically adversarial and resulted in little agreement, particularly about the virtues or otherwise of compulsory pooling and the establishment of a statutory domestic price for wheat. The early State based and national Country Parties were strongly supportive of organised marketing and heavily involved in the debates in the parliaments and active in grower organisations. The ALP had also been supporting pooling arrangements, but the conservative precursors of today’s Liberal party were generally opposed, as were some State governments, on the basis that such an approach was ‘socialism’. In Victoria, which in early days was characterised by a lack of
majority governments, the Country Party and the ALP were close at state level. The Victorian Country Party split in 1929, with some members combining with the Victorian ALP from 1935 until 1943.

In April 1930, the Scullin Labor Commonwealth Government proposed a guaranteed minimum price (to apply for one season), the establishment of a compulsory pool and of an Australian Wheat Board (composed of representatives from separate State Wheat Boards plus a federal representative) to exercise central control of administration and marketing. While the Country Party supported this proposal, the more conservative Nationalists (one of the precursors to the Liberal Party) were opposed. The Wheat Pool of Western Australian opposed compulsory pooling and the grain merchants responded with accusations of ‘bolshevism’. The Commonwealth Bank at the time was Australia’s reserve bank and a major credit supplier to agriculture. It was opposed to any market intervention (on the basis of economic principle?). Remember this was the time of the Great Depression and the harshest economic measures were being enacted to deal with the crisis. The subsequent Bill to enact Labor’s proposal was defeated after vigorous debate.

An indicator of the times was that 68% of Western Australians voted to secede from the Commonwealth in 1933, but this, as we know, never came to be. The Federation was always fragile when State interests came to the fore. There were seven failed legislative attempts to assist wheat farmers in the 1930s; it was held that the struggling and poverty stricken wheat farmers of the time were the playthings of the Commonwealth Bank in its role of credit provider to the industry. In the shadow of the Great Depression and the collapse of world wheat prices, wheat farmers were in a desperate financial situation. Growing wheat in the Mallee and Wimmera areas of Victoria was always particularly risky, due to climatic and poor soil conditions in some areas. The succeeding Lyons Government in 1932 introduced a flour tax, utilising its proceeds to assist growers - a consumer transfer.

When the Country Party, under Earle Page, formed a coalition government with Prime Minister Lyons and the conservative United Australia Party (UAP) in 1934, it discussed the industry’s desperate financial plight with State governments and formed the Australian Agricultural Council (AAC) to try to achieve a national approach. A Commission, chaired by Sir Herbert Gepp, was appointed in August 1934, subsequently making recommendations for continuation of the flour tax, the introduction of a home consumption price (HCP), compulsory pooling and ‘controlled marketing’. The AWF hailed the recommendations as a victory.

However, the Coalition Government rejected most of the Commission’s recommendations and one influential print media company labelled them as a ‘costly, despotic scheme of bureaucratic control’. The possible implementation of the recommendations ran into Constitutional difficulties and was abandoned. By 1938-39, wheat prices had slumped to the level of 1931 and again a plethora of schemes was put forward to remedy the situation. A proposal for a Wheat Industry Assistance Act emanating from the Country Party in the NSW Government was adopted by the Commonwealth Government in late 1938. It established a home consumption price and required that the proceeds of the ongoing flour tax be distributed via a stabilisation fund. The problem with the Act was that any assistance was derived from

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42 I am indebted to my parliamentary colleague, Tony Lamb, for the information in his PhD thesis: ‘Of Measures and Men: The Victorian Country Party, 1917 to 1945’, about the politics of the times in Victoria.
the relatively small portion of total production which was bought domestically. The demand became more heated for a guaranteed price that would apply to the whole crop.

In August 1939 the Commonwealth Government unveiled plans for a wheat stabilisation scheme. While there was no five year stabilisation plan, which marked arrangements after WW2, it can be argued that the AWB in concept became permanent in 1939. By this time the Country Party had left the coalition and the United Australia Party under Menzies governed alone. By this time, too, the States were not opposed to intervention in the market and Menzies stressed that there must be shared responsibilities between the Commonwealth and the States. The central plank of the scheme was to pay a guaranteed price for a maximum marketed crop of 140m bushels. This scheme failed when the Victorian Government refused to envisage the registration of farms and production controls. The parties were still in disagreement when WW2 broke out. John McEwen, (later Sir John and Deputy Prime Minister) was fully engaged in the battle for stabilisation. I believe that it was his experience with so much disagreement between the States and within farmer groups and in the general community, which led him to the view that there had to be a consensus in the industries before governments could give assistance.

World War 1 had seen an Australian Wheat Board formed as a temporary measure, which expired in 1921. Again, wartime circumstances, 1939-45, quickly saw the establishment of an AWB, which was made responsible for wheat marketing, storage and shipping arrangements, the compulsory pooling of wheat and first for a preliminary payment, then a schedule of payments, for all wheat delivered to it. The amount and timing of the payments became bitterly debated and the AWF denounced them as niggardly. The war years saw the accumulation of wheat stocks and the Commonwealth Government was encouraging growers to diversify into other farming activities.

The experience of the Depression and WW2 saw a change in attitude to government intervention, and the push for organised marketing again came into active debate. Decisions were made quickly in the post-war reconstruction period, although another attempt to introduce a stabilisation scheme failed in 1946. The Chifley Labor Government finally won agreement to a stabilisation plan once it dropped the notion of production controls and accepted a cost of production pricing provision to be based on a cost of production formula. Legislation was introduced into the Commonwealth Parliament in November 1948. The AWF had finally achieved its aims, though scarred by the long and bitter debate and disagreements which continued between the States and various farm organisations on the basis of conservative ideology. Even then, the Country Party played a blocking game, introducing its own plan to capture the lingering distrust of Labor going back to the 1930s, when the socialist tag had been so widely used by the conservative parties. When it came to organised marketing, the Country Party was just as socialist as Labor, if not more so where agricultural production and assistance was concerned. Labor’s legislation was the start of the post-war AWB as the national wheat marketing authority and of the mechanisms which characterised succeeding wheat stabilisation plans.

The Commonwealth set a Guaranteed Minimum Price (GMP), up to a certain level of production, based on a cost of production formula, which generally became the Home Consumption Price (HCP) in consultation with the AWB, which autonomously set the stock-feed wheat price. The AWB exported into the international market under the terms of the prevailing International Wheat Agreement (IWA), up until 1968. Much of the wheat was exported to the UK in the early days under some conditions of privileged access - Imperial Preference. All wheat was pooled with the AWB, which made staggered payments to growers
throughout a season, as receipts came in. The Stabilisation Fund rules varied but generally worked on the basis of the imposition of a tax once the average export price exceeded the guaranteed price, then diverted into a buffer fund and later distributed back to growers.\(^{43}\)

**The Wheat Crisis of the Late 1960s, Labor’s Response 1972-75 and the Sixth Plan 1974-75 to 1978-79.**

Wheat production rose rapidly through the 1960s, from 274m bushels in 1960-61 to 467m bushels in 1966-67 (12.7m tonnes), slumped back in the 1967-68 drought year but grew back with a vengeance to 574m bushels (14.8m tonnes) in 1968-69. The rise in production was against a background of glutted world markets. Large seasonal carry-overs had required increased storage, leading to the building of record high world wheat stocks. The glutted world market resulted in the collapse of the International Wheat Agreement (IWA) in 1968. It had set minimum and maximum prices until then, but exporters were ignoring its settings and pricing lower than the minimum agreed. Payments by the AWB to growers were being delayed. The operation of the Wheat Stabilisation Fund had resulted in a subsidy for consumers during the early plans and it wasn’t until the third plan, 1958-9 to 1962 that Commonwealth/taxpayers started to make payments to growers under the terms of the GMP/Stabilisation Fund mechanism. Taxpayer contributions were highest in the fourth and fifth plans, estimated to be $255m and $327m, respectively\(^{44}\).

There had been some absurdities in the AWB’s actions; at times, the price of stock-feed wheat was higher than wheat for domestic consumption. The basic elements of the stabilisation mechanisms were not queried by the industry. However, they were being increasingly questioned by agricultural economists such as Professors Keith Campbell, Fred Gruen and Alan Lloyd, and also John Longworth, EJ Donath, JH Duloy and Al Watson. The economists did not claim that it was exclusively the arrangements in place that were causing the over-production in the late 1960s, maintaining that it may have occurred in any case. They were mainly concerned by the anomalies in the overall situation in a time of glut. Other major wheat exporting countries also had to limit production. Dominant industry people such as Tom Stott (AWF Secretary from 1931-1969), Max Saint (President of the AWF and South Australian United Farmers and Graziers) and Les Price (Chair of the Queensland Grain Growers Association, 1966-1977, after which time he became Chair of the AWB) were emphatic, in varying degrees, in their support of the *status quo*.

Conservative Coalition governments had introduced the second, third, fourth and fifth wheat plans and the Country Party had a virtual stranglehold on the portfolios of Primary Industry, Trade and Transport under the sway of the dominant Country Party Leader, Sir John McEwen (1958-71)\(^{45}\). Sir John was adamantly in favour of wheat stabilisation and the AWB, having

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\(^{43}\) For this very brief early history I have drawn on: *A Shared Harvest*, Greg Whitworth and Diane Sydenham, 1991, Macmillan Education Australia Pty Ltd. (Department of Economic History, University of Melbourne) and various papers in my collection.

\(^{44}\) Longworth and Knopke, *Wheat Marketing Policy: Retrospect and Prospect*, University of Queensland, 1980. The paper estimated that for the first six plans the cost to the taxpayer had been $835m or $1,009m in 1979 currency. Geoff Miller and Garry White of the BAE, wrote an internal paper on the economic effects of the seventh wheat stabilisation scheme, or plan, in February 1980.

\(^{45}\) Retention of these portfolios by the National Party is the way the Liberal Party and Coalition is able to sublimate the socialist tendencies of the Queensland Nationals, some farm voters and the economic populism of extreme right wing views. I believe that the Country and National Party over the years has performed a national service in keeping some of the odder and more extreme views from becoming.
being an active and vociferous part of the struggle to achieve them in the 1930s. The debates in the 1930s had been so bitter at one stage that, as noted in an earlier chapter, one consequence was the expulsion of McEwen from the Victorian Country Party. One of the considerations of the government of the day was that, to a much greater extent than today, farm export income was much more crucial to the economy’s overall performance, not least because of its contribution to foreign exchange and investment. Agricultural exports were still nearly 50% of the total in the 1970s and had been 80% in the late 1940s, 1950s and early 1960s.

The Commonwealth Government became more concerned in the late 1960s, particularly when the AWB advised that it didn’t have the capacity to handle and store the anticipated 1968-69 crop. With the elements of the stabilisation mechanisms in force, economists had pointed out that the average returns for fifteen consecutive years had been less than the assessed cost of production, yet the industry had rapidly expanded. In 1968 imputed costs in the cost of production formula were removed so that the formula accorded more with short-term commercial reality rather than longer term economic calculations of true cost. Observers and producers were starting to think that the 1948 wheat stabilisation scheme could not survive in perpetuity.

It had taken the industry a long time to agree to move away from the main quality parameter of Fair Average Quality (FAQ) and to start to think of various more accurate and customer usable grades by the mid-1960s, but only think about them. This was despite prime wheat associations forming in wheat growing areas pushing for specialised segregations and price based on quality, not only on one pool. Growers in Narrabri and Henty in NSW were early proponents of this approach. This was an industry not prone to rapid decision making about its institutional settings.

Doug Anthony became Primary Industry Minister in October 1967 and made some prescient speeches in Parliament about some of the realities that the industry had to face. At the time I was still on the farm and knew nothing about the wheat industry other than that some of the stock feed wheat we were buying was infested with weed seeds. I was not in favour of the three levels of pricing on the domestic market and the implicit domestic subsidy/consumer transfer. I was economically pure at this time (befuddled by university economic study, no doubt) and wondered why the Government just didn’t lower the first advance price to growers if they wanted to blunt production. The AWF started to wake up to the problem it faced and its first response was to demand that the AWB find new customers.

A special meeting was held in January 1969 with the marketing situation only one of several items to be discussed. Delegates were very divided, with some believing nothing needed to be done, but the influential Max Saint could see some sense in the setting of production quotas, an idea that was gaining currency. Another meeting was held in March and it was agreed that production controls could be introduced as long as the first advance remained at $1.10 a bushel. Another meeting was held with LH Dorman, AWB General Manager, putting forward a workable formula with quotas based on five year average production figures, State by State, with a shared national production total of 344m bushels. Minister Anthony, very active behind the scenes, was astute enough to ensure that this was seen as the AWF, rather than the Government, taking the decision. He had adopted the McEwen technique, and clearly

part of the agenda of the conservative parties. Campaign in country Queensland if you don’t believe me.
understood that the industry would probably have rejected a government directive. He had already experienced a lot of conflict with growers over minor changes to the fifth plan.

The introduction of quotas was a response to over-production and the fiscal circumstances of the Government, not any dissatisfaction with the overall nature of the industry’s marketing and stabilisation arrangements. It was a bit odd to impose quotas while at the same time continuing policies, in effect, to promote production. There was still no reference to world prices in the cost of production index. ALP Opposition spokesman, Dr Rex Patterson, who was an agricultural expert and economist, made the comment that the fifth plan had been a victory for Treasury, but he was still much in favour of pooling and supported the main planks of the industry’s marketing arrangements. The quota system inevitably ran into much grower resistance in equity terms, especially since each State had its own system of setting the quota.

It was suspended after the 1974-75 season. Production had fallen short of the quotas set since 1971-72 and some producers were selling over quota production on the black market.

Ken Wriedt became Primary Industry Minister in the Whitlam Labor Government in late 1972. He had Tom Connors as his press secretary who knew the wheat industry backwards. I learnt so much from him when my colleague Bob Whan and I were active members of the Caucus Primary Industry Committee and worked closely with Ken’s staff. Ken Baxter was also on Minister Wriedt’s staff. He had formerly been an economic adviser to the NSW Graziers Association and also had a sound knowledge of wheat industry politics and economics. Wriedt inherited the fifth plan, which ran to 1973-74, effectively 1973. The Country Party had had a clear run for 23 years and the Whitlam Government set new priorities, few of which were agreed by the farm sector, particularly the cessation of fertiliser subsidies. This did not make Wriedt’s job easier. He wanted to reform the statutory marketing authorities and commissioned the preparation of a Green Paper on all aspects of rural policy in Australia, under the chairmanship of Dr Stuart Harris, Director of the Bureau of Agricultural Economics (BAE).

Ian Sinclair, by then the outgoing Minister for Primary Industry, had asked Sir Allan Callaghan, the retiring AWB Chairman in December 1971, to examine the wheat industry’s stabilisation measures. The report was released in early 1973 and Callaghan took a longer term view, believing that over-production would again arise. Callaghan did not make radical recommendations, advocating minor changes to the HCP, the GMP and first advance payment and for the stabilisation fund to be varied by amending the parameters in use. All were opposed by the AWF, so Wriedt delayed bringing in the sixth plan for one year, to allow for further consultations.

The year’s extension resulted in some changes of view by the AWF. This was one result of the analyses of Brian Bailey, the AWF’s economic research officer, who expressed concern about the GMP being based on surveys of the cost of production, and advocated basing it more on the export price. He lost his job over this. There then followed negotiations with the Minister on the GMP formula. The negotiated formula resulted in the Liberal WA Government stating that they were going to set up their own stabilisation plan and the then major producing State, NSW, with a Coalition Government, also disapproved the new arrangement. The Coalition Parties used State dissent to paint the Whitlam Government as being ignorant of industry reality and needs. The Industries Assistance Commission (IAC) was introduced in 1974 and I believe that this gave the impetus to State governments, fearing a worse set of recommendations, to eventually agree to the necessary complementary State legislation and triggered industry agreement, but not without further disputes. Wriedt introduced the stabilisation bill into the parliament in July 1975 for the 1975-76 season (cropping year, but
with nearly all wheat harvested in the first six months of a financial year), and for the subsequent plan running to 1978-79. Fair Average Quality was finally replaced by Australian Standard White (ASW) as the benchmark grade in 1974.


I had re-entered the Parliament in September 1978 at a by-election. This was at a time when there was an industry wide wheat debate following the recommendations of the IAC report on the wheat industry. Being largely written by economists, with full knowledge of what the economics profession had been saying for a long time, the 1978 Report set the basis for subsequent reports and provoked alarm in the industry. The IAC found that the industry was efficient and that government assistance was low, but that stabilisation should be directed to individual growers’ incomes for the industry’s support mechanisms, that is, a welfare rather than a production approach. It proposed that supplementary assistance to the industry should be by way of the agricultural industry wide Rural Adjustment Scheme (RAS) and that supplementary payments be made when expected returns from the AWB wheat pool were below 70% of the average of the two lowest indexed returns out of the preceding five pool returns - a ‘potholing’ approach akin to the wool reserve price scheme in some ways.

‘Potholing’ can be best explained in terms of the use of averaging over various numbers of years in the underwriting formula to compensate for sudden severe reductions in price.

The basic thrust of the IAC’s recommendations was opposed by the AWF. Overall, the push by the IAC was for flexibility in the AWB’s operations and a more market based approach. The most disputed recommendation was that there should be no single statutory seller on the domestic market. The then AWF President, Michael Shanahan from South Australia, attacked this recommendation with vigour but it was to appear in all subsequent reports. The States had differing views, mainly on the workability of the proposals, but were united in opposition.

However, a handful of growers was starting to deal directly with domestic users and eroding the industry’s arrangements from the inside. The Constitution was being tested on the issue in terms of Section 92, which guarantees the freedom of interstate trade. Remarkably, the High Court subsequently fortified the Board’s statutory control of the domestic market. This was followed by a heated debate about cross border trading and the High Court decision. For the first time issues, so incredibly important for wheat growers, were being openly debated. The Land newspaper published a full supplement, titled ‘The Great Wheat Debate’ on 19 October 1978 with a full page advertisement from a Wheat Marketing Reform Committee, countered by one from the NSW Livestock and Grain Producers Association (LGPA).

The Court was again asked to adjudicate when a group of farmers calling themselves the ‘Section 92 Association’, with Colin Uebergang, a grower from northern NSW, a principal who believed in the rights of the individual, but was also a supporter of the GMP. A meeting in north western NSW attracted over 600 producers and there were strong demands for the AWB to introduce grower permits allowing trade across State borders. The Court could not arrive at a clear ruling, either being divided or wanting more information, and the Association ran out of money to continue the fight.

Wheat and Grains Policy and Negotiations, 1983-91

In 1983, the task we faced was to negotiate the eighth stabilisation plan with the industry, the AWB and the Senate, and then later the ninth plan, if we remained in government. The AWF had merged into the Grains Council of Australia (GCA) in 1979. The 1979 Wheat Marketing
Act gave the AWB the power to market until 1985; the pricing and price support arrangements applied until 1984.

An IAC report was pending for the eighth plan. The then current arrangements were, firstly, that growers received a delivery payment equal to the GMP (with adjustments for costs and allowances), which was set at 95% of the average of the estimated net pool returns of three seasons, being the season in question and for the previous two, with a limit of 15% variation between seasons. The GMP was guaranteed by the Commonwealth with any deficiency being met by the taxpayer. This arrangement insulated the industry from any rapid downturns in prices, but self-adjusted over the longer term, concomitant with market conditions.

Secondly, the HCP was set for wheat used in human consumption, for industrial purposes and for stockfeed. The price of wheat used in domestic consumption was set by the minister on the basis of a formula set out in the Act, fixed through a year and was the same throughout the nation. The formula was based on the current season’s estimated export price, movements over the past eight seasons and those of the previous year in terms of the BAE’s Index of Prices Paid by farmers. The AWB was responsible for the hygiene of the crop and was also introducing varietal control before I became Minister. The Commonwealth was responsible for export inspection and in 1982-83 the Government’s contribution to research matched that of the industry at $3.6m. I had no idea how widely read the 11 page paper I had written when in Opposition was. It contained six points I believed needed to be taken into account in considering price stabilisation. But there had been still no response from the industry.

I was in favour of the AWB continuing as the sole trader (the sole trading arrangement is also known as the ‘single desk’) on international markets on the basis of the fact that two of our major customers, China and the USSR, were Communist countries which preferred to deal directly with a statutory body. Other customers were, effectively, centrally run economies - Japan and Egypt and other Middle East dictatorships, and countries like Indonesia with central buying agencies. I believed that the decision to retain or dispense with the power should always be based on a cost-benefit analysis, that is, if we gained an advantage by selling centrally, as did Canada, that is what we should do. A single desk has benefits in terms of extracting whatever premiums were available on the market, particularly when other countries operate policies such as the US Export Enhancement Programme (EEP), which drove wedges in the price available to some countries compared with others. The US also used its Public Loan 480 aid programme as a way to win customers on a subsidised basis. A single desk also has costs, mainly in the lack of incentives to innovate. We had some inbuilt freight and quality advantages, e.g. freight to Indonesia and freight and quality with respect to Middle East countries. There was nothing to stop the AWB using international grain traders, which it did if it was advisable in some markets.

I was not long in the job of Minister before the US Agricultural Attache in the US Embassy sought a meeting to dissuade Australia from continuing with the statutory marketing of wheat. I was not in favour of concurring with the US Congress and various administrations intent on destroying the Australian and Canadian Wheat Boards on the basis of ideology and lies to curry favour with their own strong grower and trader lobbies. This was also a means whereby Congressmen could get funds for electoral support in a political system that was non-parliamentary, run by well-funded lobbyists, and where growers enjoyed high production and marketing subsidies. The US favoured private international grain traders, which have the power to make, and lose money, not always in the interests of producers. This situation is even more serious today when hedge funds and the use of sophisticated financial instruments are playing a greater role in international commodity markets.
The 1981-83 drought actually began in 1979 in NSW and had slowly sapped the wheat growers in the State’s main wheat growing areas. The more widespread drought of 1981-83 had particularly devastated the Western Australian (WA) and Victorian Mallee wheat growing areas. In WA a former Premier, Sir Charles Court, had been intent on clearing a million acres a year and had pushed the wheat belt into what had always been considered marginal wheat growing country or near desert. I remember going onto one property where low scrub, growing over a poor sandy soil was being cleared. I asked the farmer if he thought his ‘soil’ might blow away? He confirmed this but assured me that there was 50 feet of it and that it would take a long time to blow away; sound thinking? All WA’s wheat growing areas were affected by the drought, especially in marginal areas. The ever present widespread salinity, although temporarily slowed by the drought, had been gradually expanding its acreage, forcing growers out of previously producing country. Over 1,000 out of 7,400 WA wheat growers were in a desperate financial situation as were many in western Victoria (thankfully, the Victorian Government had decided not to clear its Little Desert to encourage crop production).

A special committee was set up by the WA Government and much relevant information was made available to me. I had already seen some of the excessive land clearing in the Esperance area of WA before Labor was elected. In April 1984 I spent time in WA talking to farmers organisations such as the Primary Industry Association (PIA). I visited Mingenew, Meredin and Esperance, risking my life in a grower’s WW2 vintage, Auster light aircraft, flying over some of the worst salt affected areas. Although the plane had no doors, it had some controls and gauges and the engine, somewhat amazingly, didn’t fail during the flight. The degree of salinity terrified me more than the flight, once I could walk steadily again.

Although the drought broke in March 1983, (WA’s crop was a record 5.5m tonnes in 1983-84) the effects of it did not. It was assessed that the WA industry required some $36m credit by June 1984. In April, $22.3m had been made available, outside of Natural Disaster Relief Arrangements, and commercial credit sources had been forthcoming; the Commonwealth Development Bank was sympathetic. WA’s Rural Adjustment Authority was not overloaded with debt reconstruction applications and was sceptical of the PIA’s figures. What I was able to do quickly was re-allocate $3.3m in RAS funds from savings in other States. Victoria was assisted in the same way.

Fortunately, when the drought broke soon after the ALP was elected, the 1983-84 harvest was over 22m tonnes with payments to growers averaging $162 a tonne. Exports had been about 3m tonnes in the 1950s, about 5m tonnes in the 1960s and were heading for 15-16m tonnes in the 1980s. The Farm Cash Operating surplus (FCOS) for the then surveyed 18,956 wheat farms was estimated by the BAE to be $57,935 from an average of 634 hectares per farm harvested of wheat and other grains. The estimates were for all farms that grew wheat and grains and on average 900 sheep were also carried plus some beef cattle. Prices held up for the period 1983-86, though tonnages dropped in those years and prices were on a slide for the next two.

Before receiving the IAC Report for the eighth plan, I had before me the 1982 submissions to the IAC by the AWB, the AWF and the BAE. Although the AWF had become part of the Grains Council of Australia (GCA), the AWF found it hard to give up the title and some submissions and requests for meetings were still under its name. The AWB was finally a fully fledged part of the GCA by 1986. Their recommendations to the IAC were predictable considering what had been said only a couple of years before when the seventh plan was introduced in 1979. Only six of the thirty recommendations each made by the AWB and AWF/GCA were roughly the same. The AWB wanted more flexibility, for example, in its financing operations, and in some ways wanted more power on the domestic market. The AWF/GCA had also moved a
little, wanting some additional flexibility for the Board, but more control for itself and continuation of the levels of assistance. The AWF/GCA was in favour of payment on the basis of quality and further segregation of the crop to cater for specific markets, a freeing up of the freight system and investigation into high and low cost bulk handling installations and ports. Both bodies believed that the equalisation of freight to Tasmania should be borne by the taxpayer.

The AWF/GCA was keen for the Commonwealth to step up its involvement in trade negotiations. The BAE recommended continuing the role of the AWB as the sole exporter (the single desk); that domestic sales should not be regulated by the Board; continuance of the GMP (but based on gross, not net pool prices); that the bulk handing authorities be encouraged to move to a fee for service basis rather than pooling; and that the level of research funding be favourably considered. On 22 April 1983, the AWB wrote to me with advice on the BAE’s submission, only some of which was vehemently contrary. Amazingly, the two major industry submissions, and those of the BAE, were not at absolute loggerheads.

Wheat to Canada is what wool was to Australia (Canada does ‘cold’, we do ‘hot’; they have water and we do not). Because of freezing winter temperatures the Canadians do not have the same problems we have with the potential for insect infestations in grain storages. In April 1983, Eugene Whalan, Canadian Agriculture Minister, visited Australia and it was agreed that we would be as one in trying to combat the excessive subsidisation by government of the US and EEC wheat producers.

Because I was waiting for the IAC Report, 1983 was a relatively quiet year on the wheat front, policy-wise and politically. I made the usual announcements on the fixing of the GMP ($150 a tonne for the 1983-84 crop) and HCP ($219.41, including a loading of $4.57 a tonne for wheat transported to Tasmania), AWB appointments and funding for research. The contribution of growers for research rose to 30cents a tonne and was matched by the Commonwealth ($6.8m in total) but the industry paid levy for research funding, based on tonnage, was in a parlous state as a result of the previous drought years. Collections from growers had declined and research council funds placed into reserve funds were drawn down.

The IAC’s draft report was released in June 1983 and further public hearings took place in July. I released the final report on 17 October 1983 to give the industry and the States time to digest it prior to consultations. The major recommendations were to free private trading on the domestic wheat market, abolish the administered domestic price (the HCP) and for government underwriting to be on the basis of gross rather than net returns. The AWF/GCA indicated that it was ‘minded’ not to reject the first two of these recommendations.

On 25 October 1983 I announced AWB Board appointments for the next three years, two growers from each State. Grower members from NSW, Victoria and South Australia were decided by grower elections and from Queensland and Western Australia by their State Wheat Boards. I re-appointed Sir Leslie Price as chair, TM Fullarton as the Flour Mill owners’ representative, John Frearson as finance member and PL Nielsen as employee’s representative. It was a grower dominated board and I thought it unwise to move towards the more corporate model I had in mind before consideration by the Government of the IAC’s recommendations.
I gave six major speeches on the wheat industry in 1983, setting out what I had in mind for the industry’s marketing arrangements and for its defence against foreign subsidisers. I went on a tour at a meeting of the World Food Council at the United Nations (UN) in New York, to set out Australia’s concerns about the deleterious policies of rich, subsidising countries relating to both production and trade.

A delegation from the US Congress’s Agricultural Committee had visited Australia in August 1983. I informed them of Australia’s problems with the US’s subsidisation policies, entailing price supporting mechanisms such as the target price, the loan rate, blended credits, the Export Enhancement Programme (EEP) and the Public Loan 480 programme. The US, at administration level, espoused a free and open multilateral trading system. Political will, at Congressional level, was required to live up to this ideal, of which there was none once the powerful lobbies got to work in Washington. The delegation found my comments interesting, telling me how they had to carry out some of these policies to combat the European Economic Community’s (EEC’s) practices - and that their wheat growers did not vote for me. Australia had a part-time lobbyist in Washington DC, Caroline Brookings, and I grew to know and respect her advice and, more importantly, that of the powerful House Speaker, Democrat Tom Foley and his adviser, Gene Moos, both of whom were sympathetic to the freer trade cause. Kika De La Gaza, a Texan living close to the Mexican border, was Democrat Chairman of the House Agricultural Committee and was always available, polite and helpful when I visited Washington, up to a point that is.

After extensive consultation with all the usual relevant bodies, I announced details of the new wheat marketing arrangements which were to commence when the current plan expired on 30 September 1984. I had already publically mapped out my intentions following a meeting with the GCA in early August. The Government’s negotiations with the GCA were tough but fair. The changes were limited. The industry was now worth $3b per annum to the Australian economy. The GMP continued on the underwriting of returns on the net basis for Australian Standard White (ASW) wheat. The AWF had agreed to the removal of the high price year in the moving average formula because, technically, underwriting could be triggered by a very short term rise in prices. There was to be a change in the underwriting of the AWB’s costs by using the current season’s costs, enabling the First Advance to be paid quickly on delivery. Once the GMP was set, government guaranteed differentials were to apply to other specified grades; the AWB was looking to more segregations. The government guarantee of AWB borrowings continued though I am not sure when this first commenced. I believed that this was of significant assistance to the industry, allowing the AWB to borrow on more favourable terms.

The AWB’s single desk was retained but I changed domestic arrangements by first allowing the AWB to introduce a system of permits to enable stockfeed to be traded outside of the normal pooling arrangements and, secondly, that the HCP would be set quarterly to compensate growers for any extra costs arising in servicing the domestic market. The AWB was taking on more responsibilities in a very competitive international market place and dealing with international finance, which was of more complexity than previously. I decided that a grower majority would prevail but that the number of Board members should be reduced from 14 to 11, increasing the number of members with special qualifications to five, and

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The most important of these were to the GCA, National Farmers Federation (NFF) and NSW LGPA. In what follows, I will use the name GCA as the representative body of the wheat growing and grain growing industry.
reducing the number of grower members to six, including the Chair. Non-grower members were to be appointed by 1 October 1984 and the lower number of grower members by 1 July 1985. I also introduced a statutory requirement for the AWB to consult with the GCA and advised that I was asking the Cabinet to consider more adequate remuneration for senior AWB executives. Adequate remuneration for the AWB Chair was always an issue that had to be negotiated with the Remuneration Tribunal.

The reduction of delegated grower representation caused the most opposition in the industry with the claim being made that two members per producing State were needed for feedback to growers. I took the view that the AWB was a commercial body and that Board members could never adequately communicate all the decisions taken and reasons for them to growers. What was needed was informed questioning by Board members of the professional management of the AWB. On 17 October 1984 I announced the names of the two new non-grower members of the Board with finance and marketing experience. These were Norm Marran from Auscott (cotton producer and marketer) and W Thornton from the paper company, APPM, who had broad and relevant experience in finance and international trading. Offshore financing and currency risk were becoming key questions for the AWB. Noel Fitzpatrick, Deputy Secretary of DPI, was appointed as the government member, not to be there as my delegate, but to apply his vast knowledge from his experience in Western Australia, which was becoming the largest wheat producing state. John Frearson, current finance member, and General Manager of the Primary Industry Bank of Australia Ltd was retained.

The HCP for the first quarter of the new arrangements came in at $195.25 a tonne, rising to $202.34 in the next quarter. The preliminary GMP for the four set grades ranged from $100.64 to $160.64 a tonne and was announced on 23 October 1984. If I had been intent on radical reform and freeing up the domestic market, I had not progressed far. It was too early to put in place the Statutory Marketing Authority (SMA) model I was developing for all the SMAs. But there still had been no response from industry.

On 9 April 1985 I announced the Government’s decision on a new structure for the Board of the AWB, which was directed more toward a commercial, corporate enterprise. I proposed a full time grower chair, five grower members, with an alternate from each mainland State, one government member and four members with special qualifications. This structure still gave a grower majority but for the first time selection would be by a Statutory Selection Committee. I was to appoint the independent chair of the committee and the government member. The five grower members were to be selected by the GCA, the Chair of the AWB and two NFF nominees, including the NFF President. This gave grower representatives a say in the selection of members with special qualifications. I was to continue to select the chair and the government member of the AWB once the Selection Committee had carried out its task. I understood that, like the wool industry, wheat was so important that I needed to move carefully so as not to set the country on fire, politically. I thought this was a sound compromise and took into account the wheat industry’s characteristics and needs. I had yet to move on the industry’s research structure in terms of the model I was creating with all SMAs, because at the time there were separate research councils for wheat, barley, grain legumes and oilseeds: perhaps they could be combined?

The IAC’s Interim Report on phosphatic fertilisers was released on 16 May 1985, followed by its draft report in early August recommending the subsidy cease by 30 June 1986. This did not induce me to think adoption of the recommendation would be happily received by the industry, but it was then to be a government decision. John Button and I asked the IAC to examine crop and rainfall insurance on 24 May.
In July 1985 appointed Professor Alec Lazenby to inquire into Australia’s plant breeding needs and the options for upgrading the public plant breeding programme. A Senate Standing Committee had said that it didn’t have enough information on Plant Variety Rights (PVR), on the implications for funding, or on the direction of public plant breeding.

On 20 September 1985 I appointed Dr Gordon Hooper as the new Director of the Plague Locust Commission. The 1984 plague was the largest in 50 years but at a cost of $3m, the estimated potential damage to crops of $103m had been nipped in the bud. The PLC was funded half by NSW, Queensland, Victoria and South Australia and half by the Commonwealth and administered by my Department.

In October 1985, the EEC initiated action in the GATT against the US’s EEP in retaliation for the US announcing its intention to take GATT action against the wheat export subsidies of the EEC. Our fear was the big two subsidisers would now agree to a cross-Atlantic deal and corrupt all world grain markets and possibly agree to a bi-lateral deal on gluten. These fears were not alleviated when the US Farm Bill for 1986 mandated $US2b for the EEP over three years and $US25m in subsidies per year for sugar, beef and casein (milk protein). John Dawkins, Minister for Trade, was now active in increasing pressure on domestic trade distorting policies and making this an issue for debate in Australia and in international fora.

In April 1986 I announced that I had appointed Clinton Condon as Chair of the AWB, to replace Sir Leslie Price, who advised that he did not want to continue. He had given 15 years’ outstanding service to the wheat industry, including nine as AWB chair. Clinton, a wheat grower and hotel owner from Dalby, had been on the Board since 1979 and Deputy Chair of the State Wheat Board and Bulk Grains Queensland since 1984. I had asked Sir Leslie for his advice on his replacement. He advised me that, in terms of marketing expertise and overall capacity, his pick would be Clinton Condon or Barry Bishop from Victoria, in that order. Michael Shanahan, Deputy Chair of the AWB at the time, will never believe this; he believes that the Department had recommended him to me. I can’t verify, or deny, this. I simply relied on Sir Leslie’s advice. In June the Government decided to extend the fertiliser subsidy for phosphatic and nitrogenous fertilisers for another three years.

On 28 July 1986, Michael Tooth, president of the LGPA, stated that the Government’s moves on the international trading front were simply a ‘smokescreen’. The farm lobbies would not believe that 80% of the farm income problem was overseas market driven. We had reduced farm inflation to 3%, compared to 11% under the Fraser Government in 1982-83, by directing policies to the 20% the Government could influence. There had been a major consultation/confrontation with the NFF, involving the Prime Minister, the Treasurer and me at a Farm Costs Summit on 5 March 1985. Although agreement was not reached, the NFF President, Ian Mc Lachlan, having intertemporarily briefed the media before the Summit, presented the NFF’s case. Treasury had drawn up a document, for the information of the three of us, stressing the level to which the farm sector was still protected and subsidised.

The NFF was by now keen to be more involved in our pursuit of freer trade as an international effort. I disagreed with the implicit case of the NFF to entirely eliminate assistance to the manufacturing sector, to the advantage of the primary producing sector. I also disagreed with the Treasury submission, but only to the extent of its calculation, compared to that of the BAE, of the value of assistance for the farm sector. The meeting was not pleasant with both the Prime Minister and Treasurer taking exception to the NFF’s arrogance and demands on manufacturing - and playing politics. A technical group was set up to examine the differences in the BAE’s and Treasury’s calculations.
It was my general practice to de-brief the NFF when I returned from visits to major competitor countries. Compared to many other farmer organisations, it was one of the best to deal with in trying to arrive at an objective judgment. This was not to say that it did not play an overtly political role under the presidency of Ian Mc Lachlan. However, in general political and policy terms, it is essential for the farm sector to have a powerful, well resourced, national body representing it in Canberra. What I could never agree with was its one sector economic view.

On 25 August 1986, John Dawkins convened an historic meeting in Cairns where we formed the Cairns Group of 14 free trading nations as a unified force to combat EEC and US subsidies and protection regimes in other countries. I attended the meeting, spoke, and from then on took the interests of the Group into every forum I could. Of course, the main driver was John Dawkins, Alan Oxley on his staff and key people such as Peter Field, Deputy Secretary in the Department of Trade.

Primary industry or agriculture ministers also, at Australia’s behest, formed an informal group, which became known as the Quint with membership from the US, the EEC, Japan, Canada and Australia. In spite of the fact that the three main ‘subsidisers/protectors’ were included, the US and Canada as well as Australia were committed to freer agricultural trade. The US administration knew that US industry would always be competitive but the problem it had was how to convince its farmers and the Congressional lobbies. The Quint gave us all a chance to build personal relationships and time to informally explore problems and possible solutions and to build coalitions on some issues – for example the US was having a dramatic effect on cotton prices at one time and this was resolved.

Trade reform needed also to concentrate on the production side and farmer attitudes as well as the textual procedures of trade negotiations. Our farmers would have been luxuriously happy with the EC and US levels of subsidisation and protection if we could have afforded it. At one stage, I calculated the cost of matching US and EC subsidisation of agricultural production and exports: nearly $8b or about 5% of our then GDP. But we had tried that path and it had failed and the world had changed. And in any case, if the largest four or five exporters were all heavily involved in subsidisation, it would have become a competitive ‘ratcheting up’ of more and more subsidisation and become self-defeating.

On a visit to the USSR in June 1985, I had initialled the USSR/Australia Agricultural Agreement and signed it in Canberra with Soviet representatives in November 1986. In the USSR I had visited the wheat growing regions around Krasnodar and Stavropol in the Southern Caucuses and Kiev in the Ukraine. It gave me an insight into the failures of the Soviet system, mainly off-farm (such as grain leakages out of rail wagons); the collectives generally met their production diktats but cared for nothing beyond that. Each of the collectives I visited always had a diversion, other than their Moscow dictated production target. This was something that all the community could be involved in, such as rearing rare breeds of horses, participation in the arts etc. I also came to understand why the Germans had shipped so much of Ukraine’s soil back to Germany in WW2; it looked good enough to eat compared to some of the soils in our wheat growing areas! I could see that if the USSR could get its act together, it would have been extremely competitive on world markets.

At one point I asked our interpreter why all the stark war memorials we were obliged to visit recorded the war with Nazi Germany being from 1941 to 1945, when Australia had been involved in WW2 from 1939 to 1945? I never was a diplomat.
Late in July the IAC reported on crop and rainfall insurance, stating that there was no compelling evidence to support insurance, from the public purse, nor was there any community benefit in it. I sent this report to the National Drought Consultative Committee, which I had established and which was also digesting an IAC Report on Drought. (I deal with drought in a later chapter.) The drought review did lay the groundwork for the later focus on natural resource management and this was a significant shift in understanding and attitude towards resources.

In late September, 1986, I met the AWB Board to discuss their Corporate Plan. The EEC had just sold an exceptionally heavily subsidised, large tonnage of wheat to the USSR. Having a new Board, a new Chair and new arrangements, it was important for me to be assured that the Corporate Plan was acceptable to the Government and me. I grew closer to the Board and to Clinton Condon and involved myself in supporting forays with the AWB into our main markets. Ministerial participation in Egypt and elsewhere in the Middle East, and in Indonesia, China and the USSR were of importance, if not necessarily of great immediate benefit. In some markets, personal one-on-one contact always paid off. I met some very interesting people in the process and got a better idea of how various political systems functioned, the problems faced by various countries and about their cultures - but never enough.

Export insurance was provided through the Export Finance Insurance Corporation (EFIC). I had to get approval for continuing cover for a range of Middle East markets in 1987-88. There was a major push by central agencies in the Government to shift Egypt from three year credit to a cash sales basis for wheat. I had to put a proposal to Cabinet to continue the existing arrangement because Egypt took a particular part of our crop, which suited our particular Australia crop production.

The Supply Minister for Egypt was a Mr Shatla, who I met two or three times and twice with Clinton Condon and an AWB sales team. Our then Ambassador to Egypt was not a great help. Iraq was at war with Iran and I visited both countries during the one trip, with two passports. The key man in Kuwait, a lovely bloke name Al Sagar, made his own wine from Kuwaiti grown grapes: I advised him it didn’t have great export prospects. On these trips I came to appreciate the value of the work of marketers on the ground, people such as Bob McCarthy, the AWB’s Overseas Marketing Manager, who was rarely in Australia, but always armed with a string of credit cards and several passports.

On 8 October I introduced the Plant Variety Rights (PVR) Bill into Parliament. Nearly all our public wheat and barley breeders were opposed to it either because of their fears about large multinationals entering the market and charging farmers exorbitant prices for seed, or because of the impact it may have on their activities. I sympathised but pointed out that the legislation meant that State based domestic genetic collections could now be made more nationally available and that co-operation and co-ordination would be facilitated.

The CSIRO was heavily involved in wheat breeding and remains so. I strongly believe that the world’s genetic inheritance should be freely available and shared, understanding that for staple foods, we rely on a narrow genetic base and a handful of crops. While it was not the case that each State held onto its own gene base absolutely, PVR resulted in varieties being bred more for the agronomic and climatic conditions in wheat and barley growing areas, rather than being determined by State borders. The Wheat Research Council had expressed some concern about parochialism.
My main motivation for the introduction of PVR was to get access to the foreign genetic material we were prevented from acquiring and to some species for the horticultural and floricultural industries. I also knew that other countries were interested in access to our unique native genetic inheritance so as to engage in breeding from it and enhancing income. Most opposition came from environmental groups; in one meeting in Tasmania, I was assured that if we proceeded, bats would drop from the sky, streets would crack and rivers would run with blood. They are like that in Tasmania; luckily for me the debate in opposition to Genetically Modified Organisms (GMOs) didn’t have a head of steam at the time, otherwise it would have been a case of ‘Frankenstein seeds’, squared. My ministerial colleague, Dr. Neil Blewett, was with me in Tasmania and judged that my reply to the protesters was a ‘fine example of obfuscation’.

Of direct relevance to our cropping industries is the tractor and farm machinery industry. Annual tractor sales had peaked at 26,000 units in the early 1950s and were about 14,000 units by the mid-1980s. The world tractor concept was in play and 95% of all tractors and self-propelled combine harvesters were imported by then, with Australia producing most of its power take off headers and cultivation equipment. The assembly, manufacturing and distribution industry was estimated to employ 22,000 people with some $1b invested. The 15 April 1986 Government Statement on Economic and Rural Policy announced that tariffs had been replaced with a bounty providing equivalent assistance. The bounty was to cost the taxpayer more than $20m. The measures introduced were designed to lower farm input costs. I was also interested to see what could be done about funding agricultural engineering and had been speaking to universities about this; we had a long history in agricultural machinery innovation.

In the Statement, I announced that there was to be a Royal Commission into the domestic transport, handling and storage of wheat headed by Jim McColl, former Director General of Agriculture in South Australia. Of the many economic speeches I gave in 1986, the most important for our grains and oilseeds industry, was one on the transport, handling and storage of our commodities. I had become increasingly concerned about off-farm costs and blockages in our transport and handling systems and well remembered my research in the BAE in 1978. Internal loading into seaside terminals in some cases far exceeded out-loading capacity and while understandable, it could be a problem at harvest. Kwinana, south of Fremantle in Western Australia had the best terminal by far. Transport and handling costs were up to 30% of wheat producers’ costs. Wheat storage, handling and transport costs per tonne rose by more than 50% between 1979-80 and 1984-85, while wheat prices increased by less than 20% over the same period. The whole system needed examination and probably a shake up. I later addressed Labor’s Victorian Rural Conference, which passed a unanimous vote of no confidence in me and my decision to hold a Royal Commission, which was moved by the rail unions. But we needed to hear what the Royal Commission had to say and what the reaction of the growing industry would be to its findings before addressing any possible problems for the rail unions.

In 1986, Australian wheat production was valued at $2,920m and represented 36% of the gross value of all crop production. Wheat prices were lower in 1986-87 than in 1985-86, by about $20 a tonne, due to price discounting resulting from the subsidisation policies of the US and EEC. However the real farm cash operating surplus for cropping enterprises was higher than the previous year because other crops were planted. The 1985 US Farm Bill had played a significant role in the lower return for wheat, with actual direct fiscal year payments to US growers being $US1.93b for the 1986 crop (below their estimate of $US3.654b).
Additional to this were payments under the Export Enhancement Programme and for aid purposes. Further, commodity certificates had been valued on the basis of current market prices but bought for a much higher price, implying another subsidy and the Commodity Credit Corporation’s direct storage costs were also not included.

In early August 1986, I led an all-party delegation to the US to argue against a Bill in the US Senate proposed by Senator Tom Daschle from South Dakota which called for greater subsidisation of US agricultural exports. Senator Dole also had also proposed an amendment to extend export subsidies. The delegation was composed of Ralph Hunt (National Party), Wal Fife (Liberal Party), Senator Michael Macklin (Democrats) and my House of Representatives Labor colleague, Barry Cunningham. We followed the usual path of such missions visiting congressmen, senators and government departments as arranged by our embassy.

The most sympathetic hearing for our case came from the Republican Senator for Indiana, Richard Luger, who made the case for Australia to the US Administration. Lugar (a ‘Hoosier’, the name given to locals of the State), came from a corn, soybean and tree farm, was highly educated, a distinguished legislator, leader of the Foreign Relations Committee and the US Senate’s most senior Republican. He was strongly in favour of freer trade, but not in the more usual mealy mouthed way whereby responsible people insist they are in favour of free trade and do nothing, or only believe in free trade for their own country. Subsequently, the influential House Foreign Affairs Committee voted down the Daschle Bill 22-2. The US Administration had extended export subsidies to the sale of 4m tonnes of wheat to the USSR, effectively dealing with the Dole Amendment, which expired - a small victory for our delegation and for Australia?
The Government was working assiduously on the impediments to freer agricultural trade. The new Canadian Minister for Agriculture, John Wise, visited Australia in early 1987. I had earlier met Hazen Argue, the Canadian Wheat Minister, in Winnipeg. John Dawkins and I had some misgivings about Canadian membership of the Cairns Group because of their transport subsidisation policies, the so-called Crow Pass Rate. However, they lived next to a giant, understood their neighbour and were well intentioned. The Canadians are terrific people but they live with a giant.47

Wise and I agreed to work with common purpose at the Wheat Exporters meeting in San Diego in later February, the Trade Ministers’ meeting in New Zealand and the OECD Ministerial meeting in May. Bob Hawke had given a powerful speech at the World Economic Forum in Davos, Switzerland, where both Gareth Evans, Minister for Foreign Affairs and Trade, and I had also given speeches. I had excelled at getting up the nose of a Vietnamese/French eurocrat, who had accused me of not understanding ‘nuances’. I told him that I did understand the word and asked should we nuance together, speaking song-wise along the lines of Shall We Dance? from the musical The King and I. He was not amused, but I’d had a gutful of being lectured to, as they no doubt had of us lecturing them.

In March 1987, John Button and I announced that a reference on the wheat industry had been sent to the IAC, as per the usual procedure, to advise on the wheat marketing arrangements to apply from 30 June 1989 for the following five years. It was intended that the IAC would report at about the same time as the Royal Commission. In June, I was able to announce that growers would receive up to $400m back payments where sales had been on credit and where the risk of non-payment had been insured with Austrade, the commercial arm of the Department of Foreign Affairs and Trade. The AWB was enabled to increase its borrowings to facilitate the payments.

47 When I first visited Canada, we stayed in Windsor, Ontario, the home town of Eugene Whalan. It was Independence Day in both Canada and the US. We attended a fair at the showgrounds, where there were pony rides, side-shows and fairy floss with all having a good time. Over the Detroit River between Lake St. Clair and Lake Erie in the US, we could hear constant sirens playing. The Mayor of Detroit, as a concession, had lifted the curfew until 11 p.m. so that celebrations could go later than usual. The contrast between the two societies could not have been starker. As a generalisation, I put some of the difference down to the fact that Canada has a social welfare net and, although both are gun societies, Canada was not built as much on the bible and the gun as was the US. June and I were literally treated as royalty when we went to Ottowa, where we stayed in the official residence, Rideau Gate, usually used for visiting heads of state and royalty. In the two or three official visits I paid to Canada I came to the view that Canadian and Australian people could and should be much closer to each other than we are. Strong in my memory is the cold of Saskatoon, where canary seed is grown in one of the coldest areas of cultivation on earth, and Thunder Bay, on Lake Superior, at the time of the thaw when the enormous grain terminals could again ship out wheat and grains. Then there was cold Winnipeg, the Ottowa River thawing with great blocks of ice starting to move and grind into each other and a visit to Chateau de Charme, a winery near Niagara Falls, where there were three trunks to each vine, in case one or two split in the cold and where small planes were hired to fly low over them to drive the frost away, on one occasion so low as to clip a vine wire. Minister Whalan, who was a very funny bloke and was a hat fancier. Like me, was succeeded by John Wise as Agriculture Minister and Don Mazankowski as Trade Minister on Cairns Group issues, and these too, were easy to get on with.
The AWB’s Annual Report for 1987-88, the 200th year since wheat was first planted in Australia, was not a happy read. Production fell to 12.6m tonnes and growers only received a little over $144 a tonne. US and EEC policies meant that we lost the Chinese and USSR market for that year, but the AWB was still able to supply our more regular customers and seek smaller buyers. The prospects for 1988-89 looked better as world consumption was estimated to exceed supply at about 525m tonnes with world stocks below 100m tonnes, and there were climatic problems in the US, Argentina, the USSR and China. The Commonwealth Government, the AWB and gluten producers had won a reprieve with the EEC, persuading it to remove its export restitutions, for which read export subsidy, in early 1988. Approximately 360,000 tonnes of wheat per year was being processed into starch and gluten in Australia and we were the world’s largest gluten exporter. We still feared a cross Atlantic deal between the US and the EEC, which would have included gluten.

The deregulation of Australian financial markets had resulted in domestic banks competing with each other and encouraging primary producers to borrow more. This was particularly so in north west NSW where farmers who had borrowed to buy the farm next door looked like losing both properties in some cases. Fran and Peter Rowe from Tottenham, NSW, had been affected but Fran set to work advising farmers how to negotiate with banks to effect debt mediation. Although I get the credit, Fran Rowe was the person responsible for the idea of establishing the Rural Counselling Service, which I discuss in the Social Dimension chapter.

1987 was a year of study and preparation for the next Wheat Plan. Research papers by the Australian Bureau of Agricultural and Resource Economics (ABARE) were showing clearly that Australian growers were in a price follower relationship with the US and the Bureau was
engaged in the modelling of prices under various scenarios. In terms of farmer incomes, the picture was always clouded by climatic variation, the amount of wheat planted, yield, and what other grain crops were being planted or enterprises entered into. An example of this was that wheat underwriting affected barley supplies, which could have been sold at a higher return to farmers. But then of course, lower stock-feed prices helped intensive livestock producers on the domestic market.

What was most concerning was that the Real Farm Cash Operating Surplus (FCOS) of grain and crop farmers was less in every year since 1980-81 and 1981-82, with 1982-83 being the lowest due to the drought and 1983-84 coming close to better previous best years at $73,645 per farm. The estimate of FCOS for 1986-87 was $26,900. When we analysed these figures in detail, the prime reason was the drop in world prices (32%), volume of inputs and rising input and interest costs (37%), with yield per hectare, the balance. One estimate showed that if there had not been the drop in the world price, FCOS would be of the order of $67,000 in 1986-87. It was in this year that the first Commonwealth pay out since the early 1970s was made.

A departmental task group under Frances Cassidy\(^{48}\) was set up to bring together the threads of the Royal Commission and IAC reports on wheat with the aim of releasing the first draft of a discussion paper in January 1988 to use in consultation, particularly with the GCA, AWB and AAC. It was completed in April 1988. This paper was, partially, the idea of Bob McCarthy, formerly Marketing Manager with the AWB, by now a consultant, and he worked on the paper with departmental officials. A submission composed of background and options was made to Cabinet so that I knew what my negotiating parameters would be, and was agreed. Geoff Miller had been Secretary of the Department until 24 July 1987, returning to that role on 1 September 1988; Geoff was an expert on the wheat industry. Geoff, Frances and I were keen to pursue the freeing up of the market and to establish the AWB as a more flexible and commercial body and for the industry to embrace changes that were to its long term advantage. This was also in line with Cabinet thinking. Deputy Secretary, Noel Fitzpatrick, was more cautious. Not that it was central to my thinking, the grower-to-buyer arrangement that the AWB had introduced was causing complaints coming to my office from domestic manufacturing consumers, particularly for soft wheat, the grade used by biscuit makers.

By this time we had set up the Rural and Allied Industries Council (RAIC) to discuss macro-agricultural issues with other relevant ministers, the NFF and broader industry interests. Discussion papers were being put before it for advice and as part of more meaningful consultation. Like democracy, consultation needs to be guided; 1988 was to be a year of consultation and consideration.

In September 1987 I had announced the membership of the PVR Advisory Committee, to be chaired by Kathy Adams, which was to be based in the Bureau of Rural Science in the department. The expert committee was peopled by plant breeders, producers, consumers and two members with special qualifications. Barry Jones, acting as Industry Minister, announced

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\(^{48}\) The Crops Division in the Department was headed by Frances Cassidy with John Glenn and the now late Tony Byrne as Assistant Secretaries. Noel Honan, who I worked under in the BAE, was a Principal Adviser. Other crucial people were Charles Wilcox and the now late Tim Roseby, who were Section Heads. Tim later became First Assistant Secretary (FAS) of the Crops Division and was the son of a NSW wheat farmer, a great bloke, and was later followed by Tim Mackey, when Frances joined the Australian Meat and Livestock Corporation. They were a group of people I well respected. Tony Gleeson and Jim Groves were the two people in my office who carried much of the work load dealing with key players, maintaining departmental liaison and keeping me served with advice, information and papers.
in October 1987, that the Government had imposed anti-dumping duties on imported urea. The NFF claimed that this would raise the price by $50 a tonne. However, the mechanism used meant that taxpayers, not the industry, carried any additional costs. Wheat prices started to rise at the end of the year and this allowed the domestic price for human use to reach $189.50 per tonne. The Preliminary GMP (PGMP) ranged from $98.92 to $153.19 and was still comparatively low, but in February the PGMP lifted from $121.85 to $164.49 a tonne.

On 24 February 1988 Commonwealth and State governments received the final report of the Royal Commission from Jim McColl. I will always be grateful for the job he carried out. The study, findings and recommendations were very comprehensive. They gave governments three broad options. Firstly, an approach based on administrative efficiency; secondly, a deregulatory approach; or, finally, its preferred approach of a mixed deregulatory/regulatory system. It was estimated that the potential cost savings to wheat growers in a more competitive environment were of the order $1.50 per tonne (or $150m per annum), of which only 15% was attributable to an improvement in industrial relations. One suggestion was that NSW, Queensland and Victoria should consider whether they wished to retain ownership of their individual grain handling authorities or be amalgamated so that they could better compete on the same terms with private storage and handling agents. Another was that road transport be freed up. Cabinet agreed with its main findings in May, but subject to further negotiations by me with the many relevant parties.

Because oilseeds were nominated in the first batch of applications for varietal rights, I will record the progress of the PVR Secretariat here. In late February I announced, on advice, that eight genera would be introduced over two years for applications for PVR. These were brassica (oilseeds), apple, macadamia, kangaroo paw, phalaris (a grass variety), cotton, bean and roses. Innovatory breeders in these genera would now have protection. As an aside, the pink lady variety of apple was publically bred in Western Australia and has had worldwide sales. A second grouping of genera was to be announced in July.

An interruption in the wheat negotiations took place. Sir Henry, Lord Plumb, a Cheshire grain and livestock farmer, became the 15th President of the European Parliament, from 1987 to 1989, and was insistent that I attend a World Food Conference in Brussels on 7 April 1988, which he was chairing. I was reluctant to attend but he rang me twice, appealing to my better nature. I didn’t know at the time but Sir Henry had been made a life peer the day before I spoke and was now Baron Plumb of Coleshill. Regardless of these honours, Henry was very down to earth, very much pro-Europe but also in favour of freer agricultural trade. Like many others in the British Conservative Party, he was concerned that the CAP was rendering British agriculture both uncompetitive and cosseted at a time when it was also being buffeted by endless incorrigible or idiotic diktats from Brussels.

The new French Agriculture Minister, Francois Guillaume, proceeded into the meeting like royalty, trailed by an entourage of TV cameras and a horde of the reptilian media. He had been president of the 700,000 member farming organisation, FNSEA, was a cattle farmer from Lorraine and had been hand-picked by the conservative French Prime Minister, Jacques Chirac. He gave an impassioned speech, proposing that the answer to the world’s agricultural trade problems was to average the past two or three previous year’s export figures, commodity by commodity, country by country, and base or fix the world’s export market entitlements for exporting nations on this. I knew all the French were socialists but this was something else, coming from the right wing side of French politics. Lord Plumb sent me a note saying he would give me a minute to “carve Guillaume up”. I quickly rose and said how wonderful it was that the French Minister had arrived at such a “progressive solution”. I then said we all waited to
find out how he would control the weather, control the working of governments, control input shortages, prevent wars and have food stocks for emergency food aid. I wasn’t far through my observations when Guillaume threw off his headphones, from which he was receiving translation, in disgust, glared at me and stormed out. Henry then sent me another note, saying, “well done!” It was a long way to go for such a brief appearance but someone had to do it, I guess.

The home consumption price increased to $201.13 per tonne in April 1988; the market was on a slight rise. I released a paper with several proposals prior to the GCA’s Annual Conference on 20 April 1988. At the Conference, I delivered a very succinct speech not only on the wheat industry, because of the AWB’s central role, but addressed the growing interactions in the crop sector with newer crops coming into play such as canola and pulses and newer agronomic techniques being adopted. In the paper I graphed the changes in grain production from 1980-1 to 1987-8, which showed that whereas wheat in the earlier year amounted to 75% of all production it was now only 60% on account of the increase in grain legumes, barley, oilseeds, oats and triticale and because of the trend in prices over recent years. It also showed that the AWB’s stockfeed permit sales now amounted to 40% of all domestic sales with the AWB transacting only 10-12% of them. It was clear that many farmers could see the advantage in selling their own wheat.

I held my first meeting with the GCA on the next plan on 30 May, when I met a delegation led by its President, Lindsay Criddle, supported by Mitch Hooke, the Council’s CEO. I set out the Government’s timetable, the date of consultations with the AAC and when legislation would be introduced and enacted in July 1989. I assured the delegation that the Government was willing to stand behind the wheat industry with an underwriting arrangement, namely 80% calculated on the basis of the previous year’s gross returns. The GCA did not regard this as acceptable as there was no commitment against the type of risk caused by the US’s EEP. However, the Commonwealth’s May Economic Statement had proposed that the industry progressively assume responsibility for liability under any underwriting arrangement. I suggested the possibility of a fund being established which could assume a broad range of functions for the industry if, for example, the AWB wished to move into more commercial undertakings. We touched on all elements of concern: the first advance, domestic market freeing up, stockfeed issues etc, the current market situation and where change could be anticipated. I was pleased that the delegation’s position was not absolutely inflexible, was supportive of the Royal Commission’s recommendations and that they were confident that State governments would act quickly on it. It still appeared to me, at the time, that the GCA was driven by fear rather than looking for possible opportunities.

I then released a package of more detailed proposals for the GCA’s consideration on 9 June and made it public. I had agreed to the GCA’s position on retention of the single desk for the export of milling and industrial wheat. Some selective quoting had been carried out by GCA members but I always felt that the Executive was prepared to be flexible if consultations and negotiations were genuine. There were divisions of opinion between States and within the GCA, of which they were only too well aware.

Clinton Condon wrote to me on 17 June 1988 on behalf of the AWB questioning whether it was desirable to ensure that domestic prices be held equivalent to export card prices and whether domestic deregulation was essential to get the freeing up and potential cost savings in grain storage, handling and transport. The Department settled the AWB’s concern and my letter to him was comprehensive pointing out that in the latest Act, card pricing (for which read quoted
US export prices) was not intended as a means of ensuring continued consumer transfers and that, in practice, the IAC’s estimates of some loss were not likely to occur.

The AWB, properly, no longer regarded itself as a body telling the Government what to do and it was constructive to have dialogue on all implications of the theory, practice and reality of wheat trading in a corrupted market. Board members were under a lot of pressure to reject the Government’s changes and the media was mis-reporting some of what Condon and other Board members were saying. I assumed that it was to be expected that grower members would state their private, rather than an AWB position to partisan audiences. The worst example of mis-reporting was when the national rural press brought out a two page spread on what was purported to be a quoted interview with me on my plans. I hadn’t given the interview and rang the journalist concerned; he confessed that he hadn’t spoken to me but explained that this is what he believed I would have said had he done so! It is often best to ignore what is being written and broadcast in our blameless, highly ethical (?) print media! It has only got worse.

On 9 June 1988, I met again with the GCA, having narrowed the principal areas for negotiation to eight. I presented the group with various simulations regarding levels of advance payments under the four underwriting scenarios identified at our May meeting. The argument became technical and it was agreed that the experts would get together to resolve the areas of difference. On advice from the Australian Bureau of Agricultural and Resource Economics (ABARE) we had not agreed the level of the consumer transfer in terms of the impact on grower incomes and this, too, was subject to more consideration. Calculations were difficult due to movements in the exchange rate and any projected small loss could easily be outweighed by prospective efficiency gains. As ever, Board control came up in terms of the number of people on the AWB Board to ensure grower influence but with the industry always wanting control. We reached general agreement on a full time chair and on membership of the selection committee. Other points of disagreement were on deregulation of the feed-wheat market and on the GCA’s request not to have to endure an IAC referral every five years. For domestic milling wheat, I offered a transitional arrangement to adopt permit trading, principally arguing that deregulation was necessary to act as a spur to the States, which were showing signs of tardiness. I constantly pointed out that no wheat grower need sell other than through the AWB, utilising existing channels for handling, transport and storage.

Of the eight key issues, four were agreed and one reached qualified agreement. The three disagreed were on traders being able to enter feed-wheat export markets; that compulsory acquisition powers be phased out over five years; and that the Government underwrite borrowings for the purpose of the first advance payment up to a level of 80% of the estimated gross returns for the relevant current pool year after allowing for costs.

I explained that in my view the current arrangements hampered innovation both by growers and users and protected inefficiencies in the marketing, transport and handling chain. The changes envisaged could bring savings to growers. The taxpayers had recently paid out $170m under current underwriting arrangements and government guarantees of up to $1b prevailed. The GCA’s proposals amounted to partial deregulation and while many growers were opposed to any change, others were publicly mounting a case to give growers more choice. As could be expected, the National Party Queensland Government opposed any move

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49 When wheat farmers receive payments through the year, one of the realities for policy making is that growers find it very hard to assess how much better off they may be, because all they have in their hand is a figure which is unique to that year; a problem for a reformer!
and lied about McColl’s recommendations claiming, for example, that he had recommended the abolition of the Queensland Wheat Board. Propaganda was also spread to the effect that Queensland Rail would no longer get any wheat transport business. Predictably the Neanderthals in the National Party ran a fear based argument that I was opening up the wheat industry to the ravages of the wheat traders of the 1930s. In contrast to political posturing, the most constructive and documented opposition to McColl’s recommendations came from Bulk Grains Queensland who urged me to be cautious about using the Commission’s modelling as a basis for adoption of recommendations. I found their work of value and although the body may have only been protecting its interests, the gap remained between those who believed markets were better than governments in instituting beneficial change; I never completely resolved this in my mind.

Remarkably, the Royal Commission Report wasn’t dismissed by the media on the day it was released, as is the usual procedure for self-interested groups and smart media commentators only interested in controversy. Not that many people read reports in full, but some in the industry seemed to have read and analysed the recommendations.

Out of the blue, a group of growers, formed from all States, including Colin Uebergang, sent a paper, written by Ian Wearing of the consulting firm, ACIL, to 10,000 growers, urging that they write to me giving support for what I was indicating would be in the next plan. Ian was a very experienced economist with extensive industry knowledge. My parliamentary office received many letters of support.

On 5 July 1988, the GCA dropped off a paper to my Parliament House office which they had prepared in response to the further paper I had released. Lindsay Criddle was still president and had issued a statement criticising the Government for considering the McColl Royal Commission Report too quickly. I simply issued a media statement rebutting the allegation and took the opportunity to stress again what could be the benefits from the adoption of the eight recommendations that involved the Commonwealth Government (most requiring the States to take action).

I met with the Australian Agricultural Council (AAC) in Cairns in mid-July, setting out progress on negotiations and what the Government had in mind. I stressed that we were intent on preserving the best aspects of the existing arrangements but that we now had to look at an Australian grains industry of which wheat was a key but lessening part. The States were reticent to commit and played for time wanting no decision until early 1989 and indicated reservations along the lines of the level of uncertainty in the industry etc. When was it other than thus? This was at a time when industry, the NFF, farm organisations, the business lobbies and others were advocating wholesale deregulation in other sectors of the Australian economy and I was being trenchantly criticised for not acting quickly enough. The Liberals in the Opposition were backing me and even the National Party’s finance spokesman, Senator John Stone (ex Treasury Secretary), was not supportive of the Nations’ general opposition. I wasn’t out to divide and rule; the Opposition was doing it itself. Prime Minister Hawke picked on grain deregulation as a flagship micro-economic reform to stir the Coalition’s pot. Ian Sinclair was later replaced as National Party leader but you can never be sure of cause and effect in politics.

At AAC meetings I always briefed state and territory agricultural ministers on the Government’s pursuit of freer agricultural trade, under the auspices of the Uruguay Free Trade Round as leader of the Cairns Group, as well as on international economic market trends. The Government and our trade ministers were now very actively engaged in international
negotiations and I was only too well aware of why we took the position we did as a result of my experience with other commodities, such as beef to Japan at that time. Some State ministers took the view that the Commonwealth had no need to put itself in a more ‘pure’ situation than other countries in the reduction of subsidies, protection and some deregulation, just for the sake of consistency.

The Fraser/Anthony Government had sensibly signed the Closer Economic Relations agreement (CER) with New Zealand. New Zealand, too, was going through the same process with their farm sector and was by far our strongest ally in the Cairns Group. The Opposition started to take the view that our efforts on multilateral trade negotiations should give way to most emphasis on a bilateral approach. The truth is multi, bi and regional trade negotiations have to be pursued simultaneously. Some bilateral arrangements can most sensibly take place under a multilateral umbrella. Contrary to the position of some of the State ministers, I took the unpopular view that we were well advised to follow the path the Commonwealth was taking, that we couldn’t wait for the rest of the world before acting. Was their view wanting to be only a little bit pregnant while lecturing the world to go to full term (Lord let me be pure, but not just yet)? Elements in the conservative parties in Australia will always use the non-participatory argument against reform and adopt scare tactics to frighten people and/or hark back to an irrelevant past: witness the climate change debate today.

Donald McGauchie, who was the President of the Grains Commodity Groups of the Victorian Farmers Federation, chaired the GCA’s Wheat Committee and became president of the GCA 1992-94. I strongly recall that it was Don McGauchie and Mitch Hooke who were the two people I mainly dealt with as representatives of the GCA in negotiations in 1988, but mainly in early 1989. McGauchie represented the GCA’s case to the letter, but I got the impression that he had a public position and a private position. Donald’s subsequent career clearly showed this to be so as he became a leader in both change management and deregulation, such as the deregulation of grain freight in Victoria. The GCA put out quite a few media releases, some of which reflected the brawl between Liberal Party voting grain producers and National Party supporting grain producers. There were more intense discussions in 1989 among parties principal as the legislation started to move through the Parliament.

The Cabinet was to consider wheat marketing on 12 July and I met again with the GCA on 6 July. Exports from a crop of about 13m tonnes were 11m tonnes at the time. It was anticipated that the GCA would offer to accept extensions of permits to industrial wheat. I had some concern about black market trading, because many millers also used and processed feed-wheat, and sought their advice on this.

Theoretically, the cost savings identified by the Royal Commission could be achieved without deregulating marketing. NSW was the first to act and privatised its Bulk Handling Authority, but other States were hardening against change. But I decided to persist to provide the catalyst for change and cost savings. It was estimated that the cost savings in Victoria could be up to

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McGauchie was, subsequently, a government appointee to a range of statutory authorities, including Wool Stock Australia Ltd (he was Chair when the last bale of wool from the stockpile was sold in August 2001) and Telstra. He also served on the boards of Graincorp; Nufarm (agricultural and veterinary chemicals); the AACo (cattle); James Hardie (building products); the Reserve Bank; and the HR Nicholls society (right wing industrial relations think tank) mostly during the time of the Howard Government (1996-2007). He was not in the pattern of conservative/populist National Party members but more an acolyte of the crusading free market school. While I had no doubt about how he voted, his free enterprise views probably made my job easier in convincing the wheat industry that there were benefits in freeing up the 1948 system.
$11 a tonne; this was not inconsequential. I also made the point that resources within the grains sector and grains and livestock sector would be able to be more efficiently and effectively utilised. Further, growers would have more flexibility and choice, longer-term, and, as the industry scaled up, it was important to achieve maximum efficiency gain. I was concerned that the industry may be painting itself into a corner by insisting on ‘potholing’, that is, payouts on a sudden drop in prices, under the terms of the level of underwriting, because it was clear that the industry would be better served by a high first advance payment. With a GMP type formula and prices strengthening, it was not likely that there would be an underwriting breech in the next five years.

I could not, of course, convey to the GCA the internal considerations within the Cabinet. But I had a problem in as much as other ministers were objecting to the underwriting proposed in draft Cabinet submissions. By winding underwriting down to less than 95% of the GMP, there was minimal prospect of a government payout, but we had to convince them of this. The Departments of Prime Minister and Cabinet and Finance had indicated that they favoured a guarantee of the first advance payment, but Treasury favoured the GMP approach because of its greater transparency. If growers insisted on ‘potholing’ and the domestic market was deregulated, then the competitiveness of the AWB in the market would be diminished. There seemed to be a better meeting of minds in this meeting, but organisations always have the problem of having to represent what they believe is an industry view and yet have freedom to negotiate in a changing environment as new facts or analyses come forward and different options are presented.

The Caloundra meeting of 31 August, memorable for the quotation which begins this chapter, gave me a chance to rebut the propaganda and misrepresentation by industry spokespeople and the Queensland Nationals: “what was being discussed with the GCA would cost growers anything up to $30 a tonne”, they cried. Queensland was still in the thrall of the increasingly erratic and corrupt, Bjelke-Petersen, National Party Government.

Theoretical calculations could be made but the GGA was assuming that domestic prices would drop to average export parity, when the experience was that domestic prices almost invariably exceeded this floor. Grain growers other than in wheat were by now freely using futures markets, entering into longer term contracts with domestic and foreign buyers and building on-farm storage. However, I didn’t think I convinced the audience that competition in a freer system could maximise efficiency in marketing, transport, storage and handling when I was up against the power of agri-political pressure to stay with the status quo. The reality for life in a reforming government, in an export agricultural industry, which exports such a high proportion of total production, is that when prices fall on export markets, growers will turn on it. World grain prices crashed in the late 1980s and early 1990s, due to large crops and massive subsidisation by the US and EEC. Growers cannot easily compare like with like. When I contemplate what has happened since, I was ahead of my time but what was put in place did act as a catalyst for more reform.

In September the PGMP’s for the 1988-89 season were announced ranging from $124.60 a tonne for feed wheat to $172.61 a tonne for prime hard, with interim advance payments ranging from $112.14 to $155.35 respectively. The GMP’s were announced in February 1989 and increased except for prime hard due to a reduction in the premium in the market. The domestic price for the first three months of 1989 was set at $221.93 a tonne.

A World Grains Congress meeting was held in Brisbane in October 1988 and the AWB and Bulk Grains Queensland kindly asked me to open it. I gave the delegates a potted history of
the industry mainly in terms of innovations in plant breeding, improved agronomic techniques and adaptation of machinery: Australia had invented the stripper in the mid-1880s, the scrub roller, stump jump plough and the combine harvester. I said nothing about the internal debate on future marketing arrangements but pointed out that the recent downturn in prices had been caused by EEC and US subsidisation and the unbalanced way that the US had unwound its stockholding policy. I also took the chance to explain that the downturn had caused a switch in production into wool and oilseeds and that about five million less hectares would be planted to wheat in Australia in the next year. I was very conscious that one of the distortions in the domestic debate was that the wheat sheep belt was exactly that, that rotational farming was practiced and that cropping land could be used for other crops and purposes. The debate was never just about wheat but about a dynamic farming sector.

In late November 1988, my colleague JohnButton, Minister for Industry, Technology and Commerce, published a paper on the export market potential for manufactured wheat products. The opportunities were found to be in noodles, pre-mixes, starch and gluten, bulk flour, biscuits, pasta and breakfast cereals. The domestic market had not expanded much and John and his department were strong backers of what I was proposing. I know that Manildra Flour did take advantage of the freer domestic market. Arnotts, the biscuit making firm, were very critical of the inequities and inefficiencies in the current arrangements.

I took my submission on New Wheat Marketing Arrangements to Cabinet on 13 December 1988. The main elements of the plan were to:

- deregulate the domestic wheat market;
- maintain the AWB’s export monopoly for milling and industrial wheat;
- extend the AWB’s commercial powers;
- restructure the AWB;
- phase down underwriting, but provide a separate guarantee for AWB borrowing;
- finance the first advance payment of, say 90%, from an Industry Fund, to be established with a government contribution of $140m and an industry levy of 2% of net proceeds;
- finance the AWB’s commercial operations from the same fund;
- provide a government guarantee of AWB borrowings phasing down from 90% of net pool returns phasing to 80% over seven years;
- review specific assistance measures within seven years rather than five+; and
- finance the Tasmanian wheat freight subsidy from Consolidated Revenue.

The idea of the Wheat Industry Fund arose in negotiations with McGauchie and Hooke and they can take some credit for it. DPI Secretary, Geoff Miller and I had been quietly advising them that sometimes it would be best if the GCA didn’t advocate issues which they knew the Government could not agree to and that the GCA would be well advised to promote some forward looking ideas. The Fund was probably the result of this conversation. However, other departments and ministers were opposed to the $140m government contribution to the Fund, but I had three fall-back positions. There was also opposition to the Tasmanian freight subsidy concession.

I assured the Cabinet that the GCA was reaching a point of agreement on what was being proposed but that details might still take more time. I was more than comprehensively briefed and departmental officers had been engaged in extensive work in inter departmental
committees (IDCs) and felt reasonably confident that we would get a package in place. The submission was agreed enough by Cabinet for me to continue negotiations with the GCA and the NFF was basically on side. In order to secure industry agreement, I was given some wriggle room on some parameters. Once again the states had to be consulted on the changes in prospect.

In April 1989, the furphy that the Commonwealth was going to expand its export powers into State transport operations again arose in Queensland and was part of the National Party’s campaign against the bills before the Parliament. The legislation addressed two concerns only: the marketing and transport of all grains. The new Queensland Premier, Mike Ahern (who had rolled Bjelke-Petersen), said that “tens of thousands” of trucks would take over from the railways in Queensland. This was in spite of the fact that in NSW, where there was no State bar on road transport, the State Rail Authority had won the right to carry the entire NSW crop against strong competition from trucking companies. Depending on the distance to be travelled, transport by road, using large B-doubles, is now up to seven times more expensive than rail.

In early February 1989 the AWB drew to my attention the fact that New Zealand had imported 20,000 tonnes of wheat from Turkey (15,000 tonnes stockfeed, 5,000 tonnes milling). The importer was Goodman Fielder; the motive was to undermine the price being charged for New Zealand wheat.

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51 The role of IDCs is to achieve a whole-of-government perspective, co-ordinate common cross-government sectional impacts, deal with any technical ignorance or ideology of other departments and iron out as much disagreement as possible before issues got to Cabinet.
Zealand produced wheat and Australia’s practice of offering New Zealand wheat at the card price. New Zealand had a deregulated industry but its price was based on the import parity price from Australia, which incorporated Australian ASW fob. Australia had been almost the sole supplier, shipping between 6,000 and 103,000 tonnes per annum in recent years.

Of course, New Zealand was perfectly free to purchase wheat from whoever it wished, but the nub of the problems was the high Trans-Tasman freight arrangement. New Zealand also threatened to buy wheat from the US but this did not happen. New Zealand growers would not have been happy with export parity pricing because they were getting prices based on Australian fob prices plus trans-Tasman freight costs.

My Department’s officials discussed the freight matter with their counterparts in the Department of Transport but found them in industry protection mode. Australia was quoting $US210 per tonne including $33 per tonne freight, whereas Turkey had quoted $US195 per tonne including $US42 per tonne freight. The Trans-Tasman freight question had to be resolved in broader discussions with New Zealand under the CER Agreement, but the issue provided arguments to break the monopoly shipping arrangement. The NFF, and farmers generally, were strongly inclined to eliminate Australia’s shipping industry, due to the wages and conditions applying for Australian seamen. I tended to agree with them, personally.

On 15 February 1989 National Party Senator Julian McGauran said that he “would step out of the Coalition” if the Senate failed to block the legislation on the wheat industry. On 4 April the Leader of the Opposition, John Howard, and Bruce Lloyd, the National Party spokesman on Primary Industry, issued a joint press release stating that the Coalition was “committed to the completion of the deregulation of the domestic wheat market”. The National Party, internally, continued to haggle over their approach.

The QGGA basically backed the Queensland Nationals but saw sense in separating the State Wheat Board and Bulk Grains Queensland more effectively and proposed that a joint marketing organisation come into being to market wheat, barley and sorghum with compulsory acquisition powers.

Queensland had rejected the Royal Commission’s recommendations, Western Australia and South Australia had not resolved their position, New South Wales had only moved quickly on transport and handling and Victoria seemed not inclined to do anything at all. Queensland had already moved to allow the crop to be vested in the State Wheat Board to prevent any deregulation or interstate trade. NSW and Queensland had indicated that they were not prepared to enact compulsory acquisition of wheat or to empower the AWB to engage in intrastate trade.

I took a further submission to Cabinet, exploring the options for using our Constitutional powers to try to ensure that benefits could be accrued for the industry. I announced on 10 April 1989 that legislation would be introduced into the Parliament on 13 April which would include measures to override restrictive State grain transport regulations as necessary. The override regulations were signed in early 1990. The Leader of the National Party accused me of abusing the Constitution to wreck our roads on the assumption that there would be an enormous move away from rail transport. There was a point to his view in as much as government revenue from road users in Australia was $7.13b in 1986-87 and expenditure was only $4.2b when pavement damage was $2b and there was a cross subsidy from general light vehicles to trucks and truck operators. But this was an issue to be resolved at another time in a broader context; all governments are generally opposed to the concept of hypothecation.
As well as briefing the Prime Minister, relevant cabinet ministers, and two Labor Caucus committees (Agriculture and Transport), I was briefing various members of the Opposition, some State premiers or agriculture ministers and was in correspondence with unions, particularly the Victorian Division of the AFULE (train-drivers union and related transport members). The AFULE wrote to me on 11 April with a comprehensive submission, prepared mainly by V-Line (the Victorian government railway), debating the accuracy of the McColl findings, stressing efficiency gains being achieved due to Victorian government investment and calculating that 600 more jobs would be lost. The union threatened dis-affiliation with the ALP and accused me of a lack of consultation. I would be dishonest if I didn’t share some of their concerns but I generally believed that, in a dynamic economy, not only did wheat producers have to understand that change was desirable but that employment was becoming more mobile and that jobs-for-life in one occupation would not continue forever. Since 1972 labour usage in the V-Line had nearly halved and, except for NSW, all rail employment was also declining (it was a question of distance to port that was the decider of transport means). Technological change was always an inevitable factor; the trends were clear. I also believed that rail was the logical way to transport a bulk commodity like wheat and that what was being put forward would act as a spur for greater rail efficiency. A more efficient industry, from production to port, would also lead to larger production, hence more need for rail. I should have spent more time with the unions but I was flat out dealing with the industry and the political foes of the changes being proposed.

Another macro-issue of which to take account was that the Prime Minister and Treasurer, the Government as a whole and the ACTU were engaged in implementing the Wages Accord: the concept of the social wage and a fundamental transformation in the organisation of the trade union movement. I was part of that Government. ACTU President, Simon Crean, and Secretary, Bill Kelty, were working very constructively with the Government. It was another time of economic transition in the Australian economy and society akin to the transition of the early 1970s.

After fifteen months of consultation, argument and negotiations, the Wheat Marketing Amendment Act 1989 and its implementing bills and regulations passed the House of Representatives on 23 May 1989. In the debate on the Third Reading, when the legislation was debated clause by clause, I accepted six minor Opposition amendments plus five others, including one which opposed ‘sun-setting’ the AWB’s marketing role. I had already accepted twenty eight minor amendments mainly from the GCA and AWB. The GCA had moved on the provision of a fund to provide a capital base for the industry and to give the AWB the power to trade in other grains. What was essential was that the main planks of what the Government had agreed were kept in place. Minor amendments, many of a face-saving nature, were acceptable in this context, even if it did look messy. The Opposition still wanted 95% underwriting, rather than 90%, but the legislation was now up to the Senate. I cannot recall the position of the Democrats at the time other than that they were chopping and changing their position as usual, but if the Senate failed to pass the bills, the 1989 crop would not be underwritten due to a sunset clause in the current legislation.

The Senate rejected the bills on their first debate and the legislation came back to the House of Representatives. Senator Julian McGauran said it was the intention of the National Party to ‘torpedo’ the bills. The National Party was still divided on what was being proposed. When the Bill went before the Senate the second time, I advised in answer to a question without notice in the House of Representatives, that if the Senate didn’t pass the Bill “it could walk the AWB
into the sunset”. Three National Party Senators voted against the amended proposals on the Second Reading, but the legislation passed in both houses of Parliament on 1 June 1989.

It was now up to the States, the AWB and the industry to best utilise the flexibility and freedoms that the Government had given them. The Prime Minister wrote to State premiers on 6 June 1988 seeking implementation of the recommendations of the Royal Commission which were in their area of responsibility. I had envisaged that the AWB may have used the Wheat Industry Fund to compete internationally by funding its own commercial trading operation, but this did not occur. However, the import embargo went; underwriting was discontinued; separate pools for wheat of differing qualities and grades at different times in the season were established (as opposed to a single pool, in the past); more segregations took place; cash rather than the pool price was offered by the AWB; and the fund built grower equity. By freeing up the domestic market and by giving growers the opportunity to sell their own crop, they could also build on-farm storages and make decisions on when to sell, given the roller coaster nature of the international market.

On 9 February 1990, I announced the arrangements for the Wheat Industry Fund (WIF). Levy income was expected to be $35m for the first year and borrowings for the purpose of the Fund were underwritten by the Commonwealth by a $100m guarantee. One purpose of the WIF was to set up grower equity arrangements for the eventual corporatisation of the AWB. The
management and administrative arrangements for the fund were based on a report by the GCA, prepared in consultation with the AWB. The GCA also had to approve the Annual Business Plan to determine how the fund would operate each year. Auditing requirements and procedures for transparency were put in place and I believed that there was no way that growers could feel removed from marketing to an extent that would inhibit commerciality on behalf of the AWB. On the same day I appointed Trevor Flugge, a wheat grower from Western Australia, as Deputy Chair of the AWB, replacing Michael Shanahan. I got to know Trevor well and in spite of subsequent developments well after my time, believe he was a sound operator and an honest person.\textsuperscript{52}

For the record I had and have the utmost respect for both Clinton Condon and Trevor Flugge.

Estimated net returns for the 1989-90 crop were determined at $2,178m in March. The Commonwealth was guaranteeing borrowings up to 90\% of the net return figure. Under the new the arrangements, while the AWB had the capacity to maintain its ability to finance advance payments, it no longer had the capacity to set the level of these payments. The price outlook for the next season was not reassuring.

Iraq, under its dictator, Saddam Hussein, a mass killer, invaded its oil exporting neighbour, Kuwait, on 2 August 1990. Four days later the United Nations Security Council applied a comprehensive trade embargo on all exports. Iraq had breached the fundamental charter of the UN and this was the reason a UN sanctioned coalition was formed to invade Kuwait and Iraq. In my view, the armed coalition would not have invaded with the same speed if Kuwait had no oil. If Iraq could take Kuwait as quickly as it did, the next stop could have been Saudi Arabia, or so the argument went. For Australia this meant the loss of two markets, though Kuwait was also buying wheat from Saudi Arabia, which was being grown with fossil water. Concern naturally arose that we may not be paid for what had already been delivered.

Meanwhile, more dramatically, some AWB officials were trapped in Baghdad and it took some time for the AWB to extract them, using the good offices of North Yemen, as I understand it. The US State Department and the UN eventually allowed the Iraqi dictator, Saddam Hussein to pay for Australian wheat in gold. The story is that the man driving the truck, with $US200m worth of gold on board, to Amman, Jordan, slid off the road in the middle of the night. Just imagine how he felt alone in the middle of the desert until morning and rescue! This was before the Oil for Food Programme initiated in 1995. The AWB at the time proved to be very adept in dealing with Iraq, with which it had excellent trading relations.

On 4 October 1990 I announced the names of the Chair and Directors of the Grains Research and Development Corporation (GRDC). The Chair was to be Don Blesing, cereal producer from SA, Trevor Flugge, Deputy AWB chair, and five others, all experts in varying fields, among them Dr Tony Gregson and Professor John Lovett with whom I am still in regular contact. The GRDC was an amalgamation of the former Wheat, Barley, Grain Legumes and

\footnotesize{\textsuperscript{52} Media persecution of Trevor Flugge was typical of the then media standards but simply awful. The two responsible ministers said they had no knowledge of the scandal. I believe this is not so as I still have copies of cables going back to the first Gulf War when the US State Department and the UN sanctioned Saddam Hussein’s payment in gold. The US official, John Bolton, was present in various guises for the whole time. There is a paper trail of long standing and if officials didn’t know they must have been blind, and if ministers didn’t know they must not have been informed. The Cole Commission, acting with governmentally flawed Terms of Reference, unearthed 35 cables. It was the Canadian Wheat Board which alerted us to the dangerous waters we were getting into. Many people knew. The only people who did not were our Foreign Minister Downer and Trade Minister Vaile.}
Oilseeds Research Councils and the State Wheat and Barley Research Committees. Don Blesing had chaired the Wheat Research Council, Professor Lovett the Oilseeds Research Council, Professor Alan Robson the Grain Legume Research Council and Dr Allan Smith (ex-DPI, NSW) the Barley Research Council. Don Blesing and Professor John Lovett were the Chair and Deputy Chair respectively of the foundation GRDC Board. Professor Lovett later became the managing director of the GRDC, 1994-2003, a period when the GRDC’s income rose as a consequence of industry growth from $30m to $125m per annum.

The GRDC proved, in my opinion to be the best of the Agricultural Research and Development Corporations (RDCs). Don Blesing was a very forward thinker and the GRDC board performed well during my short experience with it. The first Grains 2000 conference was held in September 1991 and clearly reflected forward thinking in the grains industries, some of which I put down to the influence of the former research councils and the GRDC. With the exception of Peter Reading, the GRDC has always had grower chairmen, all of whom have served the industry well. They were Don Blesing, Andrew Inglis, Terry Enright and, as I write, Keith Perrett.

I met with the GCA in December to discuss the deteriorating wheat market, caused in part by the Gulf War crisis but again mainly by the absurd levels of subsidies being paid by the US and the EEC. The Government increased its national interest cover for the season, including a $125m credit facility for purchase of wheat by the USSR. The only problem with the latter move was that the USSR collapsed not long after Austrade and I had negotiated the facility in Moscow. It only took six weeks for me to cause the collapse of the USSR? Russia eventually paid.

In early 1991, the GCA asked the Commonwealth to guarantee the price at $151/tonne for the next season only, to cope with the worsening price on the world market. I took the issue to Cabinet for consideration. The Gulf crisis had involved payments under national interested cover, which were most likely to cost tax-payers $250m plus, up to $475m by end 1992, and another $100m had been injected into the Commonwealth’s guarantee on borrowings. My message was not heartening and I envisaged that the Rural Adjustment Scheme (RAS) was going to come into more use as an adjustment measure, that is help to individuals. Farm returns had halved since 1988-89 and growers were concerned about funding the planting of the next crop. The only hope was for a turnaround in prices, rain, and that alternative crops would be planted. Growers were understandably becoming rather cynical about the Commonwealth’s promotion of a level playing field in trade negotiations. Funding of the RAS was increased from $64m to $160m with provision up to $240m to be made available.

The industry and the NFF accused the Government of having double standards because assistance was still being given to the car and the clothing, textile, and footwear industries. The Government was phasing down industry assistance on the basis of industry plans requiring investment by industry and union concessions and compliance. This approach could not be applied to farm industries. In macro-economic terms the phasing down of tariffs to 5% for nearly all secondary industries by 1996 was estimated to benefit the overall agricultural sector by $350-$400m per year. Returns for the 1989-90 year were predicted by the AWB to be around $195 per tonne for ASW wheat and $210 for higher protein wheat but costs were rising more quickly in the cropping sector compared with wool and beef production.

In April 1989, the US Vice President, Dan Quayle, had stated that the Export Enhancement Programme was aimed at the EEC and that it had not disrupted Australia’s traditional market share. While this happened in some markets at the expense of the EEC, the cost overall had
fallen on unsubsidised exporters such as Australia and other members of the Cairns Group such as Canada and Argentina. Australia’s share of the world wheat and flour market had declined from 19.5% in 1985-86 to an estimated 11.3% in 1988-89. Meanwhile, the US share had increased from 28.7% to an estimated 42.9% and the EEC had increased its share to 20%. Add to this the price depressing effect and it is easy to understand the anger of our wheat growers. The market was picking up in 1989-90 so this was a time when the US and EEC could cut back on their export subsidy programmes and save taxpayer money. Vice-President Quayle was told in no uncertain terms our disagreement with his statement when he visited Australia, from the Prime Minister down. The US was actively using its Public Loan-480 programme, which subsidised wheat for aid, and which was likely to take a slice of the Iraq market once Iraq had been expelled from Kuwait. US wheat farmers were receiving twice the price our farmers were and the subsidy per farm was calculated to be an average of at least $US4677.

In early 1991, there were moves in the US to lift the EEP from $US425m to $US900m, so it was decided that an all party delegation would visit the US, once again, to raise our concern and alarm. This was during the Republican Administration of President George Bush senior and it was thought that MPs from the conservative side of politics would send the Administration a message that we were as one on this issue. By this time we were very well armed with a major report on US grain policies from the Australian Bureau of Agriculture and Resource Economics (ABARE). We were reaching senior US policy makers and being listened to, even if no immediate success could be perceived.

Of course, a lot has happened since my time. The bulk handling companies, with varying degrees of grower ownership, have privatised and shrunk to three and compete strongly in all fields. The Howard Government introduced a half-baked privatisation of the AWB and, predictably some say, it ran into trouble, particularly in Iraq in the early 2000s. It was very disappointing to see another SMA fail (after the Australian Wool Corporation, once independence from government was granted. The GCA atrophied in the mid-2000s, to be replaced by two competing organisations).

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54 Equity built up in the Wheat Industry Fund was turned into shares for wheat farmers, who under the arrangements were given a controlling interest in the company, AWB Ltd, as Part A shares, which could not be traded. Part B shares were able to be traded and served to raise funds and increase equity. The saga of the scandal, which arose from sales to Iraq when monetary kickbacks were given to the dictator, when our Armed Forces were fighting his, continued for six or seven years. To my mind, when the AWB became a private company, the new management eliminated much corporate knowledge, in keeping with modern managerial practice. Once the company was formed as some species of a private sector body, operating in a corrupt market, where the private sector was well used to gaining and holding such markets, ‘all bets were off’.
Other Major Crops

The States, in terms of legislation, individual farmers, farmer co-operatives and commercial enterprises were entirely responsible for the marketing of other major cereals, legume and pulse crops. They received little financial assistance and did not have any Commonwealth established national marketing body or assistance beyond broad ranging measures such as the RAS. In the main, producers lived with the market, as free or corrupted as it was.

The Commonwealth was involved with provision of funds for research and because these crops were alternatives for wheat growers or part of rotations, they were of interest. In 1990, over three million tonnes of barley were being produced in an average year. Malting barley required a continual breeding programme to maintain the best quality as succeeding crops of the same variety often gradually lost quality. PVR was a concern for prominent cereal breeders, particularly if it resulted in any restriction on the free provision of genetic material. At various times the idea of a national barley board was canvassed. In May 1990, the NSW Government was reviewing its State grain marketing authorities, following the failure of the Sorghum and Oilseeds Boards, and the Oats Board was in the hands of a receiver/manager. There was no strong recommendation coming out of the Review, but vesting was being seen as no longer advisable.

I acquired some knowledge of the rice industry due to the efforts of Jack Hallam, a former contractor, sheep farmer and rice grower, who was Minister for Agriculture in the NSW Labor Government from 1980 to 1988. Labor was in office during the Premiership of the late Neville Wran (1976-86) and then Barry Unsworth from 1986 to 1988. Water pricing was the main
The concern of the industry (a State issue) and it was an industry which survived on its own wits, with SunRice, a very smart commercially directed co-operative company directed to the milling, packaging and marketing of the grain. The creation of the Murray Darling Basin Commission in 2008 now gives the Commonwealth a key role in the allocation of irrigation water and management of the Basin in an integrated and sustainable manner. Rice grown in the Riverina is grown in the most southern latitude of any in the world.

Rice was also grown in North Queensland in the Burdekin Valley but the mill at Brandon ran into a husking problem and growers, as far as I know, were unable to raise the funds to refurbish the existing mill or buy a new one. Papua New Guinea provided a regular export market and the domestic market gave it some buffer against imports. When I was Shadow Minister, there was a quarantine issue with the import of unmilled rice, which was prohibited. The planting of canola, chick peas and pulses was increasing as crop farmers diversified. My roller coaster ride with the wheat, grains and oilseeds industry ended in mid-1991.
# Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Australian Agricultural Council</td>
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<td>ABARE</td>
<td>Australian Bureau of Agricultural and Resource Economics</td>
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<td>AFULE</td>
<td>Australian Federated Union of Locomotive Employees</td>
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<td>ASW</td>
<td>Australian Standard White</td>
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<td>AWF</td>
<td>Australian Wheat Growers Federation</td>
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<td>AWB</td>
<td>Australian Wheat Board</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>CER</td>
<td>Closer Economic Relations agreement</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>EEP</td>
<td>Export Enhancement Program (of the US)</td>
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<td>EFIC</td>
<td>Export Finance and Insurance Corporation</td>
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<td>FAQ</td>
<td>Fair Average Quality</td>
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<td>FCOS</td>
<td>Farm Cash Operating Surplus</td>
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<td>GCA</td>
<td>Grains Council of Australia</td>
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<td>GMP</td>
<td>Guaranteed Minimum Price</td>
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<td>GRDC</td>
<td>Grains Research and Development Corporation</td>
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<td>HCP</td>
<td>Home Consumption Price</td>
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<td>International Wheat Agreement</td>
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<td>IAC</td>
<td>Industry Assistance Commission</td>
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<td>LGPA</td>
<td>Livestock and Grain Producers Association (of NSW)</td>
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<td>NFF</td>
<td>National Farmers Federation</td>
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<td>PGMP</td>
<td>Preliminary Guaranteed Minimum Price</td>
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<td>PVR</td>
<td>Plant Variety Rights</td>
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<td>QGGA</td>
<td>Queensland Grain Growers Association</td>
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<td>RAS</td>
<td>Rural Adjustment Scheme</td>
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<td>RAIC</td>
<td>Rural and Allied Industry Council</td>
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<td>UAP</td>
<td>United Australia Party</td>
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<td>WIF</td>
<td>Wheat Industry Fund</td>
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Chapter 11: The Australian dairy industry

In dairy industry politics, two industry leaders stood out, Bill Pyle, from Victoria and Pat Rowley from Queensland - both dedicated men. Not all in the industry were quite so accepting of reality or willing to work to find a solution to the dire situation confronting the industry. It was the only industry that I dealt with which provoked personal death threats (that I know of).

I have already given some background regarding the dairy industry in terms of my personal knowledge of dairy farmers in the area I grew up in and at school, and from my first time in Parliament and from working in the Bureau of Agricultural Economics (BAE). I greatly respected and was very sympathetic to the plight of hard working dairy farmers from my school days and into the 1970s and 1980s. My first seat in the Commonwealth Parliament, Macarthur (1972-1975), could then have been categorised as a dairying seat, with many dairy farms on the Southern Highlands and in the southern coastal parts of it, west of Dapto to the south of Nowra. When I became Minister for Primary Industry in March 1983, the dairy industry was in crisis and its export marketing arrangements needed to be reformed.

In contrast to wool producers, dairy farmers were the poor relations. For many years, there had been real poverty among a significant proportion of them, especially in areas distant from metropolitan milk markets and where the only market was for cheese and butter. In these circumstances, Britain’s decision to join the EEC in January 1973, ending preferential access to its market and with it Australia’s assured lucrative dairy exports, was devastating. Once again, parameters outside the control of Australia’s farmers or governments wreaked havoc on an industry already in strife because of the way it had been (mis)managed and (mis)governed for years.

Once again, Australia’s federal structure took its toll, preventing the bickering, competitive states from reaching rational decisions in the interests of all of them. Coalition governments, the farmers’ friend, had failed them miserably by doing little more than sticking a finger in the hole in the dam rather than attempt to take on the more mighty task of rebuilding to help dairy farmers face their war on two fronts in the form of spoilt EEC and protected world markets and an increasingly competitive New Zealand. The dairy industry was yet another candidate for fundamental adjustment to reflect contemporary realities, but naturally at a high price to the less competitive among them. Over my years as a minister large numbers left dairying as they had for decades, yet the average stock holding of manufactured products rose. Eventually, the restructuring of the industry by government and then the industry’s own innovation and adaptation to change, led to significant productivity gains.

Policy

Our dairy industry policy for the 1983 general election was extensive and was as follows:

- Labor will ensure that domestic prices for dairy products are not allowed to collapse as a result of a collapse of world markets;
- Labor will ensure that the dairy industry faces a strong domestic market, in order to insulate it from the effects of falling export prices;
- Labor will endorse the industry agreement relating to trade in dairy products between Australia and New Zealand under the Closer Economic Relations Agreement (CER);
- Labor is committed to supporting the dairy herd improvement scheme;
• Labor supports the continuation of underwriting in 1983-84;
• Labor will require the Bureau of Agricultural Economics (BAE) to complete an analysis of the options of paying for milk on a protein basis, or fat and protein or retention of the current system of fat only and Labor will also investigate ways of standardising payments for milk across Australia;
• Labor will establish a Market Milk Coordinating Committee to: examine market milk pricing and payment systems between the States and provide a negotiating platform for the transfer of milk between States at a time of market milk shortage in any one State;
• In line with its policy on Statutory Marketing Authorities, Labor will review the functions and operations of the Australian Dairy Corporation (ADC). In particular Labor will review the operational relationship between the Minister for Primary Industry and the ADC, and the Department of Primary Industry and State Departments of Agriculture to ensure that appropriate responsibilities are carried out at each level;
• Labor will also review the functions and operations of Asia Dairy Industries (ADI) to ensure: dairy farmer investment in ADI is being managed efficiently, international trading agreements are complied with and the Minister for Primary Industry has ultimate responsibility.

This election policy was obviously very ambitious. It would be optimistic in the extreme to think we could achieve it in its entirety. It was based on the considerable information Julienne McKay, my Research Officer in Opposition, and I had accumulated on the dairy industry, especially during the time we had worked together in the BAE on dairy marketing (1976-77).

In 1981, when we first started to draft the ALP’s national agricultural policies, we had before us the BAE’s July 1976 submission to an earlier Industry Assistance Commission (IAC) enquiry and also it’s ‘Working Paper on Structural Adjustment in the Australian Dairy Industry’. We then issued a discussion paper in October 1982, ‘The Administration of the Australian Dairy Industry”, in response to a proposal put forward by the United Dairy Farmers of Victoria (UDV) on simplification of pooling arrangements, including the elimination of some pools. Pooling referred to the practice of sharing marketing costs and revenues to equalise returns to producers, whose milk production was going into manufactured dairy products. The paper was prepared for consideration by the UDV and members of the Australian Dairy Farmers Federation’s (ADFF’s) Council. By then we were starting to engage with the industry from Opposition effectively.

The objective of the pooling system was to provide manufacturers of dairy products an equalised return from domestic and export markets, which in effect maintained a domestic market price structure higher than the prevailing export prices. Pooling was also a convenient vehicle for providing Reserve Bank finance to the industry and a mechanism for the Government to underwrite dairy product pool returns. Other functions, such as the provision of allowances, were also involved. This latter measure enabled storage and interest allowances to be paid to manufacturers to continue to market supplies where production was seasonal and shortages may arise. The situation was so complex that I had come to the view that one could not pick and choose which pools should be abolished or modified. Pooling certainly had many disadvantages, including assisting political pressure to be applied for the benefit of individuals or sections of the industry.
At the time, over 78% of Victoria’s production was directed to manufacturing dairy products, compared with only 21% for NSW. The scale of production varied so much between the two States that pooling was ‘costing’ Victorian dairy farmers over $18m annually, compared to NSW’s ‘cost’ of $842,000. The basis for the UDV’s concern was understandable. NSW was then regarded as a ‘shortage state’, that is, it could not produce all of the NSW demand for its manufactured product. Overall, what was most apparent was that industry revenue had to be better shared nationally, which inevitably meant winners and losers.

By the time the policy was put together, after discussion with many industry players, fellow colleague State Agricultural Ministers, the Australian Dairy Corporation (ADC) and ALP rural Members of Parliament, we had a sound idea of the industries and industry views, State by State. We knew that if the ALP was elected to government and I became Minister for Primary Industry, I would be under extremely heavy pressure to ‘do something’ in an industry which was, in effect, six State-based industries, with exports predominantly maintained by Victoria. One of the dictums in politics, in our system of government, is that it is essential to bring industries and people with you, if reform is to be achieved. Because Australia had six highly regulated State based industries, this was never going to be easy.

Victorian producers were threatening to flood NSW whole milk markets to secure some of the State’s whole milk market premium, which would have stimulated a price war. Maintenance of the status quo would probably have seen regulatory border gates erected on NSW’s borders with Victoria and possibly Queensland, to try to prevent interstate trade in milk. In this event, NSW was bound to retaliate and did on one occasion. I describe what happened in the case of one border altercation later.

The threat of a milk war was a looming background factor at a time when the Government and I were later trying to push through a package of reform measures; was this a help or a hindrance to the reform packages I eventually put before the Parliament in 1985 and 1986? Existing arrangements and Constitutional powers with respect to exports gave Commonwealth government ministers some powers to influence the industry’s wellbeing, but not on the domestic, whole milk market, also known as market milk or liquid milk.

Some Relevant Economic History

The financial situation of the dairy industry in the 20th century was profoundly affected by the two world wars and our relationship with Britain. Butter production and exports were boosted from 1916 by a wartime agreement with Britain. By the 1920s butter was our third largest agricultural export. For a period, after the World War One arrangement ended, the London price became the price for our exportable surplus. In the inter-war years the dairy industry thrived due to an Imperial purchase agreement, replaced by a Dominion Preference agreement with Britain.

Early Commonwealth attention had been provided to the industry by price equalisation and the establishment of an export marketing board in the 1920s. In World War Two, shipping arrangements became difficult resulting in the dairy industry having to convert butter to butter fat, which required no refrigeration and then switching from butter to cheese for export to Britain. This required Australia to quadruple its cheese exports and reduce its butter contract by 30%. World War Two was followed by the long boom of the 1950s and 1960s, during which time Australia continued to have privileged access to the British market.

In the 1960s average farm incomes exceeded average urban incomes. However, averages concealed a wide disparity in incomes. Doug McKay, then director of the Bureau of
Agricultural economics (BAE), identified a ‘small farm’ problem of 80,000 farms with incomes below $2,000 per annum, a third of which were dairy farms. This had been foreseen; the Menzies Government had established the McCarthy Committee of enquiry in 1960 to make recommendations that would place the dairy industry on an efficient and stable basis for the future. The report by the Committee was shelved by the then Country Party for eight years. Slightly improved industry circumstances enabled it to support the inefficiencies in the industry - but only just. Dairy farmers and their families were condemned to poverty, or subsistence, or exited the industry.

The Australian dairying industry had been marked by this poverty and uncertainty in the mid to late 1960s, then more financial misery and a rapid decline in the number of producers in the 1970s. Britain’s entry into the European Economic Community (EEC) on 1 January 1973 had been devastating for Australia’s dairy manufactured product exporters. This occurred within weeks of the Whitlam Government being elected. A brief period of better times, financially, followed in the very late 1970s and early 1980s. The number of Australian producers had further declined when I became Minister, as it had been doing for some time, and continued thereafter.

Apart from the ongoing financial predicament of dairy farmers, there had also been a very long struggle and political controversy in the 1960s for margarine to be produced freely. Opposition by the dairy industry and the then Country Party in Coalition governments had prevented this. Briefly, margarine had been invented in the 1800s, but it was illegal to make coloured margarine in NSW until the 1960s. A small quota per manufacturer was then set by the NSW Government (both sides of politics). However, in 1974, Prime Minister Whitlam announced that there would be a phase out of the relevant regulations in the ACT over two years. The South Australian Government abolished its quotas in 1976. The NSW Wran Government phased out the quota system in 1977. This was another case of farmer versus farmer, because many constituents of margarine are farm produced, including canola, olive oil (then mostly imported) and various oilseed crops.

Another political issue in the 1970s had been allegations about mismanagement by, and the corruption of, the ADC, in administering off-shore milk recombination plants in South East Asia. The alleged scandal surrounding PT Indomilk (Indonesia), was one that I inherited. This matter was only a side issue as far as my time as Minister and the dairy industry’s marketing arrangements were concerned. I retain reams of documents on the issue but could not see the point in making this a major political cause celebre. I realise ministers have to take the blame when anything goes wrong or allegations are made, but the circumstances were such in the countries involved that the choice would have been not to engage in such exports as a trade enhancing strategy to build future markets.

**National Concern and Policy during the Whitlam Government**

A very vigorous debate on the economics of dairy marketing arrangements and general dairy industry policies commenced in the mid-1960s and continued throughout the 1970s. This involved the Commonwealth Government, the Industry Assistance Commission (IAC), State governments, the Australian Dairy Corporation (ADC) and the plethora of industry organisations. I am sure many dairy farming families were also giving it much consideration during this period, before many were forced to exit the industry. As noted earlier, I had been a member of the Caucus Agriculture Committee in the Whitlam Government years and then worked in the Dairy Marketing Section of the BAE in 1976-77. Bob Whan, then Member for...
Eden Monaro, and I had a close working relationship with the Hon Ken Wriedt, Minister for Primary Industry, 1973-75, and his staff\textsuperscript{55}.

As an aside, Bob and I found we could not trust the NSW Graziers Association with any information, without them running off to their National Party masters.

Minister Wriedt faced a terrible situation in the dairy industry and felt deeply for the people in it. During his three years in office, over 7,000 dairy farmers exited the industry. The number of dairy farms with 30 or more dairy cattle dropped from over 41,000 in 1969 to less than 29,000 in 1975 (the total number of dairy farms for purposes of comparison has always been fraught due to the cut-off figure used). The average herd size increased from 69 to 92 dairy cows per dairy farm over the same period. In 1969/70 over 7.5m litres of milk was produced with exports of 102,565 tonnes of butter. Much of the decline in the number of farmers from far earlier times was due to machine milking and the resulting increase in productivity per farmer.

What Ken Wriedt faced was the virtual cessation of butter and cheese exports to the UK when it joined the EEC, which caused Australian exporters to desperately try to diversify their export markets as quickly as they could. Some figures are illustrative. Our exports of butter to the UK alone had averaged over 50,000 tonnes per annum over past decades and were still averaging close to 39,000 tonnes immediately up to 1974-75, in which year they ceased. Similarly, cheese exports had averaged over 7,000 tonnes per annum and nearly 6,500 tonnes immediately up to 1974-5, when they too ceased. All exports of butter and cheese had suddenly dropped substantially\textsuperscript{56}.

Over 1973-1975, Wriedt phased out the existing dairy product bounties which applied to manufacturing milk production, and replaced the Marginal Dairy Farm Reconstruction Scheme (MDFRS), 1970-74, with an expanded and targeted scheme known as the Dairy Adjustment Programme (DAP), 1974-76, designed to increase industry efficiency, such as by providing funds for refrigeration of milk on farm. Dairy industry specific reconstruction or adjustment schemes cost the taxpayer over $53 million in the period 1970 to 1976. The general scheme for farm adjustment, the Rural Adjustment Scheme, was also used in part by administering State reconstruction authorities to address the plight of dairy farmers in the industry.

As a further, but relevant aside, many exiting dairy farmers in the late 1960s and early 1970s entered into beef production. The market for export beef to Japan was completely closed with the first oil price shock in mid 1974. Former dairy farmers were again caught in a distressed financial situation.

**Further Background**

The agricultural economics profession was particularly focussing on the distorted nature of pricing arrangements, efficiency arguments, welfare concerns and the effect of the many

\textsuperscript{55} The three key staffers were Brian Norwood, who later became CEO of the ADC, who had extensive knowledge of the dairy industry, Ken Baxter and Tom Connors. Ken Baxter had worked for the NSW Graziers Association as an economist and was exceptionally intelligent and policy orientated. Tom, the Minister’s then Press Secretary, has now passed on. He was always a tower of strength in terms of his knowledge of agri-politics and agricultural economics.

\textsuperscript{56} From 1946-7 to 1948-9, the UK took 38.4\% of our exports, the EEC 22.8\%, North America 10.5\% and Japan 0.9\%. From 1970 to 1972-73, Japan took 24\%, North America 18.5\% the EEC 13.3\% and the UK 12.4\%- source *Rural Policy in Australia*, 1974.
regulatory inequities on many struggling, hard working dairy farmers. Doug McKay’s path finding report in 1965 illustrated the poverty in some sections of the dairy industry, particularly where milk was produced for manufactured products only. There had been two (or three?) Industries Assistance Commission (IAC) reports on the industry by the end of 1983. All had expressed concern at the industry’s marketing arrangements and made alarming estimates of the very high rate of protection in the fresh or whole milk sector. A general report by the IAC on agricultural industry assistance in April 1983 estimated that assistance to the market milk sector in 1980-81 represented a 97% effective rate of protection and a 41% nominal rate. For the manufactured milk sector the comparative figures were 5% and 0%, but they had been a lot higher in the early 1970s.

The Coalition Government’s arrangements for manufactured dairy products set in place in 1977 over-rode the IAC’s earlier recommendations and increased the Domestic Value for Levy Purposes (DVLPs, discussed below) for the manufacturing sector. The result was to encourage the over-production which I inherited and which had met corrupted world markets and collapsing prices again by 1983. I believed the previous Coalition Government, when Ian Sinclair was Minister for Primary Industry, had tried and failed to get industry agreement to a more economic approach and so, understandably, took the easy way out, to try to give short-term financial relief to the industry in the hope that export markets would pick up.

The academic literature on and analyses (including by the BAE and some key academics) of the industry were extensive. It was certain that there needed to be change in the marketing arrangements for exports and that the Commonwealth needed to find ways to remove income inequities and form a more nationally focussed industry. Agricultural producer organisations are not so concerned for consumers whereas economists express this to a fault, because it is the rational market based approach. I will not repeat my general qualifications again on the nature of markets, other than to say that markets need rules and design. I simply took the view that there had to be a balance in pursuing a purely economic path to reform. The economic assumption of free movement of resources into other industries in the name of consumer benefit had some limits, or at least needed some qualifications, or awareness of the need for transitional steps as an industry adjusted.

I always had a problem in applying general economic concepts to industry policy not only in terms of political reality but also theory. In general, consumers can also be other producers; for example, elements in food manufacturing require dairy products and the intensive livestock industries depend on grain and oilseed producers. Consumer benefit or cost does not accrue to one sector of an economy alone. An industry minister cannot assume that a particular industry exists on its own, that it is not affected by external forces, or that reform will not have unintended consequences. Yet the industry pressure on an industry minister is to take an industry or sector only view. The fact is that economic reform for efficiency gains, when dealing with many industries in, say, the agricultural sector as a whole in the interests of consumers, often leads to unaccounted transition costs, transaction costs, social costs and the quicker disappearance of country towns and centres and jobs - not issues policy makers in a democracy can necessarily ignore. This is particularly so when Commonwealth governments

57 The Anthoynys of Richmond, by Paul Daley, UNSW Press 2008, gives a good idea of the difficulties faced by dairy farmers in NSW going back to the 1920-30s.
rarely control the Senate, the so-called States House, but which is, essentially, a party political chamber.

The changes I eventually introduced into the dairy industry’s support arrangements were to be the most time-consuming and most extensively considered of any industry I dealt with (fisheries was a close second). The industry had complex regulatory and support mechanisms and itself was hopelessly disagreed in many aspects on the best way to address the crisis that it faced in the early to mid-1980s. I thought I knew a bit about how the industry was structured and how its regulatory framework worked. When I became Minister I was to learn so much more, particularly about its politics.

The process I set in train in the period 1984 to 1986 eventually led to the deregulation of the dairy industry in the late 1990s under a Coalition Government

58 When I started to work out how to tackle the many challenges in the industry I was not focussing on this outcome, though I knew this was what the hard heads in the agricultural economics profession wanted. I was focussing on the industry’s inequities and on marshalling the latent efficiency of the industry so that it could become more profitable - and hold off import challenges. But I was taking a long term view.

We were dealing with a variable, often corrupted export market and also how to meet the then prospective import challenge from New Zealand, now that the Closer Economic Relations Agreement (CER) had been negotiated by former Deputy Prime Minister Doug Anthony and signed off by Prime Ministers Fraser and Muldoon. I wholeheartedly agreed with the signing of this agreement. If Australia and New Zealand could not reach agreement on fairer agricultural trade arrangements, then there was little hope for us to negotiate freer trade arrangements in the industrialised world where subsidisation, protection and restrictive farm policies were manifest, particularly in the then EEC, the US and Japan.

I realised that for a highly regulated industry like the dairy industry to reform, let alone to deregulate in part, was to remove both the legislated superstructure of production as well as elements of price stability. This would be in the interests of industry efficiency and eventual increased profitability. It would also be in the interests of consumers, retail and food chain entrepreneurs domestically and in the interest of competitiveness on the often corrupted world market. I knew dairy farmers would not like reform, that opposition would be State by State and that the agri-politics would be forbidding. To dairy farmers, reform simply meant even more exits.

I knew that any change would be a political gift to the National Party and the then Opposition. However, I also doubted that some of the wiser heads in the industry were prepared to see the industry collapse and the stream of exits to continue under the existing provisions. The industry at various levels was fearfully divided as to what should be done. The State governments were more conscious of the electoral consequences of change and reform, even if initiated by the Commonwealth. It was the domestic arrangements that had to be adapted if the industry was to reach its potential and to resolve industry conflict. To repeat, I had virtually no direct power to market milk which was the province of the highly regulated States.

I cannot exactly say when I began to read the Primary Industry Newsletter by the late Ronald Anderson which began in the late 1960s and continued into the early 1980s. He also wrote

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Crisis on the Land, published in 1972. Both publications were influential in my thinking. Ronald well understood the situation faced by Victorian dairy farmers and his Newsletters gave me a running commentary of the convoluted policy discussions within the overall industry. He and his wife, Lorna, were very astute observers of the general farm policy scene and understood the underlying dairy industry politics exceptionally well.

The most efficient parts of the Australian dairy industry are more than internationally competitive compared with their Northern Hemisphere counterparts; it snows there and cows are kept in barns for lengthy periods. This is part of the reason why the EEC and North American industries were and are so heavily protected and subsidised. These producing countries also had policies based on the historical need to produce fresh milk for their populations.

One of the first political mistakes I made was to agree to the proposition advanced at a conference of the United Dairy Farmers of Victoria (UDV) in 1981 as Opposition spokesman that they deserved more revenue for their product because of the way the EEC had collapsed world markets and was virtually giving butter away rather than pay the costs of storage. At one time 223,000 tonnes of butter was given to the Soviet Union. The UDV assumed that I was referring to the domestic situation whereby local prices could be legislated for or manipulated politically. It is not always wise to answer questions affirmatively without explanation of the basis of their full meaning.

An Industry Snapshot

What was the Australian dairy industry like in the early 1980s in physical, structural and institutional terms, and what were the political and administrative realities? Victoria was by far the largest producing and lowest production cost State (and still is) and one of the most efficient, though efficiency arguments are not easy to verify, especially when comparing State by State. For example, irrigated dairy farms on both sides of the Murray River border between NSW and Victoria were more than probably just as efficient as each other. Victoria had 52% of the number of Australia’s dairy farms (11,467 of the total of 21,984 in 1980) and produced over 60% of the nation’s milk. In 1980, its production per cow was less than that in South Australia (SA) and Western Australia (WA), a feature still present in the year 2000 when production per cow had nearly doubled nationally and more than doubled in WA and SA, mainly due to the Australian Dairy Herd Improvement Scheme and, perhaps, to more certainty and improved financial conditions. Tasmania also had a small, efficient industry with the potential for more efficiency and profitability. Victoria expanded production in the 1960s and 1970s particularly in the Heytesbury area and also in South Gippsland and the Eastern Goulburn River Irrigation Area. This was at a time when, nationally, the number of dairy farms had been shrinking for quite some time - by 1971 there were only half the number of a decade earlier. The number nearly halved again by 1980, declining from 43,293 to 21,984 farms. By 1983, this had dropped to 20,060.

As with all of Australia’s farm industries, the dairy industry had the capacity to scale up. However, in 1983, the largest 30% of farms only produced 54% of the output, indicating that the ‘tail’ was not as long as with some other industries. Further, the incidence of share farmers in the dairy industry was far higher than in any other. Share farmers were the most likely recruiting ground for new entry into the industry.

There are many explanations for the anomalies in comparative statistics. Victoria and Tasmania’s production pattern is mainly seasonally based with a break of eight weeks between lactations. South Australia produced over half of its milk for the manufacturing sector. States, other than Victoria and Tasmania, produce milk year round engaging in supplementary feeding and, in WA’s case, relying almost entirely on irrigated pastures. Just as there were quite efficient areas and highly capitalised and profitable producers in the market milk states, there were also off-shoots such as the Atherton Tablelands in far Northern Queensland, which I had assumed had some locational market protection from the juxtaposition of the large Cairns and Townsville population centres. The Northern Territory and the Ord River Irrigation Area in WA also had some dairy farms, but these did not survive. Even in the manufacturing milk States and regions, there were large variations in prices paid; the information available to me showed that farmers in the SE corner of SA were paid the lowest of any for manufacturing milk. The challenge for the States, where milk was mainly produced on a year round basis for the fresh milk market, was how to set prices for the lower production periods, generally in winter. However, NSW had also instituted incentives to produce above quota milk to try to keep competitive and to boost its manufacturing sector. Nothing was straightforward in the dairy industry and qualifications accompanied every generalisation.

Due to the arrangements established by the market milk States to distinguish between milk directed to the fresh milk market from the manufactured market to protect their producers and guarantee year round fresh milk supplies, producers for manufactured product received much less than their more fortunate counterparts. This was particularly the case in Victoria where there was price discrimination on the basis of end use, that is, domestic versus export markets, where Victorian producers had most of their production exposed to very low prices. The various measures in each State were convoluted and highly regulatory. Even in Victoria, where the domestic market was such a small part of overall production, the Victorian Dairy Industry Authority (VDIA) was setting prices for 331 products (many were brands) on the domestic market. I had no Constitutional power to do anything about this or any of the plethora of regulations that were in place for domestic milk production in the States. Apparently, dairy farmers believed in free markets and free trade and relished regulation at the same time. If the States and producers were happy with their whole or market milk arrangements, then so be it.

Dairy farmers in NSW and Queensland were inclined to argue that Victoria was ‘over-producing’. Victorian producers saw it otherwise. At the time, NSW had three pricing systems, quotas and controlled entry; Victoria had one pricing system, quotas and free entry; Queensland an entitlement system; SA equalisation within regions; and WA and Tasmania had farm quotas. Queensland, SA and WA also had three pricing systems or prices. However, in 1983 the net income per farmer, State by State, did not vary as much as could be expected due to improvements in efficiency and the reality of the highest cost producers exiting the industry.

After World War 2, NSW had introduced a zonal system to resolve some of the very difficult conditions at the time, giving stability to producers within the closer-to-city milk zone, with distant producers being more dependent on subsidies to survive as they produced a greater proportion for manufactured product (mainly on the NSW north coast and far south coast). Rationally, producers on the far north coast of NSW should have had access to the Brisbane whole milk market. However, the zonal system in NSW in the early 1980s clearly discriminated against some of its own producers, with the more distant producers of manufactured product receiving far less per litre compared to those in the zone. Producers were always keen to get
access to the Milk Zone. One NSW Minister, Don Day (ALP), worked assiduously to move his North Coast constituent dairy farmers into it once refrigerated transport systems improved.

In 1982-3 NSW producers were receiving 30c a litre for 61% of their production and 16c a litre for the balance. Victorian producers were receiving 16c a litre for 88% of their production and 28c a litre for the balance. This meant NSW was receiving 24.54c a litre for an average litre sold and Victoria 17.08c, but NSW had a higher cost of production in many producing areas, due to the need to produce year round. As recently as 1999-2000, NSW, Queensland and WA still had between 43% and 46% of their total milk production being sold as market milk, with Victoria and Tasmania having only 6% and 8% respectively. Putting averages aside, in my time, the farm gate price ranged from 11c to 30c a litre. Victoria’s concern in the early 1980s was accentuated by projections that the world market price for manufactured products would decline further but that prices on the domestic market could more than hold their own. The exchange rate was rapidly rising in 1983 before the decision was taken in December of that year to float the dollar.

Further, with guaranteed access to the EEC at high prices for some of its product, New Zealand was looking for new markets. New Zealand had a product based approach to differentiated manufactured products (something like 67 products), not a commodity approach based on the eight prescribed products only, which Australia had at the time. Victorian producers were enviously looking north to the NSW domestic market. When they did sell fresh milk into NSW, the price was dropped 4c a litre by the NSW Dairy Industry Authority. At the same time both NSW and Queensland were happily importing large tonnages of butter from Victoria. However, NSW was still examining ways to maintain if not increase its production of manufactured products to sustain their manufacturing firms in the 1980s.

The Victorians were particularly aware of the reality of the Australian Constitution, which legally holds that trade between the States shall be free. The industry was in, or held to be in ‘crisis’, and Victorian producers knew that that they had the Constitution on their side.

The institutional arrangements of the industry were the protected market milk arrangements with Dairy Industry Authorities and Corporations in all States and the ADC, which regulated export sales and administered the support arrangements in place for manufacturers on the export market. These arrangements by the ADC were mainly pooling, equalisation and underwriting as well as selective one-off payments. There were two national dairy industry organisations as well as State based producer organisations. These were the Australian Dairy Farmers Federation (ADFF) and the Australian Dairy Industry Conference (ADIC), the latter of which included manufacturers/processors. Both organisations found it hard, if not impossible, to agree on change in national marketing arrangements. Major manufacturers and producer co-operatives had power over their suppliers and some manufacturing firms were vertically integrating.

**Commonwealth Institutional Marketing Arrangements**

I will now explain the existing institutional mechanisms which were designed to try to stabilise production and increase returns to producers of manufacturing milk, all administered by the ADC for manufactured products. Firstly, there was the Stabilisation Levy, which was effectively an equalisation scheme utilising a levy on prescribed or leviable products. Although directed to exported product, the working of the levy allowed domestic prices to be above export returns for prescribed products, they being butter and butter oil, cheddar and gouda
cheese, skim milk powder, whole-milk powder and casein. The levy was equal to the difference between the estimated average (or assessed) export price (AEP) and target domestic prices. Levy funds so based were then distributed over total sales so as to equalise returns for domestic and export markets.

Under these arrangements, the levy encouraged export sales unless a premium at least as great as the levy could be derived from domestic sales of the prescribed products. To support domestic prices of major dairy products, the levy amount added to the AEP of each product gave a domestic value for levy purposes, which acted to underpin domestic market prices. All export sales were pooled, separately for each product group, at minimum export (permit) prices determined by the ADC. This encouraged, through the DVLPs, domestic prices to be set at a premium above average export prices rather than marginal export prices. The ADC exercised general export control powers over shipments of dairy products. These powers included the issue of Certificates of Authority to export, the setting of average returns to pool, the promotion of dairy products, and the setting of quantitative controls on exports to particular countries, as were determined from time to time.

In addition, under the equalisation arrangements in existence since 1977-78, the amount of levy on domestic sales of prescribed products was distributed by the ADC as a stabilisation payment on all production of the prescribed product, whether sold in Australia or abroad. Equalisation further raised marginal (that is, export) returns and so added to the obscuring of marginal returns to farmers. Finally, there was an underwriting arrangement whereby the equalised prices of prescribed products were prevented from falling below the pre-determined underwritten levels. This involved a contingent liability for the Commonwealth Government/taxpayers to pick up the balance. In a way, the underwriting arrangements had an operational relationship with all three of the institutional devices applying in the manufacturing sector.

It took me a while to get my mind around the institutional mechanisms in place and how they interlocked with each other. Understandably, most dairy farmers in the market milk States only had the vaguest idea of how the system worked. The DVLP mechanism worked perversely. If the problem was over-production in the manufacturing sector and the DVLP was raised, then more production was encouraged, but with a lag. If production was cut for manufacturing export, then the DVLP was of more value to exporters and thereby milk producers. I did not find many farmers who understood this or understood the way some manufacturers could exploit the pool or take advantage of the implicit cross-subsidy and not produce the highest value products. The whole system had been, basically, designed at a time when we had more assured markets in the United Kingdom. This may have been the reason changes were so thoroughly resisted. As well, farmers would always back their industry leaders in pushing their State based or regional cause, as would State ministers.

It was only the arrangements in the manufacturing sector, together with varying levels of State regulation, which held the industry into the arrangements that had developed over many years with some level of unanimity. However, the co-operatives in Victoria were becoming larger and becoming a more potent force. Three manufacturers in NSW were dominating the production of manufactured products but were increasingly facing strong competition from Victoria. If anything, in the 1970s, NSW was still keen to increase production to bolster its manufacturing sector. The situation I faced was that Australian production had risen from 5.2 billion litres in 1980-81 to close to 6 billion litres in 1984-85 with a falling export market. As I said earlier, this was due to the previous government having increased the minimum support level that is the DVLPs by around 20% in the two year period from July 1980 to July 1982.
Quite simply, the arrangements introduced in 1977 were inequitable and inefficient, served to stimulate over-production and resulted from dairy industry pressure. In rejecting the pressure to increase the DVLPs in 1983, I believed a limit had been reached and that an increase would not help in the long term. In addition, because of the high level of stocks being carried, any short term benefit would be delayed in any case.

To the extent that the industry was agreed, there was a constant call for an Entitlements Scheme to be introduced, in other words, that existing dairy farmers each be given a production entitlement of so many litres. I believed that this would imprison the industry into existing arrangements and that there was a chance that entitlements would capitalise and create another level of regulation without assisting the industry in the long term, while it would have accelerated the continuing stream of exits. There was also an ongoing debate about demands to proclaim the unproclaimed legislation of 1977. This was to be used as a last resort, by placing a very high levy on the industry if a trade war eventuated from cross border sales of fresh milk. The threat of the Commonwealth Government Proclamation could have worked, but I was sure that there would have been a successful High Court challenge against it.

Various estimates of consumer transfer had been made and one figure I can remember was that it accounted for about 28% of the gross value of milk production. The premiums for market milk allowed less efficient producers to operate and there was a dead weight loss on export markets. By 1984-85 the nominal and effective rates of protection were 75% and 250% for market milk and 33.9% and 90.9 % for milk going to manufacturing, according to the IAC. I confess that I wasn’t all that concerned by the figures themselves so much as the inequities and inefficiencies that were evident in the industry. There was clearly a very strong political imperative to find a better marketing structure as well as to try to bring some political peace to the industry by achieving a more equal return for milk produced per producer.

**The Position in 1983**

By 1983 our dairy industry was facing a disastrous situation on world markets at a time when production was rising again. In the ten years to 1981 the industry had lost 17,000 producers and production had dropped from 7.2 to 5.2 billion litres annually by 1980-81. This year and the next were the nadir of production for the last quarter of the twentieth century. However, by 1983, production had risen again to 6.6 billion litres. But world dairy markets were corrupted by the policies of the EEC and the US. The EEC was holding over one million tonnes of dairy stocks due to agricultural production subsidies of $20 billion annually and was, additionally, spending $5 billion annually on export subsidies. Production subsidies of $40 billion annually also resulted in the US also holding over one million tonnes of dairy stocks, and it was also spending $5 billion annually on export subsidies. It was the time of ‘milk lakes’ and ‘butter mountains’. The EEC was exporting cheese to our domestic market with an export subsidy of $1,000 a tonne. We did not have the resources to compete against the EEC and US on the world markets.

**The Cheese Import Issue and the EEC**

At first the EEC refused to agree to limit its subsidised cheese exports to Australia. I raised the issue with the EEC on my first visit to Brussels in May 1983. In November 1983, following the investigation of a subsidy/countervailing duty complaint by the Australian industry, it gave a formal undertaking, which the Commonwealth supported, that prices of EEC cheeses would not be at a level to disturb the normal level of trade between the EEC and Australia. Negotiations resulted in some imports being bound at zero duty (mainly camembert), the bulk
being dutiable but with some non-undertaking cheeses in small quantities being allowed entry, such as parmesan, fetta, hard grating and kasseri. In late January 1985, Prime Minister Hawke and I visited Brussels to meet the new President of the EEC Commission, Jacque Delors, and key EEC Commissioners. In five meetings with Commissioners and officials, we again stressed our dissatisfaction with the EEC's continuing breach of the International Dairy Arrangement and its unsatisfactory action on undertakings concerning cheese exports to Australia (it was the cheeses in the non-undertaking area, which were increasing the fastest). We advised that we had the question of cheese imports again under close consideration, and that we would always live up to our Multilateral Trade Negotiation and international obligations, but also take action to protect our industry against competition distorted by subsidies.

As the industry adjusted to the loss of butter and cheese sales to the EEC, it had been diversifying and diverting production more to cheese and whole milk powder exports. It did not want to lose the new markets gained to the highly subsidised exports of the EEC, nor lose market share in the domestic market (in 1984-85 Australia exported 66,616 tonnes of cheese and 36,217 tonnes of whole milk powder, this being a large increase on previous years).

I often wondered if the EEC thought that they were mainly only exporting specialty cheeses to Australia, given that we were then producing very few. However, this never arose in discussions and I was not prepared to raise the qualification as compared to arguing the essential principle of freer/fairer trade. In these talks some agreement was finally reached on a tariff quota regime to be put in place so that trade could have some semblance of fairness. However, in May 1986 the EEC increased the level of export subsidies by 135% to 180% on some cheese varieties (another 50c to 80c a kilo at retail equivalent). This caused another flurry of negotiations to successfully hold the EEC to its earlier undertaking and to ensure that it complied with the most recently negotiated tariff quota arrangement. Trade Minister John Dawkins and I had to take up the cudgels once again. It was during these negotiations that I got the strong impression that the British 'eurocrats' we were dealing with in Brussels were still treating us as colonial 'hicks'. Perhaps they could remember the days when we only exported cheddar to the UK? They were very patronising but certainly spoke English with better accents than we did!

**Dealing with the Crisis**

All parties were waiting for an IAC Report into the industry before the Government and I could review its marketing and subsidy arrangements in an overall sense, prior to any submission to Cabinet. I announced the continuation of underwriting in 1983, but decided not to increase the DVLPs, which implied that the Stabilisation Levy would have had to rise as export returns declined. It was the increase in DVLPs by the previous Government that had led to the increased production. Increasing the DVLP for a handful of bulk dairy commodities, debatably, ensured that the least remunerative markets were being pursued. My decision was not popular, nor was I when I reminded the industry of the unavoidable fact that the only way to gain real increases in income was higher prices on the export market as well as increased efficiency in marketing arrangements, product diversification and on-farm productivity increases.

The manufacturing part of the industry thought it would be easier to increase domestic prices by lifting the DVLPs. However, the proportion of production being sent to export exceeded domestic sales to such an extent, that the cross-subsidy from consumers for the manufactured products to bolster the export price, was no longer sufficiently large. Domestic prices for manufactured products would have had to rise dramatically and would have only staved off
necessary reform or alternative industry marketing arrangements. Further, if domestic prices rose, our market would have been subject to more import competition - and the very efficient New Zealand dairy industry was lurking close by. There was no quick, easy way out. We had to work on both internal and external marketing arrangements and the industry had to diversify its products.

‘Negotiations’

On 16 June 1983 I addressed dairy farm suppliers to Unigate, their manufacturer, at Poowong in the Gippsland area of Victoria. I gave the gathering a well researched analysis of the challenge we faced with respect to world dairy stocks. At the time the EEC was holding 473,000 tonnes of butter and 788,000 tonnes of skim milk powder, and the US 197,000 tonnes of butter and 547,000 tonnes of skim milk powder. This amounted to nine times Australia’s total production of butter and eighteen times our production of skim milk powder. It also amounted to 100% of world trade in butter, 150% of world trade in skim milk powder and over 40% of the world trade in cheese, and our stocks were rising. I felt that my audience thought that I was using this as an excuse. The farmers present wanted me to ‘do something’, as ever; and I was becoming aware that the dairy farmers in the Gippsland were far more strident than in other parts of Victoria.

The IAC Report I was given in late 1983, which had been requested by my predecessor, Peter Nixon, in November 1982, recommended a somewhat economically driven solution to the industry’s problems (as could be expected). It recommended: that the present levy/disbursement system for manufactured dairy products be terminated as from 1 July 1984; the continuation of export pooling for currently leviable products and underwriting to be reduced from 95% to 85% of gross export pool plus domestic returns; the pooling of export returns of dairy products which are currently leviable be continued; a uniform export subsidy of 20% of the bulk export ex-factory price of all dairy products be introduced as from 1 July 1984 (the subsidy to be derived from a levy on all milk received for manufacturing and processing as from 1 July 1984); the formula for underwritten returns be specified in the relevant legislation; the repeal of the two existing dairy Acts; and assistance be reviewed three years after the Government’s decision.

As Minister, I was required to respond to the report and by this time I was well aware of growing demands for government regulatory changes and/or intervention by many industry players. I personally supported the thrust of the Report, but I now had to canvass it with industry to assess the likelihood of its acceptance or rejection, because I judged elements of the industry would like some recommendations and others would not. I could not see State governments supporting it.

On 20 December 1984 I met with the ADC and ADIC to discuss their request for an increase in domestic prices. In January and February, I had intensive discussions on the IAC report with departmental officials. I had with me the BAE’s submission to the IAC, which I always found gave me a continuing understanding of the circumstances of the industry and the regulations applying to it, as well as good economic data on the state of the industry.

Victoria was the centre of action, protests and concern in the dairy industry. Bill Pyle, President of the UDV, was by far the most passionate supporter of his industry, but he was a realist, understood the industry’s marketing arrangements and knew that the world market situation was the major problem. A lively correspondence had grown between us since I had become Shadow Minister. He could see no way as a Victorian that he could ever achieve any
national consensus and this is why he thought that the Commonwealth must take the lead. Bill and his executive acknowledged that I had addressed the UDV’s annual conference in 1981. They further acknowledged our discussions in 1982 when we had discussed the policy paper on the ‘Administration of the Australian Dairy Industry’, which Julienne McKay and I had prepared. This paper had also been discussed with other dairy groups.

The UDV had made a submission to the latest IAC reference, which had indicated a potential for significant economic gains from modifications to the present arrangements. The Department, the BAE, my staff and I were examining these. On 1 June 1983 I again addressed the UDV’s annual conference in Warrnambool setting out the development of my thinking. By this time, we were also in discussions with EEC officials in Canberra, following my visit to the EEC in May, about cheese imports. The EEC was also dumping dairy products into the Middle East and Japanese markets. As already noted, the Commonwealth and the industry were preparing to take a countervailing duty action. It quickly became apparent that the UDV was divided within on the IAC’s recommendations.

I met with the Executive Council of the Market Milk Producers Council (MMPC) on 28 March 1984, the President of which was Pat Rowley. The NSW Dairy Farmers Association had forwarded me a comprehensive submission, which also formed part of the basis for the Council’s submission. The nub of the view of the Council was that the IAC had over-stated the premium for market milk (the MMPC’s estimate was only 1-2 cents a litre compared with the IAC’s 4.5-6.5 cents) and that at this low level, and if the unproclaimed legislation was repealed, all hell would be let loose. When I raised the question of a levy on all milk, the MMPC agreed, if an entitlements scheme was also implemented. The Standing Council for Agriculture (SCA),

Pryor cartoon 9 April 1985 illustrating dairy farmer angst at government’s plans for milk marketing reform.
that is the key officials in the nine governments, who reported to their ministers and the Australian Agricultural Council (AAC), was due to meet on 13 April. I agreed to ensure that the MMPC’s views would be debated.

At its July meeting the SCA recommended to ministers that a Market Milk Committee be established and that the BAE be asked to provide evidence of the possible savings from the rational sourcing of market milk. Ministers agreed and on 17 December the BAE presented its findings in a working paper for industry discussion. The paper stated that if deregulation was to occur, then the transfer from producers to consumers would be of the order of $365m a year with a social gain for the overall economy of $116m per year. The rational sourcing of milk component of this amounted to $60m a year. The BAE stated that any preferred option would be a political judgment. I concurred with its observation! I did not think I would have much hope of talking the industry out of $365m per annum.

A Commonwealth Inter-Departmental Committee (IDC) of five relevant Commonwealth government departments submitted its findings on the dairy industry’s marketing arrangements on 23 July 1984. The IDC was united in its recommendations, except for the repeal of the unproclaimed legislation and an entitlements scheme. Only DPI was opposed, on the basis of tactics, to the first matter and considered that we should not close the door on the second, if certain key characteristics could be enforced. I agreed with my Department on the first matter, not the second. IDC reports are an excellent way of finding out where sources of dispute and support may arise in Cabinet discussions, assuming Cabinet ministers act rationally and follow their briefs. Following the IDC’s report, I took a submission to Cabinet to seek approval for broad negotiating parameters. The Cabinet was of the view that we could no longer simply adapt existing arrangements, many of which did little to increase industry efficiency or even acted to trap the industry into inadequate existing arrangements.

On 5 December, the Department sent me a very sensible proposal following their consideration of industry and governmental responses to the IAC Report and the industry situation. I gave the submission consideration but the need for ongoing negotiations to secure some industry agreement meant that the options in it were to go into the mix, rather than forming a final proposal. The ADIC was also working on and refining its plan for the industry. It pointed out that an entirely free market situation for dairy produce in Australia would result in much lost revenue for the industry as a whole. Again, I concurred with this proposition.

Production legislation is the prerogative of the States. To change the situation in the Australian dairy industry requires State cooperation, except for changes for export mechanisms, changes to the ADC and for any changes to Commonwealth Government funding, regulations and research arrangements. After a few perambulations around the traps, I opened discussions with State agricultural ministers at meetings of the AAC where the dairy industry was to be the main agenda item on six occasions. Meetings of officials prior to Council meetings had seen an acknowledgment of the fact that changes needed to be made, or otherwise there would be a price war at the NSW/Victorian border and perhaps at the NSW/Queensland borders, but in effect within the larger domestic Sydney and Brisbane whole milk markets. However, being professional, officials had to bend to the wishes of their political masters and brief them on the basis of arguments for and against.

The ADFF and all State and Territory ministers opposed change, and the IAC’s recommendations in more or less degree. NSW and Queensland led the charge. Jack Hallam from NSW was a personal friend, but a New South Welshman first and foremost and concerned to protect his industry. Hallam’s view was also shared by Queensland’s National
Party ministers. It is fair to say that both Jack Hallam and Neil Turner, from Queensland, were prepared to be cooperative but were concerned by hostile industry reactions and electoral costs. Dave Evans from WA was a very fair-minded, agriculturally informed man who thought his very efficient industry could weather change and that his borders were far enough away to repel Victorian attack. Being the last settled of the states, WA did and does not have the small farm size problem to the extent of the eastern states. The SA Ministers were also open minded and one I mainly dealt with, Frank Blevins, a former seaman, was particularly honest and could see the problems in the Australian dairy industry overall and understood the anomalies in his own State.

The reticence, if not refusal, of State ministers to change was driven by awareness of the likely political cost, concern about loss of regional jobs, local industry pressure and perhaps by comfort in the certainty of the domestic institutional structures that they had in place. The States also carried out milk quality testing and wholesale distribution where there was a strong vendor lobby, selling door to door. The Australian Agricultural Council (AAC) could never agree on what to do about the overall situation in the industry. Most ministers also had an implicit faith in orderly marketing, with most being philosophically committed to long held policy.

I then set out on some one-on-one discussions (I’d hardly call them negotiations) with State counterparts, firstly trying to convince Victoria that their relative production was so large that if they did invade the NSW market, and even if banning regulations were not erected and court cases not mounted, and if they took up to 20% of the NSW market, the average Victorian producer would gain little. A ministerial brief available to me on Interstate Trade of Market Milk, estimated the possible gain as less than a little over two cents a litre. However, there was an agreement that if some more equity could be introduced into the arrangements, milk for manufacturing purposes may be able to move more freely across the border. This took a while to sink in. I was also promulgating this argument with the UDV Executive and State dairy farm organisations.

In all, I had over 55 meetings with industry at various levels of organisation. I had six meetings with State agriculture ministers outside of the AAC. I also talked to the ADC and its officers. My departmental officers and the BAE provided me with a steady stream of analyses, papers, reports and advice. My by then Principal Private Secretary, Julienne McKay, seemed to work on nothing else, the demands to process and analyse material were so great.

Eric Kent, the Victorian Minister, was a delight to deal with as he could see that I could be a friend, even if I did not share his more ‘principled’ views on the desirable nature of collective or socialised agricultural production. Eric could see that what I was proposing in general terms was in the interests of Victoria’s dairy farmers and courageously quietly supported me against the wishes of most Victorian dairy farmers. These massively mistrusted me, not only on the understandable account of the concern they felt for their situation, but because they were being stirred to action by my political opponents. Eric’s successor, Evan Walker, was also very astute and always helpful. I was at least able to convince Victorian farmers and ministers that New Zealand actually existed, and existed as a very enterprising competitor, with its very efficient and more sophisticated industry and that, since the signing of the CER in 1983, the threat posed by its products entering Australian markets was real.

There were many steps on the way before I submitted the agreed Cabinet proposal for changes to dairy marketing arrangements to the Parliament. I will only touch on some of them. In May 1984, I had a meeting with the ADIC at which it had pushed strongly for an entitlements
scheme, which I had to again say I opposed. At a meeting with the ADIC on 8 August 1984, following a failure to reach overall agreement at the latest AAC meeting, I advised it had been agreed that a Market Milk Committee be established to develop arrangements for market milk to be progressively sourced in a more economically efficient way, irrespective of State borders, and that the unproclaimed legislation remain that way. I then canvassed the proposal that a levy of approximately two cents a litre apply to all milk to build export returns to a target level of 120% of real average export prices for the three preceding years. Further, I proposed that butter and cheese be given additional domestic price support; that underwriting would continue; and that allowances would cease. I requested that ADIC come back to me with a response but that I needed to be convinced any scheme it put forward be agreed by industry.

On 27 September 1984 I called a special meeting of the AAC, following its most recent meeting in Townsville, where the New Zealand Minister, Colin Moyle, was present. By this time the Commonwealth had before us an agreed submission by the ADIC. John Bennett from Tasmania, Chairman of the Conference, assured us it was an agreed proposal. Because the proposals cut across the responsibilities of the Commonwealth and State governments, we, as a Council, had to agree to what we could put before our cabinets. The ADIC proposed a six year plan designed to try to create over the first three years “an environment conducive to substantial deregulation and a reduction in assistance over the second three years”. Again the ADIC proposed an entitlements scheme based on the production over the three years until 1983-84 with the States to administer it. The IDC informed me that an entitlements scheme was highly unlikely to be agreed in Cabinet and, as I have demonstrated, I was personally opposed to it in any case.

I informed the ministers that if they agreed to the ADIC proposal, I was prepared to put it to the Cabinet, mainly because it had industry support and even though I had doubts about its acceptance. The submission also proposed a higher than two cents a litre levy to begin from 1 November 1984. If adopted, the overall proposal would have buffered the industry from the pain of restructuring. The meeting was by far the best for me in terms of all ministers expressing their views on the matters before us from a technical, implementation, costs and political point of view. But we failed to reach agreement, so pressure was put back onto the industry and me.

By November 1984, I had reached some agreement with both the Australian Dairy Farmers’ Federation (ADFF) and the Australian Dairy Industry Council but this, again, was rejected by the AAC. This meant I had to go back and negotiate with the States. On 28 February 1985 I met with the Agricultural Ministers from Victoria, NSW and South Australia to discuss the situation. The Queensland Minister, Neil Turner, was not able to be involved in the discussions. The meeting was prompted by the threat from a handful of militants in Victoria who had threatened blockades and other actions that could disrupt or breakdown the states’ orderly marketing arrangements for whole milk. It was apparent that the NSW and SA were prepared to counter any action by the Victorians.

Inconveniently (as ever where policy development is concerned), a General Election was held on 1 December 1984. For my sins, Prime Minister Hawke re-appointed me to the portfolio following the ALP’s narrow win.

In early February 1985 the Victorian Government canvassed the proposition that the Commonwealth take action to increase the farm gate return on manufacturing milk by two

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60 Ian Tuxworth, Primary Industry Minister from the Northern Territory was unable to attend.
cents a litre (Victoria had increased the market milk price by two cents a litre). The ADFF also requested an immediate 22% increase in DVLPs, closure of current pools on 31 January 1985, with new pools to operate until 30 June 1985, and underwriting of $4.00 per kilo to the new pools, limited to 90% of each farmer’s February to June production. The problem with ADFF’s request was that the spread of seasonal production (70%) had occurred by 1 February and the varying stockholdings of manufacturers meant that manufacturers with low stocks would be adversely affected. Further, the ADC had calculated that a 17% increase in the DVLPs would increase gross pool returns for 1984-85 by 0.38 cents/litre, of which 0.4 cents would go to underwriting and that, due to high stocks overall, any benefit would take a long time to come through.

Victoria’s Premier, John Cain, intervened and it became apparent that agreement may be able to be reached on the central elements of the ADIC plan of November, which had followed five failed meetings of the AAC to reach agreement. On the 20 February 1985 Premier Wran of NSW telexed Premier Cain basically stating that his Government would support the ADIC plan including entitlements and an all milk levy of no more than two cents a litre to provide up to 140% support for manufactured product, but that this was dependent on Victoria staying out of NSW’s market. On 28 February, State Ministers for Agriculture and Premier Cain patched together an agreement, which had as its central elements a two cent all milk levy, a 5.3 billion litre entitlements scheme and an increase in DVLPs by 17%. The States had agreed to two cents a litre levy and I advised that I would soon take a submission to Cabinet on future marketing arrangements. I took the ADIC/Cain proposal to Cabinet and then to the AAC which again rejected it. I was constantly being caught between the AAC and my own Cabinet on the crucial question of the entitlements scheme.

I thought that I had some level of agreement and on 22 March 1985 I announced what the Commonwealth had in mind: the proposed all milk levy to be set at 1.5 cents a litre in the first year. However, what was agreed by the ADIC was not necessarily agreed by the ADFF. On 29 March 1985 the UDVF rejected outright the latest proposal by the Commonwealth for restructuring of the dairy industry, stating that I had “covertly put the plan together”. My position that we needed to take a longer term view, needed to ensure that we developed a national dairy industry (not one just a cobbled together version of six industries), and that we must harness the implicit efficiency of the industry was not acceptable to all producers.

I always believed that the manufacturing sector could do so much better if some of the plethora of regulations were removed. My approach was seen as too economic and the letter I received from Bill Pyle was vitriolic. His media release of 29 March 1985 stated that I would put one in four dairy farmers out of business as the industry was “demolished and devastated”. Bill also accused me of “dumping him from the ADC Board”. On 6 July 1984 I had re-appointed all the existing Board members, with the exception of Mr Lever-Naylor, to be replaced by John Frearson. Perhaps Bill thought he would have got that position, which was for an independent person?

In various meetings I had also been canvassing with the States the need for adjustment assistance as the majority agreed that production had to come down. The departmental estimate of the production likely to ensue from a 5.3 billion litre entitlement scheme was 5.7 billion litres. At the time it seemed that some of the minor measures to restrict production may work to a degree, but not in the short term. The Opposition accused me of having made a secret deal with New Zealand, which was not only wrong and mischievous, but not helpful in winning any confidence from the industry.
Once what I was intending in broad terms had been announced, I set out to sell in more detail the new measures to dairy farmers in the producing regions. This proved to be a very ‘courageous’ exercise requiring police protection. Members of the Caucus Primary Industry Committee also participated in meetings with dairy farmers, one of whom, Barry Cunningham, Member for McMillan, from Nar Nar Goon in Victoria, was and still is a dairy farmer. Departmental officers were also subject to abuse when they attended meetings at the request of farm organisations. However I did not experience anything like the protests that French, Japanese and South Korean farmers mount when farm policies were changed, but many of these were bad enough. Victorian farmers had been blockading dairy factories and various threats were being made including to and by the ALP Victorian Premier, John Cain. I nearly had a bucket of milk thrown over me in Lismore, NSW, but avoided it by offering my hand to the potential assailant - the person cried in frustration.

While I expected hostile meetings in NSW (one was in Singleton) and Queensland, I didn’t expect them to be so violent in Victoria. I escaped from a meeting in Warragul in early April 1985, but Julienne nearly didn’t, and I recall to this day one redheaded person kicking in the side of the Commonwealth car as the police pushed her inside. A 1985 Easter break with friends in suburban Mooroolbark (Victoria) was disrupted by the arrival of police suggesting I should fear for my life. We had to cancel a meeting, scheduled for 10 April 1985 in Echuca, Victoria, because the police advised they had checked out the hall and told me that they would not be able to protect the public or me without massive police reinforcements. The other States were milder in their protests than the three Eastern States, but I had a tail of plain clothed police with me once the death threats came. Years later when I was opening a new dairy factory in Gippsland in Toora, I noticed the redheaded bloke and asked him during my speech if he was still kicking in cars for fun. He was already too red in the face and neck to see if he blushed.

While the ALP does not have the electoral pressure on it that a National Party Minister has, it took some effort to convince colleagues in dairy farming areas or with dairy farmers and factories in their constituency to understand what I was trying to do and why. My proposals also took a lot of time in Cabinet because I had to find a way to explain the existing complex arrangements in understandable terms and how what I intended would make them better. I ended up drawing diagrams and graphs on paper. To his credit, Prime Minister Hawke quickly grasped what I was proposing and supported me. Neither States rights nor general factional positions entered into the Cabinet discussion.

The essential features of the legislation were that from 1 July 1985 the then current stabilisation and equalisation arrangements were to be replaced with a system of market support for the dairy industry, funded by a levy on all milk production estimated to be 1.27 cents a litre in the following financial year. The reason for the lower than 2.0 cents a litre was to back a 140% level of support well above the level of import parity assessed against New Zealand. I proposed the termination of export pooling and the system of allowances to manufacturers; repeal of the unproclaimed Dairy Industry Assistance Act 1977 and Dairy Industry Levy Act 1977;61 upgrading of the financial and operational capabilities of the ADC and a reduction in other unnecessary regulation constraining the dairy industry. By removing export pooling I was hoping that manufacturers would be more aggressive in diversifying their production. The new arrangements were to be subject to a sunset clause in June 1991 and be

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61The unproclaimed legislation, which imposed a penalising levy if the marketing arrangements broke down, was to be used if the 1977 legislation became unstitched. In other words it acted to ensure compliance with the status quo.
reviewed within four years of their operation. Underwriting was to be continued with export returns only (as recommended by the IAC) at a level of 90% of a three year average of export returns. When I announced the new arrangements on 22 March, I indicated that the Commonwealth was willing to participate in an adjustment assistance programme for the industry up to $40m. This was to be in addition to funds under the Rural Adjustment Scheme and was also to apply to milk factories.

The central mechanism to provide industry support was the imposition of the levy on the milk fat content of relevant dairy produce, whole milk and whole milk products with the maximum levy rate being 45c per kilogram butterfat (less than 2c a litre) being established by regulation by the ADC. The levy was to be paid by the producer of the dairy produce. The objective was to put in place a more efficient, fairer industry, eliminate nearly unanalysable systems of production, regulation and support and replace it with an explicit cross-industry subsidy. While some manufacturing cooperatives understood and knew how to take advantage of the existing complicated arrangements, others did not. Many dairy factory managers benefited from the Innovative Agricultural Marketing Programme, which I introduced, and is discussed in another chapter.

After the six formal meetings of the AAC and two special meetings, the legislation I introduced into the Parliament on 9 May 1985 was not agreed by the States any more than the 1977 legislation had been, when only flawed arrangements had been eventually agreed. It was half agreed in parts, depending which State I was negotiating with. Here I must give credit to the three people in the BAE and Department who were crucial in drawing up the proposals: Eric Thorne and Peter Gray (DPI), and Mike Dalton (BAE), but there were many others, including Deputy Secretary John Gibson. The proposals resembled an option presented in a BAE industry monograph in 1976. My personal staff, particularly Julienne McKay and Tony Gleeson, also worked assiduously on all aspects of the proposals.

The legislation was of course opposed by the Opposition in the House of Representatives, which took its cue from the industry. Every State was also opposed. It was then forwarded to the Senate after passing in the lower house. Success could only be guaranteed by the acceptance of the Democrats; after extensive briefings by my staff and departmental officers, they agreed to do so. However, the key two members of the Executive of the ADFF, John Bennett (Tasmania) and Jim Saunders (Victoria) convinced the Democrats at the last moment to defeat the Bill, which they did on 30 May 1985. The sticking point was the abandonment of export pooling but I was never sure because the Democrats gave me no explanation. The only thing I heard was that I had not consulted enough with the industry; would another five consultations on top of the over 70 have helped? Perhaps disillusioned, after working so hard, Julienne left my employ not long after.

The decision by the Democrats meant that it was a case of going back to the drawing board. I issued a statement from London the next day saying that the dairy industry had been forced to struggle on with its handicaps intact. Calculations available to me showed dairy farmers were now likely to receive $2 a kg butterfat as the opening price in the new season compared to the $2.50 they could have received. On 28 June I increased the DVLPS, which allowed some

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upturn due to better returns on export markets for 1985-86 and due to movements in the $A. The same factors allowed me to increase the interim Stabilisation Payments for the coming financial year. Existing legislation also allowed me to change the underwriting level to 90% of a three year average return as was envisaged in the rejected package.

Following the failure of the six reforming Bills to pass in the Senate, the Australian Dairy Industry Conference (ADIC) sought Commonwealth Government support for its own plan. I had left the door open. In mid-1985, Pat Rowley\(^64\) from Queensland became the Chairman of the ADFF and also the ADIC. To his enormous credit he took a leadership position in the industry and started to mobilise support relying on the intent and mechanisms in the original legislation, but trying to meet the conflicting demands and objections of the States and industry. On 19 September I met again with the ADIC Executive. I had gone back to the Cabinet and as a result had to tell them bluntly that the Government was not prepared to accept entitlements, but that it did not rule out voluntary arrangements between the States if this could be arranged. The nub of the ADIC’s opposition was that by using the price mechanism to bring down production, this would cause adjustment at the factory level, resulting in groups of farmers being forced out indiscriminately. It was said that co-ops would not vertically integrate but pay producers until they, the co-ops, became bankrupt. ADIC also wanted a dual levy system, stating that if this was agreed they would drop their opposition to export pooling. Although complex, the dual levy approach was put in place. It involved a levy of 2c a litre with 1.5c a litre redistributed to ‘preferred’ production of manufacturing milk, some of the 2c to go to a special market support system and 8c a litre levy in the first year on some complex formula that I did not understand.

I was presented with two pages of details, as well as a new package, which incorporated most of the arrangements in the original rejected bills, but with modifications, and also incorporated a production restraint device. I left the meeting advising that I would report back to the Cabinet to see if it was disposed to accept a dual levy system, if industry could be agreed by 30 November 1985 and that we may be prepared to assist with the implementation of this plan if it was shown to have industry and State government support. Eric Thorn, Noel Fitzpatrick and Roger Hind from DPI stayed behind to flesh out the details of what was being put forward. One of the modifications was for ADIC to be the body to be consulted by the ADC on its general activities and that the ADIC be expanded to include a representative of the market milk sector and a representative of employees in the industry. Further, it was required that ADIC be consulted by the ADC when planning its strategy for the operations for the forthcoming year and the years ahead, with the annual report also being presented to a meeting of the ADIC at large.

On 2 October I issued a Media Release to inform the industry of progress and what the Government’s view was. I was still engaging in some discussions and ‘politicking’ with the industry, the States and regularly briefing the Government’s Primary Industry Caucus Committee.

The BAE analysed the ADIC submission, labelling it a rolling entitlements scheme, which would only encourage rent-seeking at both State and producer level and that it would lead to a privileged group of producers. Subsequently, and unsurprisingly, the Chair of the ADIC

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\(^64\)Pat Rowley was State President of the Queensland Dairymen’s Organisation 1977, a Board Member of the ADC, 1978-86, Chair of the Australian Dairy Research Committee, 1978-84, and Chair of the Australian Dairy Herd Improvement Scheme from 1985.
reported to me that there was insufficient support in the industry for the plan to proceed. Within the existing framework of legislation I was able to discontinue the system of allowances from 1 July 1985, but the need for reform remained.

On 29 November 1985 ADIC advised that it could not get broad industry support for the so-called ‘Rowley Plan’. As a result I said that I would continue to put proposals before the industry by the end of January and that these would include reform of the ADC in keeping with the reforms I was introducing for Statutory Marketing Authorities (SMAs). I announced that the ADIC would be seen as the industry’s Policy Council. Pat Rowley and I began to have some private telephone conversations regarding what freedom both of us had to move in addressing the problem from the point of view of our respective ‘bosses’.

On 22 January I met with dairy industry leaders, basically to see where we had got to. This gave me the chance to emphasise that the Government wanted the biggest dairy industry that was viable and that there were still concerns about the industry’s internal cost structures.

On 29 January 1986 I announced the changes I was going to make to the SMAs in my annual speech to the BAE’s Outlook Conference. I followed this up with a statement on the ADC’s structure, which seemed to be accepted.

Gradually, together with Pat Rowley and the ADIC, I hammered out an acceptable package that could be put before Cabinet. However, it was Pat Rowley who made the difference by securing the agreement of industry to the 1986 Bills when presented to the Parliament in May, two days less than a year before. It was he who christened the arrangements the ‘Kerin Plan’, so that I would always live in infamy? I announced what had been agreed by Cabinet to commence from 1 July 1986 on 25 February. Formal agreement with the ADIC and the Presidents of the NSW and Victorian dairy producer organisations was achieved on 20 March 1986.

The arrangements were:

- the cessation of export pooling so that exporters become more market responsive;
- the replacement of the then current stabilisation arrangements so that a more uniform level of assistance be provided to all products;
- the market support arrangements be financed ‘in a less distorting way’, by a levy on all milk production;
- the progressive reduction in domestic price support to a level no higher than the price level at which New Zealand dairy products could be sold on a free trade basis;
- the continuation of measures to protect the industry from unfair import competition (anti-dumping and countervailing measures) with a promise by the Commonwealth to take other measures if these proved to be inadequate;
- reform of the ADC to enhance its effectiveness;
- financial assistance to be made available for specific purposes for adjustment, for marketing innovation, for research and for dairy product underwriting;
- an arrangement to be negotiated with the States so that they only matched part of the Commonwealth’s $40m for adjustment in respect of ‘carry on’ assistance;
- the dairy industry be specifically invited to take advantage of a $25m special fund for new marketing activities (which they did!); and
- an increase in the operative rate of research levy, at the request of the industry.
I will not describe all the details of the mechanisms but the Bills passed the Senate with only a minimum of whingeing and whining from the National Party and with the consent of the ever virtuous Democrats. Pat Rowley and his Executive and their lobbying had made the difference. The regulations for the new structure were announced by me on 8 July 1986.

There were other aspects to the actions being taken. Because NSW farmers would in practice be subsidising Victorian farmers, a ‘comfort clause’ had to be negotiated such that if any ‘rebel’ Victorian milk crossed the border, NSW had the right to stop its distribution. Further, with the final clauses to the CER being negotiated, Trade Minister, Michael Duffy, and I had to give assurances to both the New Zealand and the Australian industry and work out ways and means of keeping our industries honest. We did not think the Navy or RAAF need be involved. At various stages both Prime Ministers became marginally involved in the negotiations as well as other ministers in both cabinets. The Australian industry was unrelenting in its efforts to ensure that no loopholes existed, to put it mildly.

I also, eventually, negotiated a tariff-quota on cheese that managed to appease all parties including the EEC. All this took a lot of time. The cross-Tasman issue was ultimately only resolved by the ADC and its NZ equivalent establishing a working, open-book relationship. The main product crossing the Tasman Sea was cheese but imports never ‘got out of control’, whatever that meant. The support level was designed to equalise the prices received for sales of dairy products on the domestic and export market at the equivalent of import parity, but this did not happen. The BAE surveys and their analysis now concentrated on monitoring the impact of the new arrangements and the effects of this on the income of milk producers.

The rest of 1986 was relatively quiet on the domestic dairy front.

**An Outbreak of War**

There was still a concern about cross border trade in milk. Midland Milk Pty Ltd from Victoria had started to sell whole milk to Jewel Food Stores in NSW. Midland was also buying milk from NSW producers. In February 1985 Midland had requested that the Victorian Dairy Industry Authority declare a special price of 30.92c a litre for interstate trade to NSW. This happened and the NSW Dairy Corporation (NSWDC) imposed licensing and testing requirements forcing Midland to withdraw from the Sydney, Wollongong and Central Coast trade and its traditional NSW supply area in the NSW Murray River region. Industrial action by the Transport Workers Union and blockades of the factory by dairy farmers also interfered in Midland’s activities. Midland had secured 1% of the NSW market.

Midland took the NSW Dairy Corporation to the NSW Supreme Court and had a ruling in their favour; Victorian milk could be legally sold in NSW. The new scheme from 1 July 1986 was designed to prevent an interstate trade war from unfolding. In April 1987, Jack Hallam requested that I suspend the market support levy under the ‘comfort clause’. I wrote to all members of the AAC and on 1 May 1987 agreement was reached with VDIA giving notice that it would terminate Midland’s contract to sell milk to NSW. The ‘comfort clause’ worked.

Victoria at this stage was producing four times as much milk as NSW and receiving 9c a litre less. Modelling of the new arrangement showed that Victoria and Tasmania gained at the expense of all other States: NSW’s total industry Farm Cash Operating Surplus was expected to drop from $67m to $59m. Victoria gained more at the time also due to the rise in export prices and lower Australian dollar.
Ongoing Trade Matters

On 15-16 October 1986 the EEC Council of the EEC Commission announced a new series of measures relating to the rising surplus of dairy stocks. The thrust of the new proposals was to reinforce the operation of quotas and make intervention more flexible and market oriented. Stocks of butter were now projected to reach 2m tonnes by the end of 1986 and that of Skim Milk Powder (SMP) to reach 1.2 m tonnes. The Commission offered 50,000 tonnes of butter for calf feed at a subsidy equivalent of 97% of the Intervention Price but only sold 65 tonnes - EEC production continued to rise. The option of any production control, other than quotas, was still too hard to take and the changes, in our terms, were minimal.

One matter that never came into public debate at the time was the increasing exports of Australian cheese and dairy products. The nadir of our cheese exports was in the years 1982-83 to 1983-84, when a little over 54,000 tonnes was exported. This rose to over 67,000 tonnes in 1984-85 but then fell to 62,000 tonnes in 1986-87, with industry revenue decreasing from 1985-86. The value of Australian exports of all dairy products (excluding cheese) rose steadily from approximately $A150m to over $A290m by 1986-87. I do not wish to infer that our primary producers of milk for manufactured product were doing well financially, they weren’t. But the figures available to me early in 1988 showed that there were export markets there for winning, particularly with higher value added products.

The EEC kept pushing the limits on the agreed tariff quota arrangement. Their traditional share of our market was 4.2%, about 5,300 tonnes. Dutiable cheese from all sources was lessening by 1985/86, and the percentage was dropping more quickly (down to 2.5%) as Australian producers produced many more varieties of cheese. The Department of Trade and ADIC were of one mind to hold to the agreement, given the EEC’s known behaviour in doing little to control their absurd production subsidies.

The New Regime in Operation

On 20 May 1987 I met with departmental and ABARE officers to evaluate how the new measures were working and our expectations for the immediate years ahead. The briefing was comprehensive but mainly concentrated on the market milk situation and progress being made in rational sourcing. As at 4 May, the net farm gate return to producers in NSW was 34.13 cents per litre (c/l) and 33.45 c/l in Victoria with a minimum retail price of 80.00 c/l in NSW and 76.00c/l in Victoria. Distributor and retailer margins were from 19 to 21c/l. We also examined again the whole question of interstate milk trade (following the Jewel case), the financial situation of producers, the working of the ADC and the new arrangements, and the scope for an Eastern seaboard or NSW/Victoria milk pool. Jim Saunders, ADC Board Member, on behalf of the industry had put to me the proposal that the new arrangements gave the Commonwealth the opportunity to support the market milk premium. I did not want to become involved as an industry regulator and possible stir the hornet’s nest, though the option was available if it looked like the premium was to be shredded.

By 1988-89 the outlook for the dairy industry was looking better. The farm gate price for manufacturing milk was forecast to increase by nearly 8% (to $4.60/kg butterfat), the fourth consecutive year of price rises. Milk production was heading for 6300 million litres with dairy cow numbers to decline slightly as efficiency measures in production were introduced. However, there were, as always, many straws in the export outlook wind.

Kraft Foods Limited, a subsidiary of one of the biggest companies in the world, ran into problems with stocks in mid-1987. They had a stock surplus of 15,000 tonnes and the first
Gulf War had cost it sales of 10,000 tonnes. Some of the stock dated from 1981 and was unprocessed cheese in 44 gallon drums. The company had several suggestions some of which the Government could not support without setting a precedent. Some 29,000 tonnes of their production post dated 1 July 1987 and was therefore eligible for the all milk levy export subsidy of which 7,000 tonnes was eligible for pooling arrangements. But to be honest I do not know how their problem was finally resolved because the records in this case are poor.

The UDV wrote to me in May 1987 in regard to not phasing down the dairy product levy rates and requesting assistance to train dairy factory managers in more modern management practices, the latter of which I was able to agree to. By this time I had established the Innovative Agricultural Marketing Programme (IAMP), a programme, as it turned out, to be mainly used by dairy factory managers. On their first request I had to hold the line. Manufacturers were paying between $3.25 and $3.40 per kg butterfat, a significant improvement on the year before. Fortunately, despite continuing high world butter stocks, the unit price for butter had increased to $1,750 per tonne in 1986-87 and the unit return for cheese was also higher. The BAE’s Farm Surveys enabled me to examine assessed Farm Cash Operating Surplus by state. Remarkably, these had not changed much, with Victoria still lagging because of its continuing high contribution to overall production and exports. The new arrangements had cost NSW a little; Queensland, WA and Tasmania had gained; and SA was slightly better off. Victoria’s plight was still a concern to me but I did not think I could unscramble the egg and go back to the States and to Cabinet. There are limits to ministerial courage.

On 21 May 1987 Jim Saunders, President of the UDV, accused me of being the reason behind the ADC’s decision to withdraw from the NFF’s Our Country Campaign. This was picked up by Ian Mc Lachlan, President of the NFF. I had approved a contribution of $250,000 in 1986-87 on the grounds that the Corporation intended to use the program specifically to promote dairy products. Saunder’s accusation was news to me. When I checked, I learnt that at the April ADC meeting, the ADC Board had decided not to proceed because of the disappointing level of manufacturer and marketer involvement. Both Saunders and Mc Lachlan became Liberal Party candidates for Parliament, so perhaps there was some politics in the allegation - surprising really?

The CER and Trans-Tasman trade matter did not go away and I first met with Sir Neil Currie, Chairman of the ADC, former Secretary of the Industry Department and some time Ambassador to Japan in July 1988. My colleague Michael Duffy, Minister for Trade, met with Pat Rowley on 16 August and it was agreed that the Commonwealth would submit a comprehensive elaboration of the CER agreement to the ADIC. The ADIC was not convinced of the degree to which New Zealand’s had embraced transparency. An analysis available to me from the BAE had shown that transfer payments from Australia could arise but not on cheese or butter as much as for milk powders. The New Zealand Dairy Board had monopoly powers and could take a price leadership role, hence the ADIC’s concern. I had met with the New Zealand Minister, Colin Moyle, at an AAC meeting on 14 July and we had hammered out an agreement which he formally signed. It seemed to work but always the problem was how to cope with fluctuating export prices and variable exchange rates and the fact that there were real commercial-in-confidence matters in play on both sides of Tasman. The Australian

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industry eventually accepted NZ as a competitor and met the competition. It was more than helpful to have John Gibson, former Deputy Secretary of the Department of Primary Industry, as Managing Director of the ADC in the years 1987-93.

The dairy industry was a good example of how the immediate crisis is so time consuming and takes so much time to resolve that more positive policies, rather than reactive policies, could not be given time and attention. This was particularly so when the States were at war and I was being accused of impersonating Attila the Hun. The ALP’s 1983 election policy had stated that in government we would “formulate a comprehensive Dairy Industry Development Strategy (DIDS)”. In 1988 discussion between the Department, my Office and me started on the development of the strategy.

Jeffrey Rae and Ron Messer from the Department came to me with the elements of a strategy for discussion. It was agreed that this exercise was sensitive and that we needed to write to the three major industry bodies. It was agreed that the industry’s fundamental problems were market milk regulation; structural adjustment; marketing and product innovation; and management. The current industry arrangements were to finish in 1992 and an Industry Review Process was also underway. In July 1988 I announced that the mid-term review by the IAC of the current marketing arrangements would not proceed. The Government’s 1988 May Economic Statement had changed the whole approach to protection; measures announced in the Statement had seen the termination of supplementary support payments. I took the view that remaining issue to be kept under scrutiny could be resolved within the ambit of existing industry structures. It was also apparent that the manufacturing sector was becoming more innovative, analytical and professionally competent. The DIDS went by the wayside, but this is not to say that constructive work in the Department was not proceeding. Key people by now were Graham McGregor, Joanna Hewitt (later to become Secretary of the Department) and Jim Jenkins.

Summary

The Dairy Industry Produce Act, 1986, and accompanying legislation in consequential bills was the beginning of the end of sixty years of Commonwealth price support. Even at the time, I did not think that much had been changed other than that the political heat had lessened. However, there were ongoing discussions with the industry for years. The industry saw the all-milk levy as an ‘industry funded’ export levy. The reality was that the cost impact of the levy was largely passed on to domestic consumers of milk and manufactured dairy products. When the industry was deregulated in the late 1990s the consumer levy was 11c a litre to facilitate dairy industry adjustment (an overall consumer transfer of $1.9b). With the two cents all-milk levy in operation, domestic prices rose. The sting in the package at the time was the gradual reduction in the levy to 1992, but this gave the industry time to adjust and to be competitive on world markets and on a par with New Zealand. What did emphatically change was productivity (which may have improved in any case?) and that a more open, adaptable better-informed industry was able to innovate and think. More varietal cheeses were produced and the ‘cappuccino revolution’ took off, assisting domestic milk consumption.

International factors changed and export prices rose for a broader range of products. Concentration in the manufacturing sector by way of factory mergers was able to take advantage of rising world prices. Whereas butter prices required an underwriting payment in 1986 and 1987, cheese prices, whole and skim milk powder prices rose strongly on world market and did not. The States continued to tightly control their industries and underwriting continued, both being measures needed to gain acceptance from an intransigent industry.
Although I did not know the exact dimensions of the level of transfer from market milk producers (which was really from domestic consumers), or the drop in the levels of both the nominal and effective rate of protection, I did not think it would be all that much.

The phase down to 1992 of the support arrangements following their review in 1990 was the main measure ensuring that the industry would focus on the continuing need for change if it was to achieve its full potential. It is a pity that the States did not prepare their industries for the post 1992 situation as well as they could have. The change I did not anticipate was that with the eventual deregulation of the industry by the Coalition Government on 1 July 2000, the two dominant supermarket chain stores would take the rent of much of the industry’s increased efficiency. The Coalition Government established a Dairy Structural Adjustment Programme based on a retail levy of 11 cents a litre to be paid to dairy farmers in quarterly payments over eight years to enable on farm adjustment. The industry has adjusted to a high level of efficiency and exports about 40 per cent of its production. Once deregulation pressure came onto the major producer co-ops and businesses, the race was on to secure market share and to hold suppliers. The NSW Dairy Farmers Cooperative was one of the first to cut the price to its own producer members.

I have to acknowledge that there’s been a lot of pain in the industry, though some of this was inevitable, and that it was the industry itself that, given a chance to operate with less regulation, proved to be so technically sound and innovative – some farmers even lease their herds now, and cows are milked by computer directed machines on the animal’s initiation through the day. But dairy farmers still work very hard over long hours and they still get less for their product than other world market suppliers.

Looking back, it’s fair to say that I naturally took a lot of notice of agricultural economists on account of my own background, work experience and education. Because I didn’t have a close alliance with farm organisations, or come from a political party with close ties, I had more room to move. However, when many farmers are exiting an industry, it is not possible to be other than concerned at the human cost.

I do not expect any agricultural economist, committed to equitable deregulation, to be anything other than amazed that it took so long to get to where we are today. It is fair to say that it took 50 years of hard economic work by industry analysts to achieve as much as we did. Will it take 500 years with French dairy farmers? I would like to point out that the dairy industry was not the only one in trouble at the time and that I was engaged in a major restructuring of all industry marketing and research organisations and trying to head off an overall rural crisis. The dairy industry was reasonably sensible to negotiate with compared to some of the others at the time, for example sugar cane producers. I do not know what notice other ministers or governments take of economists, but I hope I have shown in the real world of policy making that it is not always wise, or easy, to do so.

As the industry has scaled up, the decline in the number of dairy farms has continued and continues to this day. The most recent figures I have are that there were about 6,398 dairy farms by the end of 2013, and that the average herd size in 2011 was of 230 milking cows per farm. The cattle herd has continued to drop and production has continued to rise, to 10.3m tonnes by 2013. As ever, it is international factors that have the most impact on the industry and its fortunes. The future now looks brighter for dairy exports, given the import demand by developing economies and China. But whether or not producers benefit, proportionately, is yet to be seen. And there are always unforeseeable changes, which will occur on international markets and affect our producers quite quickly.
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<th>Acronym</th>
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<td>AAC</td>
<td>Australian Agricultural Council</td>
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<td>ABARE</td>
<td>Australian Bureau of Agricultural and Resource Economics</td>
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<td>ADC</td>
<td>Australian Dairy Corporation</td>
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<td>Australian Dairy Farmers Federation</td>
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<td>AEP</td>
<td>Assessed Export Price</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>CER</td>
<td>Closer Economic Relations Agreement</td>
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<td>DAP</td>
<td>Dairy Assistance Programme</td>
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<td>MDFRS</td>
<td>Marginal Dairy Farm Reconstruction Scheme</td>
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<td>MMPC</td>
<td>Market Milk Producers Council</td>
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<td>UDV</td>
<td>United Dairy Farmers of Victoria</td>
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<td>VDIA</td>
<td>Victorian Dairy Industry Authority</td>
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Chapter 12: The Australian sugar industry

I once attended the Mackay Canefarmers Annual Dinner and was privileged to present the awards. Included were prizes for the longest stalk and the biggest stool. The farmer who won the first of these told me that he also grew very tall cane. I didn’t have the courage to ask the second bloke how big his stool was.

By 1983 the Australian sugar cane growing industry was in financial trouble again. The situation had caused the industry to seek assistance of $100m in loans or a direct subsidy from the Fraser Government. Prices were the lowest in real terms for up to two decades following very high prices in 1974-75. There had been reasonably returns from 1975 to 1980, with a very high price again in 1980-81. The price received by Australian sugar producers always depended on the highly variable world price, due to the fact that we export such a large proportion of our production.

The downturn was affecting the finances of the industry and the economies of the cities and towns along the far northern NSW and Queensland coasts from south of Brisbane to north of Cairns, some 1800 to 1900 kilometres. Twenty provincial towns and cities relied to some degree on the fortunes of the sugar industry. Local unemployment was rising, small businesses were in trouble and land prices were dropping. Affected unions were very concerned for their members and other workers.

Negotiation, change, reform and a way forward was made almost impossible not only by our competitors in the international market place but by our own remarkably recalcitrant - and worse - Queensland Premier, Sir Joh Bjelke-Petersen.66

Policy

In February 1983, prior to the March General Election, I released the ALP’s policy on the sugar industry. This I wrote with Julienne McKay after industry consultation, with advice from Queensland colleagues. It was then agreed by the relevant ALP Opposition Policy Committees. In it we said that the sugar industry was in trouble on three counts; prices, costs and structure. In government we said Labor would:

- Re-negotiate a fairer domestic price formula renewable every five years, taking into account variable costs and world prices.
- Provide neither export licences, nor funding to facilitate cane production in the Ord River Irrigation Area (in northern Western Australia).
- In the current crisis, give sympathetic consideration to an industry loan to the established Queensland and NSW industry.
- Take account of the industry’s medium to long term restructuring needs in Labor’s commitment to an expanded Rural Adjustment Scheme (RAS).

I assume that very few cane producers would have been aware of the ALP’s commitments or even had time to read it, but industry organisations may have been. Certainly, ALP candidates in the so-called ‘sugar seats’ were aware and had tried to convey it to cane producers. In one way the policy was a holding action until I became a lot more familiar with the industry and commenced detailed consultation. I had learned that the industry was virulently opposed to any expansion by way of growing sugar cane in the Western Australian Ord Valley Irrigation

66 The Fitzgerald Inquiry into corruption in Queensland politics was to be tabled in Parliament in July 1989 and I was finally able to say with some proof that Queensland also represented the most corrupt State in the Commonwealth.
Area. I later learnt that the Queensland Premier was also opposed to any additional sugar cane being grown in the Burdekin Valley in Queensland when its dam was nearing completion in 1987. I had serious doubts about promising the banning of growing cane in the Ord, but I was assured by Queensland colleagues that if I did not nail the issue we would be vulnerable, because it was such an article of faith in Queensland. I once cheekily asked some sugar cane producers if it would be alright for West Australians to grow Queensland Blue pumpkins? Perhaps they could only grow Jap. pumpkins? Until this point I had assumed that Australia was a private enterprise based society, but I guess that didn’t suit the socialistically minded cane growers or the, supposedly, free enterprise Queensland Government, where sugar was concerned.

**General Background to the Sugar Industry ‘Crisis’ of the 1980s**

The Australian sugar cane industry exemplified the effect of world economic and trading circumstances on our agricultural export industries. The world economic recession of the early 1980s left exporting countries holding much larger surplus stocks. This resulted in the dumping of surpluses and the use of ever larger export subsidies by some producing countries. World sugar prices had fallen by 86% and surplus stocks were increasing. The European Community’s farm subsidies and support doubled in the period from 1982 to 1986 to $23b, and the US’s farm program (the Farm Bill) rose from $5b to $26b over the same period.

I found this industry to be one of the most difficult to deal with; it was nearly impossible to advance any measure of change or reform. This was due to its socialistic laws and regulations and long-standing institutional structures. Nearly all the implementing legislation binding sugar cane production was Queensland’s. Most industries in Australia are subject to detailed regulatory controls, but cane growing was a stand out. The restructuring or reform of any industry involves changing the regulatory map. The sugar industry was by far the most regulated of any primary industry in Australia, with the possible exception of the cultivation of opium poppies in Tasmania.

The basic, continuing financial problem for the industry was that it exported a very high proportion of its production (up to 90%). The constant supplementation of the domestic price (in effect a consumer transfer) was not sufficient to cross subsidise a highly fluctuating world market price when it was low. In some senses the world sugar export market was a residual market for some large commercial sugar producing countries such as Brazil, which diverted much of its production to ethanol and increased ethanol production during price slumps. There was also a large production potential for many exporters from those developing countries which had the capacity for expansion of production.

While not recognised by domestic consumers, when world prices suddenly peaked there was a subsidy accruing to Australian consumers because of the existing policies directed to some measures of certainty. From 1974-75 to 1980-81 there had been a negative transfer (loss) of industry revenue from cane growers and sugar millers. This was because the export price was higher than the administered domestic price (first quota). In turn this implied that the Effective Rate of Assistance, used by the Industries Assistance Commission (IAC) as a measure of industry protection, had also been negative since 1974-75. However, prior to the 1979 Agreement by the Commonwealth and Queensland Governments setting the maximum price for sugar on the domestic market, the return from raw sugar on overseas markets had only exceeded the domestic price for 10 of the past 52 years. In other words there was nearly always a subsidy provided to cane growers by domestic consumers, which also penalised domestic
manufacturers using sugar, such as the food manufacturing, soft drink and confectionary industries.

Further, the formula used to determine the domestic price as last set in 1979 was, arguably, technically flawed. For example, some agricultural economists thought it should reflect the current export price to some degree, which implied a fluctuating price, the situation that all our other major agricultural exporting industries faced.

Worse, the net percentage return to growers from industry gross proceeds had been dropping. Due to the domestic pricing arrangement, the taxpayer had not spent much on industry support; it had been the consumers who had paid. This situation did not prevail when international prices suddenly slumped and industry assistance packages were typically applied. It is incumbent on governments to take into account the effect of protection and costs for the many consumers compared with the benefit to a few producers. This was an administrative or economic principle which was anathema to producers and was not ever a negotiating issue from my political point of view, that is, not if I wanted to gain agreement in any restructuring or structural reform of the industry.

The world price had dropped dramatically in 1981-82 and again in 1982-83 with the gross value of cane harvested falling by more than 25% and then a further 15%, over the two production years. Critically, the long term future of the world market looked to be non-rewarding. There was no objective evidence for the industry’s view that the downturn was cyclical and that prices would pick up quickly in the next year or two. The run of relatively good seasons, financially, and the rapidity of the downturn made the pain greater due to some growers having borrowed heavily to expand on the basis of the earlier price spike.

The pain also meant that the industry became strident and wanted a ‘quick fix’, which made the Government’s job harder. It did not seem that the industry had thought to examine the then current relevance of its legislation and regulations, the micro-economic and financial settings of the industry, its cost structures and the production variables relevant to its recent history or where opportunities for beneficial change and cost saving might be found. It was an industry which cried out for the application of applied micro-economic analysis.

Complicating the reality of the financial situation that the industry faced was that over 95% of its production came from Queensland where there was an entrenched, somewhat corrupt, Queensland National Party Government. Its Premier was a wily, hateful, authoritarian, increasingly erratic, if not completely irrational person, named Sir Johannes (Joh) Bjelke-Petersen, who loathed the ALP and ‘Canberra’ in equal measure. In the 1970s, the Queensland Coalition Government, under the Premier, ran a virtual Police State.

I had already experienced Premier Petersen’s venomous hatred of Labor and ‘Canberra’ in his role in bringing down the Whitlam Government. Gough Whitlam had once called Joh Bjelke-Petersen a ‘bible bashing bastard’, which, while only half a strictly accurate statement (as far as I know), didn’t actually improve relations. It was later proved beyond doubt in the Courts that Bjelke-Petersen’s was a government of massive corruption with little account for due Cabinet, Parliamentary or administrative process, supported by Queensland National Party voters to the end, but, eventually, not by his own Parliamentary colleagues. Joh’s irrationality was in full flight when he launched a campaign to become Prime Minister in 1987. John Stone, former Commonwealth Secretary of the Treasury, acted as his adviser for a flat tax and later won a National Party seat in the Senate as number two on the ticket behind Joh’s wife, Senator Flo Bjelke-Petersen. (I once thought John Stone was a fine economist. He probably was and is, but I have doubts about his political judgment.) Bob Hawke called an election on 11 July 1987, a few months earlier than he needed to. This took the steam out of Joh’s campaign, well supported.
The strategy of the industry in major downturns was to request or demand both a rise in the domestic price and subsidised loans from the Commonwealth and Queensland Governments to assist it over unprofitable times. Loans were made under a schedule to the Sugar Marketing Assistance Act, a Commonwealth Act. Loans had been paid off over ten years in the past but long term low prices and possible price collapses were seen to be more likely and frequent in the future. This meant that loans might have to be continuous. However, if a downturn is likely to be prolonged, then loans reach a limit whereby growers can no longer afford to borrow more or service existing loans, unless their income improves. The reality was that this form of quasi stabilisation did not work anymore. When sugar prices occasionally spiked on the world market, the transfer to domestic consumers could be immense but when low, as was more usual, there was not enough capacity to assist growers financially.

Once the ALP was elected to government nationally, the strategy of the Queensland Government was to continually blame ‘Canberra’ for all the industry’s problems. Because of its spread along the length of Queensland, the industry had a lot of political power and a capacity to put pressure on both governments. The parochial local media, under the sway of the Queensland Coalition, and later National Party Government, was assiduous in accentuating the bad news. However, because of the Queensland legislation and a production framework which everyone understood, the industry was not prepared to embrace any change, let alone reform, unless the Queensland Government initiated or endorsed it. In turn the Queensland Government was not prepared to envisage change, let alone reform, unless the central statutory industry organisation, the Queensland Cane Growers Council (QCGC) pushed for change; Catch 22.

What was absolutely, crucially different this time, though, was that the European Economic Community (EEC) had not signed nor had been subject to the provisions of the 1977 International Sugar Agreement (ISA). Further, the major sugar importer, the US, had also not ratified it. The Agreement had been signed by the Commonwealth Coalition Government in 1977, and other major exporters, Brazil and Cuba. The signatories to the ISA had, as required, limited their export tonnages and fulfilled their stock holding obligations in a vain effort to bring stability to the world market price. In 1977 the EEC had been a net importer of sugar.

By 1983 the EEC had become the world’s second largest producer and exporter, second only to Cuba. It had taken most of the growth in the world market since 1977 and was massively subsidising both its production and its exports. The production subsidy alone was two to three times the world price when world prices were relatively high in the late 1970s. The export subsidy was estimated to be worth $US900m in 1979.

Doug Anthony, when then Minister for Trade and Resources, had referred the EEC’s sugar export subsidy practices to a Panel of the General Agreement on Tariffs and Trade (GATT). The Panel ruled in November 1979 that the practices of the EEC had lowered world prices and was prejudicing Australia’s and the interests of other sugar producing countries. But nothing much changed as a result of the finding. As well, sugar consumption in industrially developed countries was changing and the production of sugar substitutes, such as high fructose corn syrup (HFCS), saccharine and aspartame was rising in the importing countries, especially in

by the usual array of foaming far right supporters, such as Lang Hancock, who bank-rolled him. Lang at the time had as a business partner the murderous Romanian dictator, Nicholas Ceausescu, who wanted to ban books he didn’t agree with and use atomic bombs to create ports in Western Australia. Joh’s bid was unsuccessful and only served to harm the Coalition.
the US. Glucose could also be used as a substitute for sugar in many food manufacturing processes.

Australia only gained access to the US market once it had decided to place a trade embargo on Cuba for becoming a Communist country under Fidel Castro. The US’s failed Bay of Pigs invasion and the Cuban Missile Crisis had not improved relations between the two. Australia was gradually losing access to the well-paying US market. Our other long term contracts were winding down. The EEC’s massive subsidisation of its sugar beet industry had given rise to a powerful agri-industry lobby, as well as farm lobby in Brussels. The EEC’s storage and stockholding costs were immense by our standards. This was a time when there were ‘butter mountains’ and ‘wine lakes’ due to the economic absurdity of the EEC’s Common Agricultural Policy (CAP). As an example of this absurdity was, at one stage, the EEC literally gave 223,000 tonnes of butter to the USSR to save paying storage costs.

Through its regular Farm Bills, the US Government was also subsidising its local industry, for both cane and beet sugar, with the most support going to the larger, better off producers, something which is always the effect of across-the-board production based subsidies. The Reagan Administration imposed quotas to sustain its domestic support program, costing local consumers $1b-$1.5b per annum, against the wishes of US sugar refiners. To any objective observer, the future of the industry was looking grim; most probably this was not just another cyclical downturn.

As I write (2013), the US Farm Bill exceeds $US200b annually and the protective tariff on sugar is 150%. In more recent times, much of the proceeds of the Farm Bill have been used to bolster the US’s Food Stamp programmes for the poor providing a market for production (some 47m people depend on Food Stamps in the US). The US system of government is corrupt, in our terms. It runs on the wishes of the rich, powerful and influential with Congressmen elected every two years and always in campaign mode, dependent on funds raised for each election and hence able to be ‘bought’ by lobbyists.

Australia had a reasonably, technically efficient, sugar industry and had the potential to compete more effectively on world markets, but not with the legislative impediments binding it. It also had the potential to be a lot more efficient and profitable.

Grappling with the Situation

I doubted that I could have persuaded the Cabinet to bail the industry out, even by way of loan, because we had inherited a large Budget deficit on coming to office in 1983. A subsidy in one year would have to be followed by annual subsidies until world markets improved. More importantly, I was fundamentally of the view that to agree to the provision of across-the-board assistance would be overly expensive, undirected and largely ineffective for those growers most in need. It was and remains a characteristic of all farm organisations that the larger, better off farmers, who tend to hold the key agri-political positions, were never very concerned about the smaller or less better off farmers. While sometimes it can be a sensible policy to assist the largest producers in a primary industry, I was not inclined to go along with the bloody-mindedness of industry politics, when all growers were trapped within a system well past its efficacy. Crucially, such an approach failed to address the longer term future of the industry or those inherent problems becoming evident, for example, land-locked farms and sugar mills, sub-optimal throughput of some mills, yield decline, etc. I had concerns about both the efficiency of the industry and the welfare of cane farmers, as well as the broader impact of the sugar industry’s circumstances on regional economies and employment.
It is fair to say that the industry never understood the economic or analytical frame of reference that the Government and I were coming from. It basically misunderstood or distrusted everything I said, as it did the analyses of economists. Mechanisation of harvesting in the 1970s had given the industry an increase in productivity but the ossification inherent in near fixed farm sizes did not enable this to be maximised. I put the distrust down to the political power exerted by the long term Coalition Government in Queensland (1957-1989). This Government was dominated by, first the Country Party, then its successor the Queensland Nationals, which was agriculturally fundamentalist and arrogantly used to getting its way (the Queensland Nationals were regarded as a different species of the National Party in the other States, and nationally).

There had only been one Commonwealth ALP Government since 1949 and it, the Whitlam Government, only lasted three years, that is, an ALP government in only three of the past thirty four years. No doubt it was thought that the Hawke Government would not survive for long either and then business could be resumed as usual. I had observed that the Queensland National Party was far more inclined to give farmers what they demanded, or whatever they wanted, than their counterparts in NSW and Victoria. In the 1980s it was very apparent that the debate on many issues of national interest, like the overseas aid programme, was seen differently in Queensland.

**Some Economic, Political and Trade Realities of the Time**

The Hawke/Keating Government (1983-96) distanced itself from what most people had come to understand as Labor in office, mainly because the world economy had fundamentally changed. We moved away from regulation and protection to a more economically rational position, a more market driven, long term approach so that we could compete more effectively on world markets, increase our own productivity and thereby our standard of living. However, we did not dogmatically adhere to the then neo-liberal orthodoxy. We were a progressive social democratic government. Having said this, I was always ‘edgy’ about the zealotry and herd mentality implicit in industrially developed economies for deregulation, monetarism, privatisation etc, on the assumption that the business paradigm was a superior way to run the economy, implying withdrawal of public industry support, outsourcing, reliance on the primacy of markets and a push for ‘free trade’.

Free trade may have been possible if the major economies had given more than lip service to it. The then dominant economic powers, the US, the EEC and Japan, in reality, were not so inclined. I have since long been alarmed about the way the US ‘fetishises’ the free market and propounds neo-liberalism and neo-conservatism, both of which political concepts deny democracy. It is these systems of thought and action that advance the conditions to the benefit of the rich and massively distort the national distribution of income and wealth.

Having said this, I was also fully aware that it was very much in the interests of our agricultural exporting industries to push for freer trade on world markets so as to level the playing field and to give smaller, developing, primary producing countries some chance of advancing their standard of living. Further, in terms of world food security and the interests of the developing countries, freer agricultural trade is essential to stop rapid world food price movements. I was always more attracted to the adoption of an adapted pragmatic approach to the various primary industries I had to try to develop policy solutions for, and to try to place policies in an overall, coherent framework.
At this time, the latest form of globalisation was taking hold and world capital flows, greedy banks and financial services were exerting more influence on Western policy makers in the thrill of neo-liberal, if not neo-conservative-cum monetarist economic theory; ‘Reaganism’ and ‘Thatcherism’. Ironically, ‘Reaganism’, and the policies of succeeding Republican administrations, resulted in record budget and trade deficits. (Spending trillions of dollars on poorly advised invasions of other countries also didn’t help during later times).

It is not always easy in a democracy to resist the latest, perceived macro-economic wisdom and economic and business paradigms of the day. My problem with macro-economics is that there always seems to be too much abstraction and not enough empiricism. As a comparatively very small economy, we had little choice but to adapt to the new international financial reality, even if a lot of duplicity was being expressed by major trading partners. The Labor Government, of which I was a member, moved well away from notions of class based politics and the ‘winner take all’, single issue philosophy favoured by most of the National Party, but not quite so much by their Coalition partner, the Liberal Party.

As a government we accepted the pluralistic nature of our economy and tried to govern in the interests of the country as a whole, longer term, rather than on any notion of class-warfare or short term popularity. The union movement had enough sense to move with us on the basis of reality and an understanding of the ‘social wage’, as part of the Wages Accord. John Maynard Keynes, the famous economist, once said, “when the evidence changes, I change my mind”. Sadly, evidence does not always enter into the equation of those with simple beliefs wedded to the status quo.

New circumstances required new policy formulations. The sugar industry and its political masters did not seem to want to change its existing arrangements. I was not interested in completely deregulating the sugar cane industry and could not have if I had wanted to, given that it was State legislation which determined all aspects of production. I only wished to see if the industry could be made more resilient, more efficient, more able to trade on international markets and to be more profitable, which implied some deregulation and restructuring.

I would make two qualifications on my use of the words ‘socialistic’ and ‘corrupt’. The industry was socialistic in as much as growers were told, or had come to agree, where to plant, how much to plant, when and how to harvest, with many arrangements handled centrally and with prices set arbitrarily by an organisation where a judge or an ex-judge prevailed. This was ironic because the Queensland Premier never stopped ranting against ‘socialism’ and the alleged sins of the then Commonwealth Arbitration Court in determining wage levels. Premier Bjelke-Petersen was not pro-worker in any sense and he regarded politics as a form of war. I also didn’t ever gain the feeling that cane growers had a pro-worker attitude, though many of their sons were employed in the sugar mills. I was to learn later that Premier Joh was not particularly pro-cane grower either. There was also a near monopoly marketer: Colonial Sugar Refining Ltd (CSR), which was the agent of the Queensland Sugar Board.

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68 CSR started in 1855 under the chairmanship of Edward Knox and became incorporated as a public company, The Colonial Sugar Refining Company Limited, in 1887. The Knox family was dominant in the company’s business well into the middle of the last century. From this time on, the company invested in mills, farms, refineries and in research and development in NSW, Queensland and Fiji. It was renamed CSR Limited in 1983, by then being a much more diversified company with heavy emphasis in the building materials, minerals and construction industries. Bryan Kelman, CEO from 1982 until 1987, undertook a major management and corporate restructuring of the company in 1985 at a time when activities in its non-sugar enterprises were in trouble and when the world price of sugar didn’t
The reasons for the legislative structure were very understandable in historical terms and were part of the ethos of governments from both sides of the political fence in the days of the development of Queensland, particularly the wet tropical and sub-tropical coast. The legislation had resulted in a major organisational structure, built on regulations that induced ‘group think’ or ‘channelling’ in today’s vernacular. The industry had a large measure of growers of Italian and Yugoslav background from the 1960s onwards, replacing or adding to the earlier predominant cohort of Anglo-Saxon producers. I used to jokingly observe privately that most voted for the National Party but produced sugar cane in a system akin to a Soviet Collective: National Socialism?

The three Queensland Agriculture ministers I dealt with were not personally corrupt. They were Mike Ahern, who was very experienced, astute and later, after challenging Premier Bjelke-Petersen, then briefly, became Premier. Neil Turner and Neville Harper, were the

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69 Mike Ahern was the only member of the Bjelke-Petersen Government with tertiary educational qualifications. The Premier fought him at every turn, specifically on policies advocated by Committees chaired by Ahern and within Ahern’s portfolios. At one stage Ahern had the temerity to advocate sex education in schools and for Parliamentary Committees to be established! Bjelke-Petersen got the
other two. All had their hands tied by the Premier and were frustrated by him. The now late Neil Turner, from the usually semi-arid, western Queensland seat of Warrego, was the minister I mainly dealt with. He had been a horse breaker, had hands like slabs of meat and, somewhat surprisingly, a lovely, sophisticated Scandinavian wife, Ute. Neil was good to deal with at a personal level but he was never free to negotiate. I do not think I ever understood Neville, nor he me, but we worked together reasonably effectively. Neville had a Navy background, but he was only involved towards the end of the worst of the ‘crisis.’ All my efforts to try to assist the industry resulted in me failing to achieve much beneficial change due to the recalcitrance of the Queensland Government. However, the negotiations, the debates, the level and kind of financial assistance we gave, the many reports, economic analyses and inquiries did result in more lasting changes past my time, particularly after the ALP was elected to government in Queensland in 1989.

**History People and Politics**

Although it shares vastness with Western Australia, Queensland is a very different State to any other in the Commonwealth. Most of the settled part of the State is tropical, sub-tropical and coastal. It is primarily different because the capital city, Brisbane, is not as dominant, population-wise, as every other State’s capital city is. While it is true that the population of the south east corner of the State is now rapidly increasing, in both absolute and percentage terms, this was not so marked a feature in the time I was a minister. There are cities and large towns spread along the Queensland seaboard and the early drive in the early days of statehood was the development of Queensland and the nation. Queensland had two very long term governments, first with Labor (1915-1957) then with the National and Liberal Party in coalition and then the National Party alone (1957-1989). While there were strong centres of mining and grazing, in the bulk of Queensland, the wet coast was best developed by the planting of a tropical crop, sugar cane. No other crop could be so successful, from an agronomic perspective, and be so crucial in developing the north. After beef, sugar cane was and remains the second highest in the gross value of agricultural production of any agricultural commodity in Queensland.

It was my perception that the standard of education in Queensland was not as high as in other States. I put this down to neglect by ALP State Governments, which were in power for 39 years from 1915 to 1957 with the exception of three years during the Great Depression, 1929-32. The following Liberal/National Party Government also did little to bolster education levels. During the first World War and the inter-war years, Queensland politics was dominated by three very strong Labor premiers, namely, TJ Ryan, (1915-1919), ‘Red’ Ted Theodore, (1919-1925) who heroically abolished the Queensland Upper House in 1922, and William Forgan Smith, (1925-1929) and he again in the 1930s. Theodore was also Treasurer under Ryan. These premiers all had country constituencies being from Barcoo, Chillagoe and Mackay, respectively. Queensland politics was rural politics and the long term ALP Government ran a policy of mal-apportionment and ‘rural weightage’ in five zones resulting in country seats having relatively fewer voters than city electorates. This may have been understandable in the days before support of the Queensland Governor to sack Ahern not long before the ludicrous situation came to a head and Bjelke-Petersen eventually resigning. Mike Ahern then became Premier only to be challenged by Russell Cooper who became Premier on 25 September 1989. An election was called two months later but the stench of corruption, the lack of parliamentary and cabinet process was so bad that the Goss Labor Government was easily elected in 1989.
trucks and cars, rapid communications and developed rail transport links, but universal suffrage implies electors should have equal voting power.

With mining centres, a spread of many rural and farm workers and livestock industries throughout the inland and the birth of much of the union movement and the ALP in Queensland, it is easy to see how small constituencies could keep Labor in office. (I never underestimated the power of the Australian Workers Union in Queensland ALP politics.) The Coalition continued, if not accentuated, the mal-apportionment - the 'Bjelkemander', during the life of the Coalition Government, (1957-89), some 32 years. However, the boundaries it won with in 1957 had been set by the ALP in 1949. Changing demographics by then advantaged the National Party and this was part of the reason for the split with their Coalition Liberal Party colleagues towards the end of Premier Petersen's autocratic, barely sane regime. Was it the mal-apportionment or the fact of a unicameral Parliament that resulted in long periods of one party control?

The ALP in Queensland has always been more socialist, protectionist, anti-corporate and in favour of the White Australia Policy than any other state. This was certainly the case for Andrew Fisher, one of the ALP’s earliest state and federal leaders, pre and post Federation in 190170. T J Ryan instituted many pro worker policies and established state owned enterprises, for example, and remarkably, he built ten butchers shops, a mango cannery in Bowen, (making chutney for the workers) and set up a hotel in Babinda, all to combat the ‘private monopolies’, the ‘rapacious merchants’ and ‘war profiteers’. At the time of the founding 1915 Sugar Act and when much of the amended or more recent legislative infrastructure was initiated, there were already many Acts of Parliament, put in place by the prior conservative representatives of property and capital, which the Ryan Government was able to build on, from the Labor point of view. It has been said that the Sugar Act was a wartime measure, implying that it was introduced in haste and not meant to hold for the future.

There is more to the story than this. World War One had left its mark on working Australians and given rise to considerable dissatisfaction. Some price increases for food were due to an ongoing drought. However, a government inquiry reported in May 1915 that the increase in the price of sugar had been partly engineered by CSR which had deliberately caused an artificial shortage of sugar. The national government allowed the importation of sugar from Java, which led CSR to push down the price to growers, which led to growers refusing to cut cane. PM Fisher and his Attorney General, Billy Hughes, intervened and in conjunction with Premier Ryan arranged for the Queensland Government to purchase the crop at a higher price. The Ryan Government and succeeding ALP Governments then instituted much of the legal, economic and physical structure of the industry.

In 1915 the Queensland Labor Government specified wages to be paid, conditions for workers, requirements for union labour preference, prices paid to growers for cane, fixed sugar prices and amassed the power to acquire the crop, which it first did in that year. An import embargo was imposed by the Commonwealth Government in 1923 on the basis that this was necessary to populate the north. There had been a Workers Dwelling Act in 1909, which led to a Workers Homes Act in 1919. There had been a Sugar Works Act in 1911 and the whole idea of

70 Andrew Fisher was also Prime Minister three times: from 12 November 1908 to 1 June 1909; 13 April 1910 to 31 May 1913; and from 5 September 1913 to 26 October 1915. He was Prime Minister for a longer period than John Curtin, Ben Chifley, Gough Whitlam or Paul Keating. Bob Hawke was the only ALP Prime Minister to serve longer.
development and closer settlement led to land tenures under varying forms of lease, state-
wide, on the coast and inland. The original Sugar Experiment Stations Act, to conduct cane
varietal breeding and to carry out research, was introduced in 1900. The governments of the
day involved themselves in the building of infrastructure to develop the north of the state. The
original concept of the size of cane farms was for them to be 63 acres gross with 40 acres net
for cane production. Strong in the ALP was the concept of the yeoman farmer.

These decisions might seem unthinkable now, but I record this because it is important to
understand the history and long term attitudes formed in the industry. Known certainties are
always hard to dispel. Policies were put in place by the ‘big three’ ALP Premiers to ensure that
workers were available to work in the sugar cane crushing mills. Like their predecessors they
also established or supported the building of mills, for example the Tully mill was built by the
State government in 1925 at a cost of 750,000 pounds and is now owned by a Chinese
Company headed by Keith de Lacy, a former Treasurer in the Goss Labor Government. It
remained in government hands until 1931 when it was acquired by a Farmers’ Cooperative
Association. This followed the policy of earlier conservative governments in the late 1800s.

CSR and the Union Bank were also early commercial proprietors of mills in Queensland such
as Goondi and Hambledon in the far north. CSR had also devised the central milling concept
earlier than most of Queensland, beginning in northern NSW. Mill workers were given
perpetual town leases of land of about ten acres, based on the philosophy of a wage earner
being able to have an existence based on farm experience and to supplement his income during
the ‘slack’, when the mills were shut down for up to six months each year, or to be a source of
food: poultry, cows, fruit and vegetables. The ‘slack’ was generally over the summer months,
when there was still work to carry out in the chipping and weeding of young cane. These leases
did not all expire until 1957 when they were eventually converted to freehold.

Concepts of autarchy and equity were very strong in the cane growing areas and had a long
and durable history. In general, the concept of ‘orderly marketing’ has a long history in
Australian agricultural policy and was shared by all major political parties from the 1900s and
is at the basis of legislation for statutory marketing boards and authorities. Queensland took
this concept to greater lengths than did any other State. I was told that at one stage there were
separate Statutory Producer Marketing Boards for white and brown onions (I don’t know if
purple Spanish onions had a separate Board or were covered by one of the others). At one
stage, Queensland had three separate Egg Marketing Boards. They were zoned North, Central
and South - and eggs were not allowed to cross zone boundaries.

I was also often informed by several cane producers that it was the policy of the industry to
have a cane farm available for every son of existing cane growers in the industry. I asked how
this could be when farm sizes were slowly increasing and exits were occurring because
opportunities for expansion were limited? When I asked one fellow what about his daughters,
he seemed somewhat non-plussed.

It was my colleague, Ted Lindsay, then ALP Member for Herbert, who drew my attention to
the absolutely essential need to recognise the history of the sugar industry based on the strong
policies of both major political parties to populate the north, preferably with white men, to
develop the coastal plains in the cause of development, and the long term impact and
psychological legacy of these policies. Ted gave me much of the flavour of the earlier days
having been born, educated and lived in Tully until he was eleven years old. His father had
been a cane cutter in the Tully area and I once spent a night at his parent’s house, situated
hard up against the rain forest. They told me many tales about the history of the early days.
They also told me about the many snakes in the area. I slept on a mezzanine floor with open rafters and spent much of the night looking upwards suspecting that I’d see little red eyes at any moment! Ted showed me the remains of some of the brothels in the area and there are still examples of crumbling barracks built for cane cutters in many parts of the sugar coast.

In the harvesting season there had been well over 8,000 to 9,000 cane cutters at work, before the industry was mechanised from the early 1970s. The work was hot, hard, backbreaking and dangerous. In the second half of the nineteenth century sugar cane was cut by Chinese, Javanese, Malay and Melanesian labour. Jim Scully, a former Commonwealth Trade Departmental Secretary and later CSR Board member, has told me that the CSR Company at one stage had permission to import Japanese labour, but did not go ahead. The Melanesian people were known as Kanakas and were ‘indentured’ labourers who were brought to Australia by a process called ‘blackbirding’, for which read kidnapping. From the 1860s Pacific Islanders would be enticed onto ships to look at the tools and treasures on board, thrown in the hold and then transported to cut cane in Australia and Fiji, where CSR had a bad record of exploitation of its workers. I have read that up to 60,000 Kanakas came to Australia overall. I guess this was because we had run out of convicts and had to find cheap, virtual slave labour from somewhere? From what I can gather, the Kanakas and earlier cane cutters were not very well paid, if at all, but ‘kept’, living in pitiful conditions. Some also probably came out of a sense of adventure and for the opportunity for some income to send or take home.

The Immigration Restriction Act of 1901 came into law followed by the Pacific Islands Labourers Act, 1904. By 1906 nearly all of the Kanakas had been repatriated to their home countries (we have a history of exporting boat people). The relatives of those that somehow stayed are now some of our best rugby league players. They tend to now mainly live and work in the Ingham, Ayr and Mackay areas. (Ironically, large Queensland fruit and vegetable producers now want some of these people to come to Australia on restricted visas to help with seasonal harvesting; what goes around, comes around?).

The cane cutting industry was ‘white’ by the 1920s, but the Pacific Island people were replaced by Italians, Sicilians, Yugoslavs, Spaniards and Maltese, promptly labelled by the populist press such as the Sydney based, Smiths Weekly, as ‘dreadful dagoes’, ‘foreign scum’ and ‘Southern European filth’. (Current radio shock jocks eat your shrivelled hearts out). Many of the relatives of these fine, hard working people formed much of the basis to the current cane growing industry. However the preponderance of cane cutters and farmers was of Irish or Anglo-Saxon background. Cane cutting continued to be carried out by gangs living in barracks through the up to six months harvesting season. I understand there was the odd drunken brawl or two. The Summer of the Seventeenth Doll, by Ray Lawler, is a wonderful play that has the life and times of cane cutters in the 1950s at its centre. The film based on the play was shot at Silkwood near Ingham in Queensland.

The Producer Organisations

The two main producer organisations I engaged with were the statutorily based QCGC and the Australian Sugar Producers Association (ASPA). There was also a peak organisation known as the Queensland Sugar Industry Associations composed of the two producer organisations and the Proprietary Sugar Millers Association P/L and the Co-operative Sugar Millers’ Association.

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71Jim Scully headed the Commonwealth Departments of Minerals and Energy; Natural Resources; Trade and Resources; and Trade before retiring from the Public Service to commence a corporate career, which included being on the Board of CSR Ltd.
Ltd, which I met on several occasions. The outgoing long time President of the QCGC was Sir Joseph McEvoy, who had achieved near legendary status in the industry. Regrettably, I never met him but did meet his son, Joseph, several times. Sir Joseph’s successor was Fred Soper, from the Mackay area, who was a quiet, decent, honest man, who I greatly respected, and the CEO of the QCGC was the late Ron Belcher. An indication of the distrust with which I was regarded came when Ron suggested that we meet in Brisbane in an old heritage building. It had been beautifully restored but when I asked why we were meeting there, Ron said that he thought it would be best if we met in a ‘neutral location’. Maybe, he was under pressure not to be seen to be dealing with ‘Canberra’? The meeting didn’t seem to advance the issues much, even if it was in a neutral location.

Fred was a quiet but persistent negotiator, at pains to put forward the industry’s views and I often thought he wanted to have a one-on-one discussion with me. I did not know enough to appreciate how tough he would have had to have been to hold the whole industry together. Would Sir Joseph have carried more weight? He probably would have been harder to negotiate with? I do know that when up to 33 Mill Committees (up to 66 people) came to Canberra and Fred and I thought we had made some progress, they would return to their four main home cane growing regions and find that they were best advised to walk away from what may have been tentatively agreed. Ministers and officials in Canberra had long recognised the cane growing industry’s trips to Canberra as ‘the Sugar Caravan’. ASPA was far more open and flexible to deal with but it knew that it didn’t have the political weight that the statutorily based QCGC had with the Queensland Government, given the ‘crisis’ being addressed. Its President was Don Watson and the CEO was Norm Dillman, fair, honest people with the industry’s longer term interest at heart.

We formed government in 1983 with four ALP MHRs holding or winning seats on Queensland’s ‘sugar coast’, who were front on to the sugar industry crisis and subject to direct local political pressure. I had campaigned with all of them as with some unsuccessful candidates, such as Barbara Hill in Dawson, based on Mackay, before the 1983 election and had gained a general idea of the agricultural constituencies they sought to represent.

John Gayler, a solicitor and Member for Leichhardt in the Cairns, Atherton Tablelands, Cape York and Innisfail areas, had been born and grown up in Babinda where, among other towns in his electorate, there was a sugar cane crushing mill. He had chaired a Cane Prices Board at one stage. Ted Lindsay, a solicitor and Member for Herbert, had cane farms stretching south from his electorate, including the Ingham, Tully and South Johnstone mill areas. Ted had long lobbied for the building of the large Burdekin Dam, to secure water for the rapidly growing city of Townsville and for irrigation in the Burdekin valley, the construction of which we were able to quickly achieve by 1987. In 1990, Rob Hulls, a solicitor became Member for Kennedy, which was mainly an inland mining and grazing seat, centred on Mt Isa, and which included part of the Ingham area after 1984. Rob later became Attorney General in the Victorian Governments of Premiers Steve Bracks and John Brumby.

Brian Courtice, was elected Member for Hinkler in 1987. Brian was a cane farmer and former organiser with the Australian Workers Union, and represented the general Bundaberg area with sugar cane and horticulture as the main plant agricultures. Brian had the additional problem of a major cane harvester manufacturing firm based in Bundaberg and some of the

72 The Toft Brothers in Bundaberg introduced the first commercially successful cane harvester to the industry in the 1960s. Massey Ferguson also developed a cane harvesting machine and these two companies exported harvesters to Cuba and other cane producing countries. In the early 1980s Massey
most outspoken of the National Party supporters, including very vociferous cane farmers’ wives who formed an organised protest group.

All four members were assiduous in petitioning and working with me on behalf of constituents, being, as I was, concerned for the welfare of people working in the industry, on and off-farm. All four arranged meetings for me in their areas and worked hard to explain the situation in the industry from a broader perspective and, in turn, what the Government was trying to do. They were subject to a lot more local, concerted criticism than I was, not living in the cane producing areas. Despite the importance of the industry, it is easy to have doubts about the political ‘hype’ associated with the so-called ‘sugar seats’; the number of voters did not stack up, but the wider impact of the crisis may have had a psychological effect beyond the directly involved industry numbers.

As an ‘economically rational’ government, we built the Burdekin Dam, the first entirely by the Commonwealth Government since the dam on the Ord River in far north Western Australia. It was completed quickly, on time and on budget. I blame Ted Lindsay for this ‘heretical’ move. He had been a Townsville City Councillor and chaired its Water Committee. He had become the principal driving force in the long campaign to construct it. The city was growing but a secure water supply was lacking so there was increasing pressure to expand the Ross River Dam and build the Burdekin Dam. The concrete dam wall and abutments and spill-over valleys have been constructed for an expansion, if warranted. Ted’s untiring efforts were rewarded when Bob Hawke announced in the 1983 Election Policy Speech that construction of the dam would begin in the government’s first term. Townsville is now headed for a population of 200,000 people and cane production in the Burdekin Valley has expanded enormously.

There were also some long-term State members, who were subject to a great deal of sugar industry pressure and also kept up the pressure on the Hawke Government. Principal of these were Bob Scott, from the Cape York Peninsula and Torres Straight islands and some of Cairns in the seat of Cook, Keith De Lacey from Cairns, Geoff Smith from Townsville West, the late Bill Eaton from Mouriilyan (Innisfail), the late Ed Casey from Mackay and Jim Blake, who was the Opposition spokesman on Primary Industry and who was followed by Clem Campbell in Bundaberg. Bill Eaton was a laconic kind of bloke, but he was a hard worker and a great support of me on the ground (most of the time). Mackay occupies some centrality in the cane industry. The National Party Member for Dawson, Ray Braithwaite, had been a chartered accountant before entering federal politics (1975-96) and had a sound knowledge of the finances of cane growers. I believe that he well understood what I was trying to do but whether he agreed with anything I was doing or not, it was not in his interest to say anything beyond the ‘National Party line’.

When Wayne Goss won government for Labor in 1989 several more State ALP Members were added to the Queensland Parliament from cane growing areas. Leslie Clark in Barron River, Ferguson closed and Tofts was bought by a series of foreign companies. In 1986 Toft’s executives borrowed to buy the company back, listing in 1993 but the firm was then bought by Case Corporation Pty Ltd. During one of my three visits to Iran, I went to Dezful on the River Dez, which was close to Iraq and flowed into the Shatt al Arab waterway, during the Iraq-Iran War. Dezful had been reduced to rubble and most people lived underground. Embassy, Austrade officials and I were acting to untangle an Iranian problem with our Toft cane harvesters, the supply of spare parts. It was a cane growing area and the Iranian Government had plans to greatly expand the area. The problem was resolved to some degree and centred on technical questions and the inability of Iranians to understand some instructions in the Parts Manuals.
Steve Bredhauer in Cook the seat previously held by Bob Scott, Warren Pitt in Mulgrave, Ken McElligott in Thuringowa (West Townsville) and Lorraine Bird in Whitsunday (Proserpine) are some I can remember. Lorraine’s husband John was the principal in a large accounting firm in Mackay and knew a lot about the financial structure of the industry, not that he could ever say anything to me other than in general terms about his observations on the industry’s overall financial situation. Ed Casey became Minister for Agriculture in the Goss Government and provided much helpful advice. He had a special slant on the CSR Company: not favourable. John Tanzer, who used to work with me well before I fell from fame, later became his Principal Adviser.

I didn’t have enough sense to seek the in-depth advice of Dr Rex Patterson, Member for Dawson, who had been Minister for Northern Development, responsible for sugar and later Minister for Agriculture in the Whitlam Government, though I did have some good communications with him, mainly on what some of the locals were up to, politically. Rex had become a cane grower under irrigation in the Mackay area and had a deep knowledge of the industry. In the Whitlam years, world sugar prices had fluctuated wildly from 100 pounds sterling a ton in 1973 to 570 pounds in 1974 and back down to 175 pounds by 1975. He told me that he still had a financially viable operation in 1983.

**The Legislative and Organisational Structure of the Australian Sugar Industry**

As a former market economist, or more strictly, an economic researcher, I knew a little about the industry’s arrangements, but also knew that any of my species, who had examined or tried to examine the industry, had thrown up their hands in despair. The BAE had not been surveying the industry as long as it had other major farm industries. This meant that I had to get an overall picture of the industry from many sources as quickly as possible once I became Minister. I also quickly learned that there were more than a few misperceptions about the industry shared by outsiders, including myself. Regardless of the fact that I do not necessarily believe everything economists tell me, I was not in the game of propounding economic purity, but was trying to advance the industry’s wellbeing in a time of ‘crisis’ and for the longer term.

While there had been relevant Queensland legislation applying to the sugar industry before 1915, when the main governing Acts relevant to the 1980s were passed, NSW, which grew cane on the far north coast and had three mills in operation (formerly owned by CSR), to all intents and purposes followed the Queensland legislation by informal agreement, including voluntary restraints on production and acceptance of the pooled price. Sugar cane had once been grown as far south as Port Macquarie in NSW.

In what follows I set out the legislation, practices, negotiations and decisions taken during the time I was the responsible minister. I assume that much has changed since then.

**Commonwealth Legislation**

The main, relevant Commonwealth Act covering the production of sugar cane was the Commonwealth-Queensland Sugar Agreement Act 1975, known colloquially as the Sugar Agreement. This umbrella agreement guided policy and was regularly updated, but had not changed in purpose since its inauguration in 1915. Renewed every five years, it set the domestic price by agreed or negotiated formula and largely enabled Queensland to control the industry without breaking any Commonwealth laws. The Commonwealth was mainly, legislatively concerned, by virtue of its external powers and to protect the industry by a range of measures such as the import embargo.
The embargo was the ultimate protection device. It allowed no import of sugar in any form other than for agreed special purposes. Further, the import of sugar, golden syrup and treacle was prohibited under the Customs Act 1901, as amended. Australia was a party to the International Sugar Agreement and, perhaps reluctantly, had most recently signed it again in 1977. The Agreement was relevant because it required the Commonwealth, as a signatory, to observe the export quota provisions and its stock holding obligations.

As noted above, a schedule to the Sugar Marketing Assistance Act in 1967 allowed the granting of loans by the Commonwealth to the Queensland Government to assist the industry in downturns.

Other Commonwealth legislation included the use of duties under the Customs Tariff Act for any minor agreed imports of specialty sugars, the Excise Tariff Act for any imports of artificial sweeteners and an exemption under the Trade Practices Act for the Sugar Board not to be penalised in its restrictive practices.

Queensland Legislation and its Implementation

The Queensland Government exercised its control of production under two main Acts: the Regulation of Sugar Cane Prices Act and the Sugar Acquisition Act. The latter was amended over time to take into account some changed circumstances, but always with the same degree of control. The first of these Acts set out the framework for the operation of the Cane Prices Boards and the operation of the land assignment system for controlling production. Sugar cane was not allowed to be grown on unassigned land. This Act also provided for the basic quotas for the cane crushing mills, ‘mill peaks’, and like quotas for cane producers whereby each farm was allocated a ‘farm peak’, setting out the obligations of growers and millers, and a technically derived formula for the percentage payment to millers for crushing and to growers for the supply of cane. Cane growers needed a mill and mills needed growers. Membership of the Central Sugar Cane Prices Board, known simply as the Central Board, comprised a Chairman, who was to be a judge or ex-judge; a representative each of growers and millers, a sugar chemist and an accountant appointed by the Queensland Government. A Local Sugar Cane Prices Board (known simply as Local Boards) was established for each of the 33 mill areas. These Boards were made up of three to five members, including an independent chair (usually a magistrate) appointed by the Queensland Government and, usually, two grower and two miller representatives. Each mill also had a Mill Suppliers Committee.

I was sent some dissenting material when growers were unhappy with the way the Chairmen and Directors of the mills ran them. There was one particular dispute, in Babinda, where the Chair of the Board, Max Menzel, National Party Member for Mulgrave, allegedly, ruled with a rod of iron and didn’t allow management to take any decisions. The mill had paid tax but no dividend had been paid to growers. I couldn’t do much about this but this was another indication of how deep the National Party was involved in the regulated institutions of the industry.

Each year the Queensland Government proclaimed a mill peak for each mill area taking into account the recommendation of the Central Board. This represented the basic quantity of raw sugar to be accepted from each mill for marketing. Aggregate mill peaks were never reduced as the market expanded. Provisions and criteria were laid down for the Central Board to hear applications for variation over the previous season. Once each mill peak was determined, the Local Board then distributed the tonnage among the growers assigned to the mill, but with appeal provisions allowing any local grower to approach the Central Board if aggrieved by a
decision. It was the aggregate of farm peaks that amounted to the mill peak and applied to the net area of a producer's assignment sufficient to provide the basic quantity of sugar, so ordained. The Local Board in each area was also empowered to prepare each year a contract between growers and the designated mill on all aspects of harvesting, transport, basic prices, starting and finishing dates for the mill and pick up points for delivery. A high degree of organisation and co-ordination was needed because sugar cane quickly deteriorates after being cut.

The second major Act, the Sugar Acquisition Act of 1915, enabled the State to acquire all raw sugar produced by mills. The Act also appointed the Sugar Board, whose main job was to market sugar. It did this by agreements with two refining companies, CSR Limited, the Agent of the Sugar Board, and the Millaquin Sugar Co. P/L, enabling the Queensland Government to supply refined sugar to the Australian market. This was implemented by the refiners, with CSR having five large refineries and ships to transport raw sugar from terminals to refineries in capital cities and maintain an equal price for sugar throughout the domestic market by the pooling of expenses. CSR was not able to set the domestic price of sugar but it was alleged that the refining operation was, in effect, conducted on a cost plus basis.

By Proclamation, the Sugar Board was required to determine by 30 September each harvest season how much over-peak production it would accept for marketing, with the Board also being able to vary its initial Proclamation. Further, any cane grown on unassigned land was paid for at the penalty rate of $1.00 per tonne. However, if there was a shortage, out of peak production may be accepted. The Sugar Board Act gave the Sugar Board the authority to borrow funds to assist in the marketing of sugar, generally from the Reserve Bank.

Once the industry started converting to the bulk handling of raw sugar, the Queensland Harbours Act empowered harbour authorities to construct facilities for the handling of bulk sugar such as terminals and harbour facilities and to enter into agreements with the Sugar Board for their operation. Loans for building such infrastructure were secured against the proceeds of the sugar. The sugar experiment stations were financed equally by growers and millers and a Sugar Experiment Stations Board also directed and supervised cane plant quarantine and disease and pest control through local Cane Pest and Disease Control Boards. Ted Lindsay has since told me that he once spent six weeks working for the Tully Board, pulling out Q66 (a variety) stools affected by leaf scald. The mills also had a voluntary research organisation, Sugar Research Limited, which focussed on increasing mill efficiency, product improvement and all related mill infrastructure issues such as crushing mill maintenance and wear in the tram lines used for cane transport.

The Queensland Primary Producers’ Co-operative Association Act, 1923, under which co-operative mills operated, and the Primary Producers’ Organisation and Marketing Act, 1926, gave the QCGC its statutory power. There was also a Fruit Industry Sugar Concession Committee, which allowed a rebate to domestic fruit canners and an Export Sugar Committee, which allowed a rebate to be paid on specified goods containing sugar, mainly canned fruit. These latter two Committees were usually chaired by officials of the Commonwealth Department of Primary Industry.

The Queensland Government under the provisions and financing of the Commonwealth Rural Adjustment Scheme had also made funds available to the industry in times of low prices. There was nothing to stop it from providing loans or funds from its own resources as it saw fit at such times. This time, the Queensland Government was reticent to do so.
All in all, this was a very complex system of regulatory controls, prone to patronage by the Queensland Government and requiring multiple consultative meetings. It was estimated that Queensland Government costs (for which basically read Sugar Board) for home consumption sugar was 36% or more of gross revenue. I never thought I understood all the arrangements nor the basic cost and profit structures involved in the operations of the industry on account of ‘commercial in confidence’ provisions.

The IAC’s calculation of the effective rate of assistance varied greatly from year to year. The rule of thumb according to growers I talked to was that the world price of sugar had to be at least 11 cents a pound US for them to be profitable. The more I went into it, the more complicated the situation became, particularly the detail of the flexibility in allowing over peak production, the mechanisms of expansions, the controls on growers for the sale of their properties, the technically complex cane pricing formula, etc. There were Cane Growers Executives in the main geographic growing and milling areas. Jack Smith, CEO of the one centred on the Mackay region, was particularly helpful in explaining the ins and outs of the arrangements to me. I also had many discussions with the one centred in the Innisfail region and its CEO, George Taifalos, the Executive’s Chairman, George Despot, and also with John Dempsey in Cairns.

The Structure of the Industry and Pricing

In 1983–4 there were about 6,300 cane growers and up to about 15,000 people employed on farms and in the mills, though not all employees were full time. A grower typically grew more cane than his farm peak as a precaution if the sugar yield was less than expected, or to be able to supply additional cane if the Sugar Board determined to accept over-peak sugar for marketing or, also, to fulfil any shortfall in other farm peaks in a mill area. Sometimes cane was stood over to the next season.

There had been an expansion in assigned land after the higher prices in 1980–81 but expansion at farm level was closely administered and could occur by buying another property or taking up the land of those who did not meet their farm peak targets. Any expansion implied that growers would borrow to take advantage of possible extra production, which would raise debt levels. Entry by new growers rarely occurred as the tonnage per farm on a ‘living area’ calculation had to lift for all to make a living. Notwithstanding this, there was a wide disparity in farm sizes throughout the industry.

Fifteen of the mills were co-operatively owned with the balance of proprietary companies such as CSR, Bundaberg Sugar, Pioneer Mill and Howard Smith producing about 60% of the raw sugar in a season. CSR’s Victoria was the largest mill and Macknade, also owned by CSR and comparatively large, were both in the Ingham region. The view of economists on cost items such as transport and infrastructure, milling and marketing were all, basically, on a cost plus basis and little competition was to be found to exert a search for savings within the regulated, pooled arrangements.

Growers were paid for their cane on the basis of a formula going back to 1916, but basically resulted in a gain or loss to the grower if the sugar content of the cane produced exceeded or was less than 12% Commercial Cane Sugar (CCS). Similarly, a mill was penalised by the formula if its extraction rate fell below 90%. By and large the formula resulted in a grower receiving about two thirds of the proceeds and mills one third. Growers were paid out of four designated quotas via two pools. Export sales fell into three sales categories - long, reasonably assured and spot contracts. The proceeds after sale were pooled for growers within the No. 1
pool, including First Quota, based on proceeds including the domestic price, the US quota and other long term contracts. Export returns provided a different figure in the No. 2 pool. The price of No. 2 pool was based on returns from sugar exported after the sale of No. 1 pool sugar was completed. Over the last twenty years the proportion of export sales to the United Kingdom had dropped to zero, consequent on its entry into EEC, and by 1983 nearly 90% of exports were being shipped to the Asian and United States markets.

The price of sugar on the domestic market was fixed in terms of five year agreements negotiated between the Commonwealth and Queensland Governments and negotiated annually for variations. There were two prices, one for household domestic consumption and another for manufacturing, which involved the larger tonnage. Many manufacturers felt discriminated against, but were in two minds as to whether or not they wanted a free market. Of the six refineries, CSR owned and operated five, which were in the major capital cities. Millaquin Sugar Co P/L owned the other one based in Bundaberg. CSR dominated refining with Millaquin only refining about 4% of the total of about 800,000 tonnes per annum. Refining was a toll operation under a contract negotiated annually with the Queensland Government and administered by the Sugar Board.

The price of sugar for domestic consumers was pooled so that the price was, ostensibly, the same throughout Australia. There were many commercial arrangements such as credit, rebates, sale quantities etc, which I did not need to be familiar with. CSR was also the sole export agent under the arrangements and this was seen as beneficial in terms of customer countries which had single buyers and in negotiating long term contracts. It seemed to me that CSR had by far the most accurate understanding of the cost structures of the industry, world economic and political issues relating to sugar and a good grasp of relativities and basic statistics. This proved to be exceptionally useful when I first attended the International Sugar Agreement (ISA) meeting in May 1983.

Measured industry assistance was low. Everyone understood the status quo. The arrangements had given production stability. Most growers, millers and refiners were protected from change. Concepts such as disadvantage for other players in the economy, the lack of competition leading to additional costs, adoptable efficiencies, that costs and revenues may be better distributed and that opportunities in a freer market for others were being denied, were not concepts that could be grasped by the cane growing industry. The theory that negotiation is most likely to be successful between parties if an imperative exists was never a concept embraced by industry players. None the less, the industry was in trouble and faced a bleak future.

As a quixotic aside, one could be philosophic about it all. It was Aristotle in his contemplation, On Rhetoric, who stated that we act and believe in terms of Logo, Pathos and Ethos. Logo (logic) doesn’t work alone, Pathos is what is appealing and Ethos is about the social or ethical and means that we believe the ideas we like. We see this to this day. It was De Toqueville who said that a simple lie is always easier to sell than a complex truth. The Queensland Premier seemed well aware of this. Sun Tzu said that “he who cares most wins”. I cared a lot and lost. I did not come across much philosophical discourse in dealing with the sugar industry.

Handling the ‘Crisis’

It may come as surprise, but becoming a minister does not result in knowing absolutely everything about one’s portfolio. Without some immersion in the issues, analysis, synthesis and some general policy beliefs, ministers can become mere mouthpieces for officials or
simply play politics, which I was never good at. Ministers, particularly industry ministers, need to quickly absorb a fair degree of knowledge about the issues in the many industries for which they are responsible. It was essential that I was familiar with the above background to the sugar industry.

Virtually as I was setting up my office in the old Parliament House, the Department informed me that I would be leading the Australian Delegation to the early May International Sugar Agreement (ISA) Conference in Geneva. This was news to me. The current ISA, as well as the latest Commonwealth-Queensland Sugar Agreement, was due to expire in 1984. The Coalition Government had sent a reference on the Sugar Industry to the Industry Assistance Commission (IAC) in November 1982, which was due to report on both short and long term needs in 1983. I realised that I could not take a broad or detailed submission to Cabinet with any hope of success before the receipt of the final Report.

I had already read the 1979 IAC Report in some detail. This report was commissioned because the industry wanted an increase of $80 a tonne in the domestic price in January 1978. The Queensland Government endorsed this and sought $40 immediately and $40 in September 1978. The Fraser Government advised that it was only agreeable to an increase of $18 per tonne. The Queensland Government and industry thought this was “totally inadequate”. The Commissioners were W McKinnon, Chair of the IAC, C Harris, Chair of the Sugar Board and R Livingston, Secretary of the Commonwealth Department of the Northern Territory. The IAC recommended a price of $379.49 per tonne for 1A Grade Sugar and $370 per tonne for 1XD Grade (manufacturing) along with some minor amendments to various pieces of the legislation and regulations. McKinnon dissented from the recommendation on price stating that the industry should be more subject to world prices. The increase, which was then accepted by the Fraser Government, was $80 a tonne, an increase of 28%. The industry was used to getting its way and had done so again.

Industry revenues increased substantially in 1980 and 1981, which then resulted in an expansion of production and accompanying extra borrowing. As already noted, one criticism of the Sugar Agreement in 1979 was that of the last 52 years there were only ten when returns on the export market were higher than on the domestic, hence there were obvious limits on how high the domestic price could go if the industry kept expanding and exporting. By 1983 there would have been only 11 or 12 years out of the past 55 when the returns on the export market had been better than on the domestic market.

The ISA Talks, 1983

On 4 May, 1983 I led the Australian Delegation to the ISA negotiating conference in Geneva. The United Nations Conference on Trade and Development (UNCTAD) convened the ISA and its remit was concentrated on the integration of developing countries into the world economy. Major exporting and importing countries were represented at the conference and also present were the Group of 77 developing countries and the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), representing interested multinational entities. The elected Conference Chairman, Jorge Zorreguietta, had been the Argentine Minister for Agriculture and Livestock from March 1979 to March 1981 during the time of the ruthless Argentine dictator, General Videla, 1976-81. He resigned, later escaping blame for involvement in the politically motivated murders by the regime and then became president of an advisory board for Argentine sugar producers; probably not our choice for conference chair. Zorreguietta was well connected in Europe: he was the father of the wife of the heir apparent to the throne of the Netherlands, William Alexander, Prince of Orange.
There had been successfully negotiated ISAs in 1953, 1958, 1968 and 1977 and failed negotiations in 1965 and 1973. CSR had been a key player in the negotiations for many years and was included in the Department of Trade delegations of up to 40 people at ISA meetings in the 1960s. CSR, as the industry’s international exporter, had also been crucially involved in the signing of long term contracts (LTCs), for example with China and, after many difficulties, with Japan. CSR was also heavily involved in the deliberations of the International Sugar Organisation based in London.

Australia had given way to gain the 1977 ISA but, in general, there was growing economic concern about managed trade versus liberalisation and international commodity agreements. Our main concern was about what the position of the EEC would be. We knew the old idea of the ABC (Australia, Brazil and Cuba), as the main exporting countries, having a central role in negotiations was diminishing, if not gone; Cuba was no longer an ally of Brazil or of us.

Queenslanders in the Delegation included Mike Ahern, then Minister for Primary Industry, Graham Alexander, Secretary of Ahern’s Department, and Ron Camm, Chair of the Sugar Board. Commonwealth representatives included Lindsay Duthie, Secretary of my Department, Colin Teese from the Department of Trade, officials from both governments and my now Principal Private Secretary, Julienne McKay. Peter Frawley and others from CSR were also present and involved in the various negotiations within sub-committees. Peter worked assiduously and was fully au fait with the politics of the industry as well as the technical detail. Lindsay’s strength and experience was in trade policy and negotiations. He gave me a very quick evaluation of what he thought the position of the main players would be, which proved to be accurate.  

I had misgivings about the likelihood of success for the meeting, due to the likely positions of the EEC and Cuba, but put on a brave face to try to get a better deal for Australia and minor sugar exporters not members of the Lome Convention, which gave them privileged access to the EEC as former colonies. Of course, I knew that Australia’s farmers would have fought tooth and nail to hold on to the subsidies given to EEC and US farmers if they had applied to them. Many Australian farmers did not seem, or want, to believe that we could not afford to out-subsidise European and American counterparts to stay in the export game. This reality applied not only to the sugar industry, but also to other of our export commodities such as wheat and dairy products. If we had been able to match the EEC and US subsidisation, what was to stop them from retaliating and simply upping the ante?

There had been some preparatory work and the EEC had indicated some flexibility. I intended visiting Brussels, the headquarters of the EEC, after the conference to speak further on sugar, and also cheese, wine, sheep-meat and beef issues. Access for our products was becoming a lost cause, but it was important for us to negotiate hard on these issues, knowing that the main game was now to try to stop the EEC from corrupting all world agricultural traded markets with their continuing, massive export subsidies. I took the view that the EEC wanted to inflict high prices for food on their populations for the political imperative of having a united Europe and was their own business. While this was one thing, to then corrupt the rest of the world’s agricultural markets and deny developing nations the chance to trade and grow economically was quite another.

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73 Lindsay had been in Geneva many times and gave me a copy of the original document he possessed from when the General Agreement on Tariffs and Trade (GATT) had been negotiated in 1954.
Amazingly, the administrative arrangements for the conference were settled in a day (they had normally taken a week). It was clear that the depressed state of the world sugar market was leading to strong support for a new and effective agreement. The speeches by delegates were rational, not totally parochial and sounded hopeful. My speech to the conference emphasised Australia’s position on what a new ISA should look like, including that the EEC should now be prepared to accept a greater discipline than other countries which had been penalised by its practices. My main points were that there had to be widespread market coverage, an effective regulatory mechanism to control the total quantity of sugar coming onto the world market, comprehensive membership and genuine participation by all sugar trading countries – importers, exporters, producers and consumers. I then engaged in one-on-one negotiations and discussions with key players: although the EEC was now actively participating, it quickly became obvious that it was not willing or able to pull back from its subsidisation policies. The Cubans wanted unrestricted access to the Soviet Union, the ‘free trading’ Americans were basically opposed to all international commodity agreements on first principles, the Brazilians were happy to side with us but prepared to divert more sugar into ethanol production if the conference got nowhere, the Soviet delegates were obscure and indecisive other than in backing Cuba and the smaller countries welcomed our role but, privately, were realists.

The conference broke up, but formed a high level, ongoing Consultation Group and several working groups to work through key issues for a return to Geneva by the deadline of next year. A lot was left up to the conference Chair. I took the chance to have talks with key Australian industry players while in Geneva, learning a lot from Peter Frawley and the CSR people present. I formed the view that CSR may be well advised to export white as well as raw sugar.

As an aside, the country around Geneva was unspeakably beautiful at this time of the year; there was still snow on the Saleve mountain range and Mont Blanc was just in view in the far distance. A suburb named Colognie oozed with richness and beauty, it being where many ambassadors and international public servants lived. We were there for the weekend and I again met Peter Field and his partner Anne De Salis, whom I’d met several times in Australia. Peter drove Lindsay, Colin and me to a restaurant in Annecy in France. He was our trade representative in Geneva and participated in the ISA before, during and after the meeting. Julienne went to Bern but afterwards went with me, during a break in negotiations, to an exquisite medieval French lakeside village named Yvoire, which she had been told about or had found. I thought the lake on which Geneva sits was named Lake Geneva, but some say its name is Lake Leman.

In Brussels Lindsay and I met Poul Dalsager, the Commissioner for Agriculture, and senior officials and then joined my colleague and friend, Bill Hayden, Minister for Foreign Affairs, for talks with William Haferkamp, the EEC’s Commissioner for External Relations. We met in the Berlaymont, the grand office complex, which housed the headquarters of the EEC and which I was destined to visit many times in the years to come. In my talks I covered the Common Agricultural Policy (CAP) and the need for its reform, then specifically, sugar, cereals, beef, sheep-meats, dairy products, wine, canned fruits, dried vine fruits and apples. My arguments were objectively sound but the response by the Commissioners on sugar was bland and did not represent what we had been told by their negotiators in Geneva. Both Commissioners were on the way out and no doubt bored with yet another bunch of Australian ministers, now from a new government, traipsing to Brussels to raise the same old issues. I also particularly raised the situation with cheese in which the EEC was subsidising cheese into our domestic market well below the cost of production in both Australia and the EEC. I also raised sheep meat; the quota of 17,500 tonnes had already been filled but additional access
would not disrupt internal EEC markets. In December 1981 there had been an agreement in the form of an exchange of letters, which the Commissioners seemed to have forgotten.

In discussing the CAP and general world agricultural trade, I pointed out that we were just as concerned about the activities of the US, which had just aggressively taken wheat markets held by Australia in Iraq and Yemen as had the EEC in Egypt. My general impression was that the current generation of EEC Commissioners were still haunted by World War 2 and their fear for food security - of what was and could be again. There was a real fear of being left with endless suburbs and a vacated countryside if they pulled back from agricultural subsidisation. A pretty and occupied countryside was good for tourism. In other words, the CAP was the ‘glue’ that held the Community together.

The highlight of Brussels, where the sun is never seen, was Lindsay’s guided tour of the city centre, the Grand Place and the mussel restaurants, which were adjacent to the Amigo Hotel where we stayed. Lindsay shouted Julienne and me and one of his old trade colleagues, Paul Luytens, to a degustation of thirteen courses in one of Brussels’ finest restaurants. He went pale when he got the bill, because he was not going to, and did not, ask the Department to pay. I could see how easy it would be to get used to the high life as an international public servant in Europe.

At a press conference on my return to Australia, I didn’t claim any victories, or that I’d abused and beaten the Commissioners into a pulp (the usual position taken by returning Australian Coalition ministers) but said that there were some signs for optimism and hoped that another year of high level negotiations on sugar may see a better ISA achieved.

**The IAC Reports**

During May I met with industry organisations, relevant MPs and canegrowers. The IAC’s report on short term assistance recommended that no support should be given beyond funding through the Rural Adjustment Scheme (RAS). Following the release of this report, the QCGC requested increased funding to the Rural Reconstruction Authorities in Queensland and NSW; that the sugar industry be an industry qualifying for carry-on funds under the RAS; that the IAC give specific attention to the principle of introducing underwriting; that there be an immediate increase of $40 per tonne for the domestic price of refined sugar; that an adjustment mechanism be incorporated in the Sugar Agreement which preserved the real level of the base price recommended at the commencement of the agreement period; and that the domestic price which should apply for sugar from 1 July 1983 be $525 per tonne. The comprehensive submission backed the case being made by the Sugar Industry Association and contained much useful information stressing the highly variable nature of sugar industry revenue. But even if I had agreed with the submission, there was no way the Cabinet would ever regard it favourably.

On the 7 June I announced that the Government had decided to make $11m available for special concessional carry on loans for cane growers to try to help the 600 producers seen to be in the most financial trouble and likely to be forced out of the industry. The Queensland Government’s only request had been for financial assistance but of course it claimed that this was not enough. Former Deputy Prime Minister, Doug Anthony, also stridently criticised the Government and me. This was completely hypocritical since the Government in which he had been a prominent member, had dramatically cut rural adjustment expenditure in one of our worst droughts: only $18.4m was made available for the whole farm sector in 1982-83, down from $47m in 1978-79. Oppositions rely on short memories. I also announced that the
Government had decided to raise RAS funding for 1983-84 to $35m, almost doubling it. On 15 June I announced that the Government was not going to alter the existing formula on sugar pricing for the year commencing 1 July 1983, ahead of the current agreement expiring in July 1984, and that the domestic price would therefore only rise on this basis.

Somewhat stunningly, in August, Ray Braithwaite, the Member for Dawson and the National Party’s spokesman on Northern Development, made the obvious statement that sugar cane could be grown efficiently in the Ord irrigation area. I pointed out that this did not help in negotiations on a new ISA, but privately welcomed his statement. CSR, with Commonwealth Government assistance, built a mill in the Ord in 1995-96 with a half million tonne cane capacity. It was sold later to Cheil Jedang, South Korea’s largest food manufacturer, but I am not sure what the situation is today. To be economic, the mill probably needed at least a million tonnes of cane or more each year.

The IAC issued its Draft Report on long term assistance to the sugar industry in early September, 1983, which I immediately declared was ‘disastrous’. The list of options put forward was impractical and would have effectively destroyed all that had been built over the past 70 years. I was emphatic in stating that the Commission’s view on underwriting was unrealistic, but that the recommendations on domestic pricing were helpful. In rejecting the draft, I said that the IAC had only looked at a very long term structure many years ahead and that what the Government had to deal with was the current situation. I said that I hoped the final report would give this rational consideration. Prime Minister Hawke publicly backed my statement. Needless, to say the National Party in Queensland immediately circulated the story in the cane growing areas that the Commonwealth had backed the report’s recommendations.

On 13 October 1986, Minister Ahern again accused the Federal Government of aiming to destroy the industry, stating that I backed the report, using as a basis for his remarks what I was alleged to have said in the House of Representatives the night before. The only problem was that I was not in Parliament the night before. When John Gayler, MHR, threatened to take private legal action, Minister Ahern retracted his statement six days later saying it had been “put out by a staffer”. A Queensland State election was scheduled for October 22, 1983. The Liberals in the Coalition in Queensland had torn up their deal with the Queensland National Party. The National Party won 41 seats, one short of a majority. Two Liberals crossed the floor of the Queensland Parliament, joining the National Party and allowing it to form government. This was the start of the transformation of government in Queensland to one man rule and given full meaning when the Queensland National Party won government in its own right on 1 November 1986.

I released the IAC’s final report on longer term assistance on 4 December 1983, almost immediately after receiving it, so that the industry and governments could begin to give it due consideration as soon as possible. The report still came as a shock to the industry. The recommendations proposed a framework within which the industry might develop flexible production and pricing arrangements more closely related to its significant export orientation and changing fortunes on international markets. The IAC called for the immediate removal of the sugar import embargo and the administered price to free up the domestic market. I had always thought that in the current situation that the embargo was no longer necessary or useful. Further, the Government was pushing for freer world agricultural trade; there are limits to inconsistency. However, I wasn’t going to express my view on the industry’s Holy Grail because I thought this would totally crucify the prospects of negotiations with it.
The IAC’s recommendations reflected many of those in the BAE’s, the research arm of my Department, submission to the inquiry. These included an underwriting scheme and canvassed issues associated with import control, domestic pricing and production regulation, with specific recommendations including abolition of land assignments, retention of existing pricing and delivery arrangements for the administratively set peak sugar tonnages and the creation of a separate unrestricted market for over-peak sugar. Although I knew that the Commission’s recommendations would be anathema to the industry, at least the gauntlet had been thrown down and I could play ‘good cop/bad cop’ in trying to gain an improved situation for the industry. I publicly said the recommendations warranted close attention by the industry.

Of course, because the industry was largely controlled by Queensland State legislation and because the domestic agreement was due to be renegotiated, it was essential that intense consultation and negotiation with the States and industry representatives commence. The report gave a good idea of the size of the industry, which had increased production two and a half times in the past 20 years to close to 3.5m tonnes per annum, with 900 less growers at 6,286, an average farm size having increased from 27 to 63 hectares over the same period, with some 6,000 field workers and some 9,000 mill workers. The figures were changing rapidly and by 1983-84 it was estimated that there were 5701 cane growers but with production still increasing.

Premier Bjelke-Petersen almost immediately muddied the water by playing politics and accusing the Commonwealth Government of being obstructive over the refinancing of a loan previously extended to the Queensland Government by the International Monetary Fund (IMF) via a Buffer Stock Financing Facility loan. He now wished to borrow from overseas to replace the IMF facilities. I had to point out that, as he well knew, this was outside Loan Council guidelines but that we had tried to assist the Queensland Government by offering a loan of $700,000 to finance the additional interest cost and that we had helped his Government borrow on the domestic market. The problem had been that the Queensland Government had owed the Commonwealth $37.2m by 30 November, but had dithered so much in accepting a temporary purpose loan that it had technically breached its legal obligations. I knew the negotiating path ahead was going to be rocky.

I will not outline every of the many meetings held with the sugar industry but what was apparent was that I was always speaking a different language.

In February 1984 I addressed the QCGC making a comprehensive speech on the way the Government and I saw the industry’s situation and the way ahead. I touched on the upcoming Commonwealth/Queensland Sugar Agreement renegotiation and said that if extraordinarily high and low prices were dropped out, that 1983 prices had already returned to a level above the long term trend; international prices had picked up a little. The average Farm Cash Operating Surplus (FCOS) was one of the standard measures of farm performance used by the BAE. It increased in three of the four major districts in 1983-84, particularly in the Burdekin, but at a $5,622 estimated average, it was still well below the return for the 1981-82 season. It was expected that production would increase in 1984-85. The industry had dropped its request for a loan of $100m and instead asked for $47m to be paid to growers and millers. An across the board injection of funds would have only resulted in a payment of between $4,000 and $8,000 for growers in the 3-6000 tonne category, whereas the jointly funded $22m carry-on finance package had put $26,000 in the hands of growers most in need. Also, the Commonwealth had doubled Queensland’s share of the RAS overall. The Queensland Sugar
Board had provided a $40 per tonne increase in the first advance payment and this was also easing cash flow problems.

I then spent a lot of time exploring options to put the industry on a better long term footing. I indicated that I was open to the idea of an underwriting scheme as long as this was not a scheme to simply support producers’ incomes. Rather, it should be viewed as a safety net that reduces some of the commercial risk in the marketing of a commodity sold on corrupted world markets, where we were a price taker. The sensible aspect of an underwriting approach was that it gave a bottom line that the banks and industry’s financiers could rely on. This is because below a certain set level of underwriting of the market price, the Commonwealth Government (taxpayers) would make up the balance to the set level. The scheme the industry proposed would have cost $190m in 1982-83. I had to make clear that I was part of a Government that faced a $9.6b budget deficit and that the Cabinet was above all else concerned to get the economy back to a sounder footing. To an industry in trouble, this always sounded like a way of saying that the government was not prepared to give it a high priority.

The BAE was coming to grips with the industry and had started to survey the sugar industry with survey results for 1981-82 and projections for 1982-83 and 1983-84 to be published in mid 1984. It was using figures supplied by the QCGC’s economists. The BAE forwarded me an analysis of the cash liquidity prospects for the industry for 1984-85 in March. The estimate of the FCOS had increased in three of the four major districts in 1983-84 and compared favourably with 1982-83. The No 1 Pool payment had increased from $224 for the 1982 season to $260 per tonne.

The industry then wanted the embargo to be extended and domestic prices to be set on the basis of its cost of production. I had to point out that cost of production formulas had caused self-defeating distortions in agricultural policy and that the industry could not regard the domestic and international markets as being unrelated. The industry had convinced itself that it was, technically, the most efficient in the world. I had to point out that, even if true, technical efficiency alone does not determine profitability. I had given the QCGC a lot to think about but I did not think I would have won a popularity contest. From this point on negotiations then became more privately focussed with key players.

In June I was able to announce that the Queensland and Commonwealth Governments had finalised the terms of a new Domestic Sugar Agreement to run until 30 June 1989. The price rose by $27.63 to $508 a tonne with further increases in the maximum price to be adjusted every six months on the basis of movements in the CPI. Specialty sugars were able to be imported in packs of 5kgs up to 1 tonne total and rebate arrangements changed or dispensed with. During the discussions with the Queensland Government and its officials, it was agreed that the industry, due to the many problems it faced, would fully review its production, marketing and administrative arrangements with a view to having an acceptable package for all parties by the start of the 1987 season. I was not averse to giving the industry time to debate the issues it faced. A lot of negotiations were carried out at official level with Queensland and NSW officials involved in the industry’s review.

The ISA, 1984

Neil Turner, now Queensland Minister for Primary Industries, industry representatives and I flew to Geneva in late June to meet our negotiating team for the third and final session of the negotiating conference on a new ISA. Brian Hill, Acting Deputy Secretary of the Department of Primary Industry, had been in Geneva for the duration of the 1984 conference and he and
Trade officials were keeping me up to date daily by cable on the negotiations under way. As well, Secretary Lindsay Duthie and the Department were keeping me well briefed before I flew to Geneva. Negotiations had reached a crucial point. The positions of the EEC and Cuba still proved to be the sticking point. The test was if Ministerial involvement could change the situation.

In a discussion with the EEC negotiators it was confirmed that its delegation wanted to hold onto their high export base and then negotiate with us and other key players in detail on an issue by issue basis. This is known as the ‘salami strategy’ and we weren’t going to have any of it. The EEC was in effect not prepared to negotiate on the major issues at what was supposed to be a negotiating conference. When the Group of 10 of major exporters, except the EEC, put figures on the table, the lead EEC delegate disappeared. The Conference Chair couldn’t see his way to reach a satisfactory conclusion or new agreement. The whole argument distilled to being an agreement on Reference Export Availabilitys, that is, export entitlements, whether these should be adjustable during the life of the agreement, the treatment of Cuba’s special arrangements and the accumulation of security stocks. Cuba was both captive of its sugar cane industry and its patron; the USSR, had not yet cut it adrift as it did in 1990–91.

The proposal by the now nine out of ten Annex 1 (major exporters), totalled 17,659,459 tonnes per annum with the EEC to be allocated 4,353,393 tonnes, the highest of any exporter, followed by Australia at 2.67m tonnes, Brazil at 2.66m tonnes and Cuba with 2.29m tonnes. Argentina, the Dominican Republic, the Philippines, South Africa and Thailand would share 5.7m tonnes and Annex 2 and 3 (developing countries) countries would share 3.2 to 3.3m tonnes. This was rejected by the EEC and a counter proposal or compromise was put on the table by the Chair. This proposed about the same export tonnage overall but with an increase for the EEC to 4.9m tonnes and for Australia and Cuba to be cut back. This and other provisions (such as increased stockholding) would have meant that in time we would not be able to retain our mill peaks. The Australian delegation rejected this proposal. Neil Turner was later stridently criticised by some in the industry for ‘selling out’. He did not. The EEC and Cuba had remained unpersuadable for over a year. It is not the case that the Australian Delegation collapsed the agreement. The upshot of EEC intransigence was that there was no longer an ISA. Of course, the EEC wanted to put the blame elsewhere.

After the collapse of the ISA I ducked across to Paris to see Gough Whitlam, then with UNESCO, here pictured with his research officer Mark Latham. We all were, or became, Members for Werriwa but I alone failed to lead the Party, but I was briefly Treasurer in 1991.
The very basic facts of the situation the industry was in were becoming even starker. World stocks had been rising since 1982 and were now at a record 40m tonnes raw value and the world price looked like dropping further, our long term contracts were winding down and reliance on the measures taken in previous price downturns no longer applied or were likely to work. I wondered if the Australian industry could see that no ISA was both a calamitous challenge and a possible opportunity and that the actions of other exporters such as the EEC, Brazil and Thailand would now become even more crucial?

At the end of August 1984, Prime Minister Hawke wrote to the Queensland Premier suggesting that the Commonwealth Government would agree to up to $4m now held in Part A of the RAS be put into Part B where it could be used for carry on finance. It was then up to Queensland to decide its priorities in funds allocation but it was suggested that the sugar industry was most in need. RAS monies were administered by the States. But as it turned out, none of this was spent or taken up by cane growers.

In September, John Dawkins, Minister for Finance, John Gayler, Ted Lindsay and I met George Taifalos from the Innisfail Cane Growers Executive and a delegation of cane growers, who put the case for growers in the super wet belt of the industry. The problem here was that because of lower CCS (sugar content in the cane), growers were receiving $4 per tonne less for cane than growers in other areas. I quietly pointed out that the Commonwealth was not the only government which could be expected to help the industry through its problem. The efficiency of the industry was dependent on State legislation. I think that the delegation realised the situation I was in with Cabinet in terms of funding, but still suspected that I was trying to force them to accept a long term solution they could never agree with, rather than try harder to reach agreement with the industry, then convince the Government and just bail them out.

In September, Queensland Minister Turner visited the major cane growing areas and although his Government had always been reluctant to allow any level of Commonwealth involvement in the industry, he could see that direct talks between us were desirable while the industry was working on its review. Turner promised to spend $5m to support the industry and I publically called for talks to begin. Turner was starting to get more involved despite his Premier. In November Bjelke-Petersen asked for additional assistance for the industry, stating that personal hardship was becoming a pressing problem. We responded by advising that Part C of the RAS was totally funded by the Commonwealth, that it was available subject to a test for eligibility only and that the Premier must have known this - or should have. This could also apply to cane growers’ wives. By January 1985, 283 wives were receiving benefits with a further 136 of the 532 applications being processed. Sugar cane farmers were also eligible for Family Income Supplement in certain circumstances. The situation was dire for many grower families. I hoped that the situation would concentrate the minds of the industry and the Queensland Government on the realities of the situation, though I could well understand why the industry wished only to focus on the short term pain and its speedy relief.

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74 RAS Part A was agreed to be used for debt reconstruction and farm build up, RAS Part B was for carry on finance and it had been long agreed between the Commonwealth and the States that funding be on a 50/50 basis and RAS Part C was for household support.
The Queensland Government was playing a cynical game with the RAS funds that the Commonwealth had allocated. Premier Petersen had asked the Commonwealth to drop the interest charge on RAS Part A funds from 8% to 4%. Funds were made available over 20 years, with a two year repayment holiday, with the State required to repay only 85% of the principal. What Queensland was doing was lending funds to growers at 10% for 10 to 15 years. The IAC had reported on deficiencies in the RAS in March 1984 and negotiations with the States were to commence on a better RAS in July 1985. One of the deficiencies was that the States were accruing surpluses and placing them in consolidated revenue while accusing the Commonwealth of being stingy. The Queensland Government had room to move to assist growers if it was not interested in making a profit out of their distress. By 30 June 1983 the Queensland Rural Reconstruction Fund had $107.5m available, of which the Queensland Government had only contributed $11m. Sir Joh’s response to our reply to him was to distribute a glossy brochure, purporting to be ten ‘Facts on Sugar’ to every cane grower. He had recently expressed surprise at the depth of the industry’s problems. His ignorance or venality was reflected in the document where, five ‘facts’ were lies, four distortions or subjective and one was factual.

Prime Minister Hawke called an early election for 1 December 1984. The pressure did not ease on my colleagues in the sugar seats as we campaigned through November. Luckily all sugar seats we held were held again. The ALP won again and I was re-appointed Minister for Primary Industry. Hawke had met with cane growers during the election campaign, rejecting the industry request for across the board assistance but committed his Government to a two-pronged initiative if re-elected. Firstly, he agreed to meet with the Queensland Premier and to give meaningful assistance if a package looked like achieving some structural change.
Secondly, he undertook to put out feelers internationally about a meeting with sugar growers from major exporting countries to discuss better international co-operation in sugar marketing. He then wrote to the Premier in mid-December proposing a joint approach to accelerate the Review. From media reports we heard that the Premier had agreed, but that he had referred the matter to Minister Turner.

An advertisement in *The Australian* of 22 November 1984 gave prominence to the FCOS of cane growers for the years 1981-82, 1982-83 and 1983-84 showing $24,274, $4,193 and $5,622, respectively. These figures came from the BAE’s Quarterly Review published earlier in the year and were based on estimates provided by the QCGC, which had been carrying out annual surveys for many years. The QCGC had agreed to make the information available to the BAE for research purposes. A Bureau officer, John Cairns, was placed in the QCGC office under the Public Service Interchange Program and the BAE was able to employ the techniques used for all of its farm surveys. Revisions of QCGC data had revealed errors, but by applying the BAE’s standardised analytical methods, it could be seen that the sugar industry compared favourably with other major primary industries for the period 1981 to 1985, the latter year being a projection.

The BAE’s analysis of the figures differed significantly. It also showed that there were large regional variations, that farms had no funds available for investment on the basis of the measure of Farm Cash Operating Surplus (FCOS), less depreciation. Although Australia was due to lose 25% of its long term contracts, a range of scenarios showed a possible FCOS of between $10,421 and $18,859 for 1985-86. This was on an assumption of cost increases of 7% and a pick-up in receipts of 5%. Using the same criteria, the cane industry was better off than the sheep-beef industry, the sheep only industry, the beef only industry and the horticulture industry for both 1982-83 and 1983-84, except for horticulture, when the projection for 1984-85 was the reverse of this. What was not clear was the level of off and non-farm income, which may have been significant.

The analysis gave me some idea of the generality of the cane growing industry vis-a-vis other major industry groups. But generalities and averages do not really convince anyone, politically, when a downturn in farm income is sudden. I was sure the QCGC’s survey results would carry more weight with the industry. The Sugar Board’s Annual Report 1984-85 showed that the average return to sugar growers fell to $225.73 a tonne or a decrease of $33 per tonne on the 1983-84 season’s return. Sales at $1,035m were 4.2% higher than the 1983 season and payments to the industry were $801m compared with $821m in the previous season. Export sales increased by $14.2m to $676m. I had no doubts about what the fuss was about, but it appeared that there was probably more to the BAE’s figures than the political drama would imply.

Fred Soper and Ron Belcher of the QCGC met with Premier Petersen on 3 January 1985. Strangely, I was sent the record of the meeting, which had only been circulated to their Council and Steering Committee for the industry review. That I received a copy of the record of conversation was an indication that the QCGC was starting to trust me. Also in attendance

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75 It was at a QCGC/growers meeting in Giru, south of Townsville, organised by Ted Lindsay, that in a private conversation with Ron Belcher I believe he started to think I was genuine and wanted to assist the industry. He indicated that Fred Soper and he were willing to work with me, but confessed that the Premier and the industry were making it hard for them. Neil Turner also confided in me that the Premier, the industry and parliamentary colleagues were making it hard for him to move. I still have
was Dr. Graham Alexander, Director General of the Department of Primary Industries and Pat Smith, who was Director of the Intergovernmental Projects Branch of the Premier’s Department. The Prime Minister’s letter of mid-December was provided to Fred and Ron; this was the first time they had been made aware of it. The Prime Minister and I were to have talks with the EEC on 4 February 1985 and he had requested meetings with key industry players and representatives from the peak organisations concerned with primary production. The Premier castigated the QCGC for talking to the Prime Minister and said that he should have been there to make the Commonwealth face up to the problem and that an opportunity had been lost.

Some of the principal points made by the Premier were:

- Mr Hawke could not care less about primary industry, including cane growers, etc;
- You are wasting your time if you believe that the Commonwealth will keep any of its promises;
- The Commonwealth is not even prepared to match the State Government in the assistance being rendered to canegrowers and the industry as a whole;
- Mr Hawke’s comments about wives of canegrowers applying for the dole in necessitous circumstances were just so much window dressing to get him past the election. Practically no one received any benefit;
- The industry and Commonwealth are wasting their time in trying to get an international agreement;
- The Prime Minister has suggested that a joint Commonwealth State Committee be set up in this matter. That would be a formula for masterly inactivity and will get you nowhere.

At least I knew where we stood with the Premier, but this was not a surprise, given his ongoing mendacious antics.

The Premier also added that if it was clearly demonstrable that cane growers needed $80m to establish a guaranteed minimum floor price for cane based on a sugar price of $240 a tonne, he would certainly be prepared to “get in behind canegrowers”. This was not the same as saying that his Government would contribute any cash. He said he would talk with the PM when he was in Canberra in mid 1985. The subsequent QCGC’s media release was charitably generous to the Premier, presumably because it did not want to annoy its master.

A rebel group of cane growers formed in early January as an expression of their unhappiness with the QCGC. Spokespeople said that they wanted some Cattlemen’s Union (CU) type tactics. The CU had split from the United Graziers Association and was acting as a ginger group. A Fair Go Fighters Group was established by cane farmers in the Ayr/Innisfail area and it was asking the Premier to intercede with the banks to extend finance. It was being generally understood that there was a crisis looming in the so-called sugar towns.

Prime Minister Hawke and I visited Brussels as soon as could be arranged after the election and met with Jacques Delors, President of the European Commission and Frans Andriessen, 

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the notes I drew up before the meeting but, unfortunately, I didn’t date them. I think it was January or February 1987.
the Agriculture Commissioner, in early February 1985. Andriessen had been the Finance Minister in the Dutch Government and was clearly worried about the burgeoning cost of the CAP and the lack of accountability for subsidies being given: “How does one count all the olive trees?”, he asked me. It was at this meeting that we negotiated what became known as the Andriessen Assurance, which stopped moves by the EEC to dump massively subsidised beef into our traditional and growing markets in Asia. We pressed the case on the damage being done by the EEC’s disastrous policies over a range of commodities. Bob Hawke secured agreement for an Australian input to the Commission’s review of its sugar policies and that they would not discourage their producers from participating in any international conference. Trade Minister John Dawkins was to have carriage of the second of these matters.

I gave a major speech to the Proprietary Sugar Millers Association on 1 March 1985 setting out in detail what had happened in the last year and the frustration in dealing with the Premier. This audience indicated that they understood commercial reality, arithmetic and basic accounting principles. Statements were made saying that cost savings were possible and that the principals present understood marketing and the reality of the corruption of the world market, mainly by the EEC. I was prepared to assist mills to become more efficient at some time, but what was essential was to get a package of agreed measure with the rest of the industry and the two governments.

In speeches to many audiences I was starting to explain where I stood in general political terms, I was part of a government and cabinet intent on ‘getting the economy right’ and how measures like the Accord and decision to float the Australian dollar were assisting exporters in terms of bringing inflation down and gaining a higher price on international markets. As ever, I stressed that the laws governing production in the industry were Queensland laws and that the ball was in their court. By March, we still had not had a reply from the Premier.

It became very obvious that the industry review, while proposing an agreed sensible level of deregulation, was not making enough progress to secure the support of all the sugar industry associations. The projections for the industry’s cash operating surplus were worse for the 1985 season than for 1984; it appeared that review recommendations to be implemented in 1987 could not come soon enough. The stock overhang on the international market had increased; it was now well over 40m tonnes raw value, that is, more than twice the estimated internationally traded level of exports. The status quo was too hard to dispense with unless the Queensland Government became more thoroughly involved.

Consensus was not possible and all that the collapse of the ISA had done was to renew the industry’s call for more across-the-board assistance, which the Government and I could not agree to. The industry wished to separate liquidity from structural adjustment. Various spokespeople were asking for direct production subsidies. In March I received a submission from industry asking the Commonwealth to meet the interest cost on stocks carried over from the 1977 ISA; across-the-board assistance by way of a guaranteed minimum average price at $240 per tonne (costing an estimated $80m annually); financial assistance for mills to cover their costs of production; plus general financial assistance for the industry.

In December Sir Roderick Proctor, Chairman of Bundaberg Sugar, announced that they were looking at options to close the Quanaba mill, the smallest mill in Queensland, at the end of the 1985 crushing season. This subsequently happened. Quite a few mills lacked the throughput to be efficient, needing to crush well over 1m tonnes of cane to get economies of scale.
On 13 February 1985 Minister Turner publically urged the Premier to meet with industry
leaders and attend a meeting with the Prime Minister. On the 1 April 1985 Prime Minister
Hawke, Premier Bjelke-Petersen, Trade Minister, John Dawkins, Neil Turner, industry leaders
and I met. This was at a time when the world price for sugar was US4 cents a pound and the
price was not expected to rise above US7 cents a pound in 1985/86. I had briefed the
Queensland Opposition in general terms of what the Prime Minister would be proposing.

The April meeting was a large gathering with 14 people from the Commonwealth Government,
nine from the Queensland Government and six from industry, including CSR. At this meeting
Bob Hawke proposed that a working party be established to develop a sugar industry plan in
the next 100 days. The Prime Minister’s proposal involved the following conditions: tripartite
involvement; an agreed assessment of the market outlook for the industry; acceptance of the
need for restructuring of the industry; and joint administration of the plan. This was agreed
to with the Premier requesting that the sugar industry stay under State government legislative
control; that the chair be selected by Queensland; and that the Commonwealth and State
Ministers would jointly determine both the structure and membership of the working party.
We agreed to the Premier’s requests.

The Premier selected a prominent chartered accountant, Russell Savage, to chair the Working
Party. I suspected that Sir Leo Hielscher, Queensland Secretary of Treasury, who was later to
become very helpful, was behind this nomination. I nominated Noel Fitzpatrick, Deputy
Secretary of my Department since January 1984, who had previously been Director General of
Agriculture in Western Australia, and Neville Stevens, First Assistant Secretary of the
Department of Prime Minister and Cabinet and who later headed the Industry Department.
Noel’s strength was his vast agricultural expertise, policy awareness and the politics thereto,
one of the last of the agricultural ‘mafia’ who knew a lot about agriculture. I’ll be forever
grateful to Noel and Neville for the great job they did. Noel built a very good working
relationship with Leo Hielscher. Neil Turner nominated senior officers from his Department
and Treasury, Ian Robins and Gerard Bradley and we both agreed as to the industry
representatives, John Desmarchelier from the Proprietary Millers and Greg Ferguson (QCGC).
The latter two were nominated by the Steering Committee of the Sugar Industry Review
Programme.

The Working Party reported on 9 August 1985 making 34 recommendations. Premier Bjelke-
Petersen released the report before it had been given to the Prime Minister or me and
withdrew Neil Turner’s power to negotiate or discuss the report with me. The report became
known as the Savage Report. The recommendations were sound and represented neither a
compromise, nor a capitulation, nor an exercise in economic purity; they were pragmatic
without going too far for the industry to swallow.

On 21 August 1985 I issued a statement saying that the Commonwealth was ready to press
ahead and that I was disappointed that Neil Turner was not allowed to negotiate or discuss the
Report with me. The Premier made a statement in the Queensland Parliament which required
a response from me also on 21 August 1985 countering his asinine statements and nonsensical
claims such as that RAS represented ‘double taxation’. This was at a time when the Queensland
National Party was in the thrall of the real estate industry and introducing legislation to
override existing laws to advantage developers; the so-called ‘White Shoe Brigade’. The
Queensland National Party was also intent on keeping the Liberal Party out of the Coalition.

The Working Party proposed sensible changes to the assignment and peak system (with
transferable peaks); the cane prices formula; the structure of the institutions within the
industry (for example that there be a Sugar Industry Authority); price support for growers and millers; and adjustment assistance for growers and millers. It also recommended consultation with industry trade unions (a first!); increased funds for research and development; and longer term stabilisation arrangements. There were other recommendations of less but significant, possibly long term consequence. The statistical appendixes were particularly enlightening, providing, for example, the variation between the gross payment for sugar and the gross payment to growers, which indicated the costs implicit in the whole system and where savings may be made.

Sir Joseph McEvoy publically criticised the Savage Report advising the industry to accept only the assistance part of its recommendations and not those on deregulation or restructuring. He gave me some charitable advice on the need to understand that the industry had always adjusted itself and that the academic theory of ‘Johnnies come lately’, was not going to work. Interestingly, Sir Joseph also publicly challenged the Chairman of the National Party, Sir Robert Sparkes, on his (Sir Robert’s) view that there was no undue influence of the National Party in sugar industry affairs. McEvoy itemised the close links to the Party, for example that the last three appointments to the Sugar Board were prominent National Party members; the fact that the millers had undue influence with Minister Ahern in 1982; and that the millers had always “combined in policy objectives which are undermining the viability of the majority of canegrowers in Queensland”. There was always tension between growers and millers and this tension was now increasing.

All of the main recommendations in the Savage Report, were opposed by the industry, either singly or severally, yet if one examined the recommendations, issue by issue, there was some alignment with what the industry’s own review was advancing and, in part, some of the IAC’s approach to reform. Opposition was simply political.

The Department, my staff and I set about writing a Cabinet submission. I had briefed Fred Soper in confidence in general terms about the submission. It was decided that the Cabinet would meet in Townsville on 23 September 1985. I supplied copies of a paper I prepared to all interested parties prior to the Cabinet meeting, but not the actual submission, so that they would get a general idea of what I was going to propose. I had held meetings with all interested industry parties on 3 September 1985, including addressing the QCGC, and met with Neil Turner and my long time friend Jack Hallam, NSW Minister for Agriculture, on the same day. The Cabinet decided to offer the industry an assistance package of $150m, commencing with the current 1985 season, which included support for the Number 1 Pool, adjustment assistance and research assistance. The offer was dependent on two conditions. These were that the Queensland and NSW Governments also contribute to price support and that the industry accepts a greater degree of deregulation than it had been prepared to agree to so far.

The price guarantee for 1985 was at the rate of $230 per tonne, $225 for 1986 and $220 for 1987. Estimates of the return in the 1985 season were $200 per tonne or slightly more. The package was dependent on a Queensland/NSW Government contribution of at least one State $ to every two Commonwealth $. This meant that the package in total could be worth $225m to the industry, but the amount to be allocated to each area would depend on the traded price for sugar. The offer of grant money was very generous and the Cabinet allowed me flexibility in administering the package if the other two governments accepted on the basis of the three year schedule of deregulation or restructuring I was proposing to negotiate. The major reason for the Cabinet’s decision was, as argued in the Savage Report, that the industry faced inevitable adjustment pressures from market forces in out-going years and that by having no ISA, there was no guarantee that other exporters would not ramp up production. I was starting
to get more accurate figures on the industry's costs and that the cost difference between the highest and lowest cost producers was at least $50 per tonne.

The Prime Minister and I announced the Cabinet’s decision from the steps of the Townsville Commonwealth Government Centre to a large crowd of growers and their families. According to the local newspapers cane growers were ignoring the calls to attend a mass rally and to dump tonnes of sugar on the town hall steps, so one assumes the crowd was whipped up by the National Party? We were roundly booed and a utility load of cow pats and other missiles were dumped in the street to be thrown at us, but weren’t. The Prime Minister assured me that it must have been my silly idea to hold the Cabinet meeting in Townsville. Who was I to contradict the Prime Minister?

I met again with Neil Turner and Jack Hallam on 25 September 1985 to discuss the Commonwealth’s offer. Jack said that NSW had no objection in principle to State participation in a three year price support scheme. Neil rejected it. We made progress in other areas concerning a three year staged schedule of deregulation (better described as restructuring) and on adjustment assistance and agreed to report back to our respective Cabinets. Five days later, NSW accepted the whole package after having had constructive talks with its growers. The NSW growers could see an opportunity to advance their industry if they were not subject to the agreement with Queensland and having to accept pooled returns. NSW had established its own Sugar Industry Study Group, involving consultation with the Queensland Working Group under Russell Savage, the commissioning of three consultancies and the receipt of 48 submissions. The report was unanimously endorsed; NSW growers were keen to work with the Commonwealth and the State Government was prepared to assist growers and mills further. In NSW there was 10% of the industry, producer-wise, but only 5% to 6% of the production. This was because NSW worked on a two year crop cycle. The mills in both Queensland and NSW had always had a problem with essential capital investment and this was especially so with co-operatives, which was also the situation in NSW.

I briefed Neville Warburton, Leader of the Opposition in Queensland, Ed Casey, ALP agriculture spokesman, Joe Kruger, member for Murrumba, and Clem Campbell, member for Bundaberg, in company with John Gayler, on three occasions between early September and mid October.

I had received no news on whether or not Minister Turner had gone back to Cabinet or with what result. On 9 October 1985 a meeting of growers in Townsville rejected the package. On 29 September 1985 I opened the Mackay Agfest and took the opportunity to rebut the latest piece of twisted logic being promulgated by the Premier and the National Party. We knew that the Queensland Government had the funds to meet the Commonwealth fifty-fifty on price support to some appropriate level, say, $25m for each Government for each of the next three years. The Premier and the National Party kept saying no on the basis that the Commonwealth had set a precedent with the steel and car plans. The big difference was that in those cases there had been a trade-off. The unions had agreed to forgo productivity based wage increases, the companies had agreed to invest in better technology and the Commonwealth had agreed to a subsidy. This was a totally different situation from that prevailing in the exporting sugar industry compared with the more domestically based, import competing industries.

I arranged to meet Minister Turner and industry leaders on 13 November and had circulated in advance an information paper on the proposed schedule of restructuring recommended by the Savage Report that Commonwealth thought would be appropriate. Prior to the meeting Minister Turner provided me with the industry’s initial position, which had a proviso that the
millers wanted to have a separate cover sheet to their agreement. I requested him to please provide his Government's formal response to the package and the schedule. Minister Turner provided me with both his Government's position on the Savage Report and a proposal by the Queensland Government for assistance to the sugar industry. This contained the usual proviso that the Queensland Government would only endorse measures of deregulation if the industry was agreed. The meeting was cordial and I took the industry's position on board. I also had a private meeting with Neil where he in confidence gave me his evaluation of the situation, politically, and volunteered his frustration with the Premier and his Cabinet colleagues.

The Sugar Millers Association sent me a copy of their Industry News early in October. Among other things it showed that the international stocks-to-consumption ratio has risen to a record 41.72 tonnes by end August, that high fructose corn syrup (HFCS) consumption was rising in the US and that cane and beet sugar now only totalled 48% of the US market, down from 62% two years earlier. Australia's production in the 1984 season was a record. The EEC had decided on a new sugar regime from July 1986 for the ensuing five years. The EEC's financial deficit in subsidising sugar of $US333m was being carried forward and the basic levy on sugar was to be marginally increased by 0.5% to 2.5% with an additional levy on 'B' quota sugar increased from 37% to 47%. While these measures would reduce the amount of export restitution (for which read, export subsidy), stocks were so high that it would take five years for any semblance of balance to be achieved. Our hard working trade officials in Brussels had achieved some success, not that they received any credit in Australia from the industry nor did the new EEC regime give much hope.

Ron Belcher gave a carefully worded address to an ALP Rural Seminar on 19 October 1985 which, reading between the lines, showed an awareness of the degree of restructuring in the industry that needed to be carried out. Was the Premier losing control of the industry? On 28 October 1985, the Queensland Liberal Party called for cooperation between the three governments in a constructive manner. National Members in the House of Representatives had been saying nothing and asked no questions of me. In early October Minister Turner publicly criticised Fred Soper and the QCGC, saying he had been misled on the amount of regulation the industry body would accept. It was apparent that the Catch 22 situation still prevailed.

The Queensland Liberals were tiring of Premier Petersen's obstruction and his obstruction of his Minister's freedom to negotiate. The hope was that the production of ethanol could save the industry when every study had shown it to be at least 50% more expensive than petrol at the time. A pilot plant at Sarina, near Mackay, had been operating for years and if it had proved economic, normal commercial sense would have seen it expand. To pose this as a solution was a cruel hoax. There were also proposals to grow kenaf as an alternative to sugar cane (kenaf is a non-wood renewable fibre, which could be a fallow crop in conjunction with sugar cane but no processing facility was available to use it commercially and to establish an industry would take time).

I met again with Minister Turner and industry leaders on 13 November 1985 to be told that all that the Queensland Government was prepared to do was offer a loan, which consisted entirely of the principal on loans to be made to growers and millers and would cost it $26m if taken up. I said the Commonwealth's offer would sit on the table but knew that I was going to have to amend the package if we were to help the people in the industry.

The last four months of 1985 were ones of dissension and strident publicity from the various parts of the industry and enormous concentration on it by me. My task was not getting any
easier. To combat the Premier and his antics and to try to help Neil Turner, I wrote to every cane grower on 31 October 1985 setting out what had been proposed, a few facts about adjustment assistance under the RAS and appended the agreed restructuring that Ministers Turner and Hallam and I had agreed to at our 25 September 1985 meeting, despite the interference of the Queensland Premier.

The Queensland Government refused to pass on a granted general wage increase of 3.8% to workers in the mills and this provoked limited strike action by the five main unions in late October. Up to this stage the unions had been ignored, including by me, though John Gayler, Ted Lindsay and Bill Eaton had been involved in ongoing discussions at electorate level and had kept me informed. I met a delegation of the key unions on 5 November 1985 where I was presented with a position paper which seemed eminently sensible. The case put was that any Commonwealth package should address the financial viability of the mills and growers and enable wage adjustments sufficient for employers to pay under the agreed Wages Accord. They addressed the industry and its future rather than their immediate dispute and had obviously analysed the Savage Report. They asked for ongoing consultation with my colleague the Minister for Employment and Industrial Relations, Ralph Willis, to which I and subsequently Ralph agreed. I next met with the unions on 26 February 1986 to brief them on the ongoing antics of the Queensland Premier and position of the industry.

There was a move to form a separate Northern Queensland government to help cane growers. Senator Flo Bjelke-Petersen continued to say that the Commonwealth should help the sugar industry in the same way it had the car and steel industries. She again failed to mention that both industries had agreed to a restructuring package and investment by the industries themselves. Early in November Jack Smith, Secretary of the Mackay Cane Growers’ Council, said that based on information from the banks, 300 growers may lose their farms. Greg Ferguson, economic adviser of the QCGC, said growers had no capacity to take on further loans. My departmental people had been working with Queensland officials and the professional staff of the QCGC and ASPA since the Savage Report came out. I kept repeating that the Commonwealth had $150m on the table if the Queensland Government was prepared to address the seriousness of the industry’s plight.

What I now had before me were the recommendations on the key issues by the IAC, the industry’s Review Committee’s Steering Committee, my Cabinet’s decisions, and what I understood to be the Queensland Government’s position, as far as I could divine it. The BAE was supplying me with analyses of the situation as seen from an economic perspective. Andy Stoeckel, BAE Director, Brent Borrell and John Cairns, BAE officers, were more than coming to grips with the industry’s economic and financial structure. In one submission the BAE suggested an underwriting scheme for over-peak production. A range of calculations showed that the Commonwealth budgetary outlay for 1989 could be between $128m and $200m. Russell Savage publicly stated his own evaluation from his personal perspective on the restructuring needs of the Australian sugar industry. This was eminently sensible if it was to have a hope of long term profitability and competitiveness. It was back to the drawing board and 1986 did not look like being an easier year for the industry or the Commonwealth Government in trying to achieve assistance for the industry and beneficial long term reform.

The US Farm Bill was passed on 3 January 1986 and the Congress insisted that $US2b be spent on export subsidies and that there be a mandatory expenditure of $US325m for each of three years, which would mainly affect the import of sugar, beef and casein. A Senator Melcher was lobbying Congress to give the Philippines privileged access for sugar and our Ambassador to the US, Rawdon Dalrymple, gained an appointment for me with him at one stage. Ever the
diplomat, Rawdon advised that the Senator “had a thing about the Philippines”. The Senator had been a veterinary surgeon and his Washington Office sported several bob-tailed domestic animals, some native varmints (also tail docked), and a tall, gorgeous Filipino assistant-intern? The US Senate passed an amendment by Senator Melcher to the Anti-drug Enforcement Bill providing for preferential treatment for the Caribbean countries, the Philippines and Ecuador and the elimination of trade with any country trading in drugs or buying from Cuba. The good old ‘free trading’ Americans in September 1986 then reduced our quota to 142,000 tonnes per annum, down from 232,000 tonnes a couple of years earlier.

Cyclone Winifred hit the northern Queensland coast on 3 February 1986 destroying much of the crop in the Babinda/Cairns area, provoking more calls for Commonwealth assistance. The usual arrangements in natural disaster assistance were set in play immediately, but the Premier called for additional assistance, which Prime Minister Hawke agreed to. I flew by Army helicopter from Cairns and visited the affected area from Ingham to Babinda. My admiration for the Army grew when the weather closed in as we were coming in to land in Cairns; they were very professional pilots indeed. The intensity of the cyclone in the Mission Beach area had stripped all the leaves off the trees and anywhere along the coast and inland facing the sea in the area where the cyclone had hit. Cane and banana crops were flattened, though some cane was thought to be harvestable, unlike bananas where growers faced at least a two year’s wait for a new regrown crop.

The devastation of bananas trees wreaked by Cyclone Winifred, south of Babinda. The devastation also drastically affected much of the coming sugar cane harvest.
Growers in the Babinda area had been proposing that the Commonwealth assist in the drainage of a river in the growing area. For the first time I saw this piece of country but because it was only a couple of metres above sea level I couldn’t see that it would be feasible! The Queensland Cabinet had two country meetings in Innisfail and came under severe questioning from cane growers about what the Queensland Government was doing to help the industry. The audience received from the Premier the usual mangled, non-coherent blast about the “dreadful socialists” in Canberra and how “Prime Minister Hawke was playing golf every morning”, etc.

Calls were being made for the Commonwealth to underwrite sugar by $240 per tonne, the mills were calling for an end to the debate and welfare agencies were gearing up to handle more calls on their resources. The Queensland Opposition under Neville Warburton was taking the fight to the Premier in parliament as were Bill Eaton and Clem Campbell. Local media coverage was intense. After the 1987 election, an organisation named Cane Farmer’s Wives was protesting in Bundaberg and giving Brian Courtice, the now Member for Hinkler, a hard time. The metropolitan media started to take an interest in the predicament of the industry.

On 28 February 1986 I received formal advice from Neil Turner advising that the Queensland Government was prepared to expend actual money on the sugar industry. This was a breakthrough and I have a rough idea of what Neil must have gone through to achieve this. He said that the offer had been approved by the QCGC Council. On 1 March 1986 I received a paper on the economic position of the Queensland sugar industry from the Queensland Sugar Industry Associations. It showed that the world price reached a bottom of 2.6 US cents/lb in June 1985 and that the recovery to 5.5 cents was well below the costs of every world producer and that up to 78% of Queensland farmers, by major growing area, had no further capacity to take on loans and/or were experiencing difficulty in servicing their debt.

I received Queensland’s formal response to the Commonwealth’s offer on 5 March 1986 and for the first time the Queensland Premier was going to allow his Minister to negotiate with me. Queensland was not prepared to put any funding into price support and it appeared that any restructuring likely to be agreed to would be minimal. I had a cordial meeting with Neil Turner on 14 March. In terms of cash outlays, the Queensland Government was proposing that the Commonwealth spend $174m (potentially, depending on level of price underwriting) and the Queensland Government spend $26m. The balance of a total package of $400m was in exposure to loans and guarantees amounting to $56m for the Commonwealth and $170m for Queensland. We started to re-write the Cabinet submission we had been working on.

At some stage after the Townsville Cabinet meeting I met alone with the Queensland Premier, trying to convince him to co-operate with the Commonwealth Government to help the industry, especially as he had been publically giving it such a hard time. The meeting must have been an add on to one of the meetings I had in Brisbane as my daily diary put out by my staff does not record it, but I do have a record of being in the Queensland Parliament in Brisbane on 26 February 1986. I tell not a lie in the following and have told many people of it immediately and over the years. He told me that he was averse to helping the industry because:

The sugar cane farmers are not good people. You know how it is, John, the price goes up and down and when the price is high they lord it over the townspeople and ensure that their sons get all the good jobs and apprenticeships in the mills.
I was stunned and said that I understood I would probably lose ALP votes in the towns, but that the industry was in real trouble. He then became excited and said:

And when the price is high they invest money in fishing boats making it hard for the existing fishermen.

I absorbed this and said that fishing policy could be adapted to prohibit new entrants. He then became really excited saying that:

And to make things worse they are going inland buying up beef properties pushing the price of land up.

His cynicism shocked me. I then asked if he would go easier on the Commonwealth in the future? He said: “No, that’s politics.” So I knew where I stood. This was my only one-on-one meeting with the Premier and it was also when I was told that he was opposed to more sugar cane being grown in the Burdekin Valley.

The meeting on 14 March 1986 was a breakthrough that proved to be crucial. I believe this was mainly due to the work of senior Queensland officials. The meeting had given me a bit more room to move and the Prime Minister and my Cabinet colleagues knew that, in all conscience, we would have to make assistance available. On 19 March 1986 I opened ASPA’s annual conference setting out what I thought about the Queensland Government, but advising I would be going back to Cabinet with a submission soon. Roy Deicke, Chair of the Proprietary Sugar Millers’ Association, issued a statement saying that the industry was too highly regulated and called for more “dynamic management and restructuring” of it. I met with growers in the Burdekin with Ted Lindsay in February or March 1987; in Bundaberg, with Brian Courtice; and in NSW through April and May. It was always a pleasure to deal with NSW growers and we were able to help them more quickly. Not being subject to Queensland legislation and a venal Nationals Government, cane growers there could see the opportunity to sell more on the domestic market.

I met again with Ministers Turner and Hallam on 15 April 1986 for an exchange of views. I advised that the Commonwealth Government was going ahead with both price support and an adjustment programme for the industry. I said that the Commonwealth would put in an aid package to be determined by Cabinet and that I would be writing to both Governments. I also said that as Queensland was not prepared to put in up to $75m and was only proposing a minimum level of restructuring, that this would make my task difficult.

My Cabinet submission was debated in Cabinet and an agreed position was reached. The package was worth a potential $100m. It was decided that the Commonwealth would allocate $54m to underwrite the sugar price to $230, $225 and $220 per tonne in the three relevant years, 1985-1987. The $54m figure was chosen because the Cabinet was insistent that the ratio of two to one be maintained and that as Queensland would only put in $27m, this was as far as we would go.

I cannot stress how important it is for there to be a bottom line whereby an industry’s financiers can more effectively take sounder decisions about the likelihood of clients surviving and be willing to extend credit or stretch out payment conditions. Cabinet also agreed that there be assistance to enable mill efficiencies to be accrued and for agreed mill amalgamation to take place so as to gain economies of scale. Discussions in the North and Mackay areas were at an urgent stage. There was a need for funds for more crushing mills to be installed within some mills (additional rollers in the crushing chain) and for tram lines to be re-routed. The
rest of the funding was for special facilities under the RAS to be put in place on the basis of the recommendations of a Consultative Committee to be appointed.

It was also agreed that a central decision making group (titled the Administrative Committee) be set up to make recommendations on sugar mill efficiencies and amalgamations on the basis of grower/mill agreement in areas to be affected. The Sugar Milling Adjustment Committee (SMAC) was comprised of Hielscher, Fitzpatrick and Alexander. The expenditures, details and processes got under way speedily, all at official level. Officials from both governments met on 1 May 1986 and under the leadership of Sir Leo Hielscher and Noel Fitzpatrick, a detailed agreement was reached agreeable to the Queensland Cabinet. This was conveyed to me by Noel on 5 May 1986 with further details on 8 May. Following consultation, the final elements of the package were put in place, including some innovatory approaches to the RAS, on 17 October 1986. The Prime Minister wrote to the Queensland Premier to record the agreement and request both Governments to administer the arrangements. It had taken nearly three years. It was a hollow victory for both sides, but could have amounted to so much more if the Premier had agreed to co-operation and discussion.

**Research**

It then took me quite a while to convince the industry that, as with other primary industries, the Commonwealth was prepared to meet their existing expenditure on research $ for $ up to 0.5% of the gross value of production (GVP) of the crop. Quite apart from the fact that this was seen as tainted ‘socialist money’, I was again told that the industry was the most efficient in the world and that they only wanted research money for breeding new cane varieties. I informed them that because sugar production was a mono-culture they probably had a problem of nematodes (‘ground worms’, which can be parasitic) and soil condition, that India was a more efficient miller, that new pests and diseases would always be a threat and that green harvesting, as carried out in Hawaii, might pay if thoroughly researched. Reluctantly, the industry also, eventually took this money. In December 1987 the Sugar Industry Research Council was established with Roy Dieckie as it its first chair. In October 1990 it became the Sugar Industry Research and Development Corporation under the umbrella Act, which I had put in place for all the agricultural research and development corporations in my portfolio. Two members of the Board carried over from the Council to the Corporation and John Glenn, from my Department continued as Commonwealth representative. I fondly believe that it was this organisation that has had a profound effect on the industry’s thinking over the years.

**Re-structuring and Other Issues**

The domestic price was lifted by $22.71 from 1 July to $542.51 a tonne and to $565.94 a tonne from 1 January 1987. The first mills proposed for mill adjustment were four in the Mackay region followed by Goondi, Babinda and Mourilyan mills soon after. All proposals were to be voted on by growers. Goondi mill was proposed to be closed and its cane transport infrastructure adjusted. Babinda’s capacity and efficiency was to be enhanced with additional investment. Due to the work of Noel Fitzpatrick and Leo Heilscheir the package was lifted to over $100m on 17 October 1986 but as it turned out, we did not manage to spend all the funds available.

It is my firm belief that it was Sir Leo Heilscheir, in his capacity as head of the Queensland Treasury, who saved Queensland’s economic wellbeing from the Premier and the Queensland National Party, by his stewardship of the economy when the Liberals resigned from the coalition and all Cabinet discipline disappeared. It is also my firm belief that the
Commonwealth could have and would have acted sooner to assist the industry if the Queensland Premier hadn't been so recalcitrant. I hoped that the industry had learnt a lesson but I do not recall anyone saying “thank you” nor did Labor’s vote increase in the sugar seats! At least I could concentrate more on other pressing industry issues, but my visits to Queensland continued as did work in the BAE and in both governments at official level. On 10 December 1986 I issued a press release encouraging a ‘yes’ vote for the mill merger proposal in the Mackay area. It also recorded agreement by the Commonwealth to advance the closure of Goondi mill and the enhancement and securing of the viability of the Babinda and Mourilyan mills.

My next foray into sugar country was on 21-22 January 1987 when I visited Innisfail and Mackay, speaking with growers, mill managements and unions from Babinda, South Johnstone, Goondi, Mourilyan, and general Mackay mill areas and with CSR as well the local Shire Council. The main discussion was about mill amalgamation and the general state of the industry. The proposal to rationalise four mills in the Mackay area, which had been approved by the SMAC, hadn’t gained the necessary 75% vote by growers. I also met with Fred Soper, the ongoing President of the QCGC, in Canberra in January and with a combined union delegation in late February in Brisbane.

A General Election was held on 11 July 1987. I campaigned in twenty five rural seats, including all those in Queensland; by Election Day I was ‘sugared out’. I opened a World Sugar Growers’ Conference on the Gold Coast on 20 July 1987, when I still had not been sworn in as the responsible Minister. This was a chance to stress changes happening in world markets and the policies of major exporters and importers of sugar. Whereas in 1976 sugar amounted to 77% of sweetener consumption in industrially developed countries, by 1987 it had decreased to 44%. Using a BAE study, I stressed both the problem faced by developing countries where agriculture held the key to economic growth and the impact of subsidisation by the US, the EC and Japan. Expenditure under the US Farm Bill now amounted to $US26b per annum, the equivalent of $US700 for each non-farming family, with most of the dollars going to the largest, better off, domestic producers. EC subsidies had more than doubled in the last five years and now amounted also to $US26b and the cost to taxpayers of Japanese protection was worth in excess of $US10.5b. It was estimated that EC policies alone were costing Australian farmers about $US1b a year with US policies further costing up to $US310m annually. The US domestic sugar price enabled a subsidy to alternative sweetener manufacturers of $US800m per annum, which was passed on in the form of subsidised prices to importers of US sweeteners such as the USSR, China and Japan. By this time the Cairns Group of 14 fair trading countries was active in prosecuting the case for freer world agricultural trade in the Uruguay Round of Multilateral Trade Negotiations. We never missed a chance to make the case.

When the Ministry was announced I became Minister for Primary Industries and Energy. To agriculture fisheries and forestry were now added responsibility for policy for minerals and energy and some of the agricultural commodities division of the Department of Trade, which became the Department of Foreign Affairs and Trade. I was to share the portfolio with another Minister, my friend Peter Morris. All was now quiet on the sugar front and I started to inspect

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76 On 23 August 1986, John Dawkins as Minister for Trade, convened a meeting in Cairns of 14 fair trading nations, which became known as the Cairns Group, to jointly push for freer agricultural trade and a rules based approach to such trade under the provisions of the GATT. This was a particularly significant policy and negotiating decision to take on behalf of Australia’s primary producers and one which was particularly relevant to our sugar industry.
areas under rather than over the ground and learnt about the regolith (the loose heterogeneous material which covering hard rock which impedes exploration), high temperature fluids, mineral formation, petroleum exploration and the joys of the Petroleum Resource Rent Tax, Kakadu, Coronation Hill, the Maralinga clean up, and the uranium and coal industries. Mining was such fun after the sugar and dairying industries, but there was still more work with the sugar industry to come.

In October the merger of mills in the Pioneer Valley went ahead with the Mackay co-operative mills buying out CSR’s Pleystowe mill and merging of the other four. In December, John Gayler and I were able to announce an extra $0.2m for further improvements to mills in the Babinda/Innisfail area in addition to the $4.6m already approved by the SMAC and funded by the two Governments. The domestic price for sugar was to rise to $586.41 from 1 January 1988. Thus ended 1987 as far as the sugar industry was concerned.

The New Year was relatively quiet on the sugar front, at first. Sugar prices started to ease up with a peak in July, which helped somewhat. Peter Frawley, ex CSR and now CEO of the Australian Meat and Livestock Corporation, was appointed to the Board of the Mackay Sugar Co-operative Company in early February. I knew he would be a force for beneficial change in the Mackay area.

What disturbed the relative peace was the May 25 Economic Statement, when Cabinet decided to make overall reductions in tariffs to all industries to an upper limit of 15%. I was part of the Cabinet process that took this courageous step; an enormous amount of work went into the Statement, including for the resource industries.

The Commonwealth Queensland Sugar Agreement was due to expire by June 30 1989 and what put the cat among the pigeons was the decision to have no further such agreement and to suspend the import embargo. To protect the sugar industry I negotiated a phasing of a special tariff, which gave a 35% tariff for raw sugar and 25% for refined sugar, both to phase down to 15% by 1992. I had already imposed a tariff quota on subsidised EC cheese exports into Australia and the Government agreed that these would apply to any subsidised imports and that anti-dumping laws could also be triggered. The otherwise across-board-tariff of 15% would have the effect of lowering all industry costs, generally, but it is understandable that the benefits were not well understood because they are always slow to unfold. The National Farmers Federation estimated that the total benefit in the package in cost savings for every farmer was $2400 per annum. Other measures for the resource industries in the package were increases in the RAS and tax linked Income Equalisation Deposits to assist growers to manage fluctuating prices.

The Queensland National Party went into full fear-spreading mode in early June. Premier Ahern said that I would need police protection if I ever visited a Queensland sugar town. He later warned cane growers that there would be massive imports of sugar into Australia.

It could not be denied that the embargo decision implied more price fluctuation from year to year but producers were still subject to the overwhelming influence of the world price whichever way policy was framed. Domestic manufacturers using sugar products, the biggest internal market, would gain, but would have to re-invest in their plants in some cases. The Commonwealth always had the power to pull out of the domestic price fixing agreement and to end the embargo, but I believed that this first step would concentrate the mind of the industry and the Queensland Government and that there was no risk to the industry of worrying imports with the safeguards to be put in place.
The sugar industry was the only industry that had an import embargo and it was an embarrassment to argue for freer agricultural trade while ever it existed. However, this was not the reason for its removal. There was simply no need for it anymore as a protection device, which was its original purpose. The world price for sugar is the world price for sugar and not only could we ban the subsidisers such as the EEC, other countries faced forbidding transport, wharfage and finance costs and duty charges. The domestic price in Australia was $429 per tonne raw and $620 refined. The landed price for raw sugar with a 35% tariff from the Caribbean, Thailand and Fiji was estimated to be $680, $550, and $450 per tonne respectively. For refined sugar the differential was even greater.

CSR could hardly believe that we had the temerity to wipe out the embargo and I well remember the phone call from Ian Burgess, CSR’s CEO at the time. CSR was prepared to work constructively with the Government and me, but knew it would involve changes for them in the longer term. The decision set the industry alight and the Queensland Government, Commonwealth Opposition, including its leader John Howard, had a field day whipping up the fears of the industry. The AWU also expressed its concern so I knew that I would have a major period of dissent ahead of me.

The Sugar Board, the QCGC and ASMC (millers) put a modified version of tariff protection before me, which was mainly to give higher protection when prices were low and to ensure that special trade dispensations for some developing countries were taken into account. They also wanted a different margin between raw and refined sugar to prevent the near monopoly refiner, CSR, from exploiting the industry. The industry wanted a fixed tariff of $200 per tonne, reducing to 1992 and the duty on refined sugar always to be set below that of raw sugar by $50 a tonne. Naturally, the industry was briefing MPs from both sides of the political fence to put their view. I subjected the industry proposal to the closest scrutiny but believed it was a case of overkill caused by fear of the unknown. The problem for the industry was that their proposals were based on hypothetical cases none of which were likely to eventuate given the volatility of all the variables involved. There was also the issue of the South Pacific and Regional Trade and Economic Co-operation Agreement (SPARTECA) which meant that sugar could not be exempted. The country affected was Fiji, which wasn’t likely to break long term contracts with its privileged entry into the EEC under the provisions of the Lome Convention.

It was argued that in the absence of an embargo, the transport cost into Australia could be as low as $20 per tonne. No evidence was found for this. There was also an assumption that artificial sweeteners, some 171,000 tonnes of them, would pour into Australia. However, the embargo had never applied to artificial sweeteners and the allegation assumed that major customers would automatically buy imports regardless of price. Such allegations by National Party Senators, like Senator Ron Boswell, were both fevered and wrong. Senator Boswell claimed the industry would lose $300m when the entire domestic market was not much greater than this at the time. By contrast, the NSW industry thought laterally and adapted. The Queensland industry could not or did not want to see how the new arrangements would work, but one could understand why they wanted massive re-assurance when they were being terrified locally. On 14 December 1988 Senator Boswell referred the matter to a Senate Committee for examination. The Leader of the Opposition, John Howard, then toured the Queensland coast trumpeting the inquiry but in the same breath saying that it was the Opposition’s policy to reduce government interference in pricing arrangements.

A lot of analytical work was being placed before me, mainly from the Australian Bureau of Agricultural and Resource Economics (ABARE), the former BAE, with economic research into minerals and energy added to it. It was estimated that there were possible savings in
production and milling of $180m per annum, that the Mackay merger looked like saving $18m (North Eton mill was due to be closed at the end of the season) and that if a third pool was created it was possible for increased production in the Burdekin Valley.

The political debate on the removal of the embargo became more intense. A round of meetings in September and October ensued including with Neville Harper, the industry and CSR. In October, Minister Harper announced a review by the Central Sugar Cane Prices Board into the productive capacity of the sugar cane industry, including the re-allocation of cancelled assignments. The ABARE made a submission to the review.

Slowly, world sugar prices started to recover and during my time never again descended to the lowest ever price of US2.8clb that they reached in June 1985. At the start of the 1988–89 season, world stocks had dropped to the level of 1980–81 with prices expected to average US13clb ($A355/t) but with the usual fluctuations through the year. The return to growers for No.1 pool sugar (the domestic pool) rose up to $51/t above the 1987–88 season’s price to about $340/t. The estimate was $115/t above the actual price received of 1984 to 1986. Various estimates were made for the 1988–89 season’s prices with ABARE estimating the domestic price average at $415/t and export at $312/t. Estimates of farm income for 1988–89 were an average of $31,200. The rise in prices calmed some of the industry down but it was now being subject to a lot more scrutiny about how best to place itself for the future. The industry had some justification in saying I was wrong when I took the view that the downturn was likely to be of longer duration. However, what had changed was that the EC had gradually modified its subsidisation policies, but Thailand was now growing a lot more cane. The need to make the industry more resilient remained.

Submissions made to the Senate inquiry indicated some movement on behalf of the industry; the removal of the embargo had acted as a catalyst. ABARE made two comprehensive submissions; Brent Borrell, a research economist in ABARE, had become an expert on the industry. One of its submissions reported on the industry’s productive capacity and showed that resources available to the industry were underutilised. The second submission presented three scenarios utilising sensitivity analysis on a range of export and import parity prices and the cost of raw sugar that may induce refiners to import and then refine. All showed that a 15% tariff placed the industry in a situation whereby the threat of imports was near zero, that prices would fluctuate mainly when world prices were very low and that the cost of importing refined sugar was virtually out of the question.

At the time the Sugar Board advocated an expansion of land assignments by 8% to 9%. This was at odds with the contention that the industry was under threat. However, due to the Queensland Government’s opposition to growing more sugar cane in the Burdekin Valley, this potential remained locked up.

January to March 1989 was taken up with explaining the implications of the removal of the embargo to many parties. I comprehensively briefed the Queensland Leader of the Opposition, Wayne Goss, who was a pleasure to deal with.

I made a submission to the Senate inquiry and appeared before the Committee on 8 March 1989. I was exceptionally well briefed on the technicalities of the issue by my staff, the Department and ABARE but took the opportunity to make some basic political points. The

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77Neville Harper became the Queensland Minister for Primary Industries after the Queensland election of 1 November 1986, Neil Turner having retired from Parliament.
inquiry was politically motivated but official submissions from agencies of the Government were not able to address the politics of the question. The National Farmers Federation (NFF) at the time was advocating the abolition of all tariffs. The phase out of tariffs to all other primary industries had gone without a whimper.

The QCGC, well infiltrated with key National Party members, had no hesitation in attacking the decision on behalf of its political masters, stating that the industry was doomed and that the Commonwealth had failed to consult. On the first of these points I stated that within the Customs Tariff Act, raw sugar from sugar beet already stood at 10% as it had since the Act had been written and that no sugar had been imported nor was likely to be. On the second claim I pointed to the fact that no other affected industry had been consulted because the decision was one across-the-board, but that I’d had 15 meetings with the industry since May 1988, including one with the Prime Minister when we had agreed that imports from Fiji, if they occurred, should not be duty free and that we had also agreed to an IAC Inquiry in 1991, when the industry would have had two year’s experience of its new environment, on the post 1992 tariff.

The timing of the Senate inquiry meant that the efficiency gains in the production and refining industry would be further delayed. CSR had already identified 100% productivity improvements in its Yarraville refinery in Melbourne. The claim of $300m damage to the industry was nonsense and every objective submission demolished the claim. I had been very patient and understanding with the industry but you do reach the limit of your patience.

Following the collapse of the ISA, other producers started to increase production, particularly Thailand. In June I advocated an increase in Australian production in a more unregulated environment rather than allowing other countries to take any growing markets, pointing out that this always was the situation our other exporting industries were in. Cotton, for example, had survived a roller coaster in world prices from the outset. World prices were easing upwards and the domestic price for the first six months of 1990 was $629.19 per tonne. At end of the year I announced that the IAC would examine sugar tariffs in 1991.

Only one other event worthy of recording took place in very late 1988 when I responded to a strike in Melbourne’s refinery resulting in a temporary shortage of sugar in Victoria and Tasmania, by temporarily lifting the embargo. The strike was not endorsed by the relevant union’s executive. The Queensland National Party Government stated that it was going to take me to the High Court on my decision. Apparently it wanted to ensure that domestic users of sugar in manufacturing should swing more into the use of alternative sweeteners? The strike quickly ended and the embargo was re-imposed on 5 January 1989. I don’t know what happened to the National Party’s challenge to the High Court.

Although the changes of 1988 were provoking innovation and adaptation in the sugar industry, for me, 1989 was a year in which I could give more general and theme setting speeches when in cane growing areas. The first hearings of the GATT panel on Australia’s request to look at the US’s restrictive sugar import regime, took place on 16-17 February 1989. From a peak of 715,000 short tons in 1981, the 1988 quota would have been even smaller than 75,000 tons in 1987. To the minds of Trade Minister, Michael Duffy, and me, this breached every GATT principle of free trade. We would have been laughed out of Court if our import embargo was to be perpetual. ABARE prepared a comprehensive paper on the issue to be used by our negotiators. I lifted the remaining export controls on sugar and sugar syrups in June, 1989 so that approval under the Customs (Prohibited Exports) Regulations was no longer required.
On 2 December 1989 the ALP won government in Queensland and I no longer had to be at permanent war with the Queensland National Party. This was a huge relief. On 1 February 1990, Edmund Casey, Minister for Primary Industries, established a Sugar Industry Working Party to recommend any structural changes necessary to ensure the continued viability of the Queensland sugar industry. The Working Party was chaired by my old friend Noel Fitzpatrick, from my Department, Don Watson and Fred Soper, the two industry leaders, unshackled. It reported by 5 June 1990 and Minister Casey set about implementing changes to adapt to the environment that had been created. It was a pleasure to be involved with joint meetings with Ed, particularly on the mill amalgamations that came up. This was the start of many reports, analyses and studies over years, which continued until 2008, well past my time. Luckily the price never again dropped to the disastrous level of 1985.

**General Agricultural Policy Reform and the Sugar Industry**

The situation in the sugar industry at the time provides a classic case study on the issues facing agricultural policy reform. Its institutional settings were solid, legislated, understood and of a long historical nature and steeped in tradition. What sets it aside from many other commodities is that it was and is a mono-culture with an annual cropping cycle, which also especially emphasised the challenge of reform. Further, its subsidisation was by consumers not by the taxpayer, though other general provisions of industry assistance prevailed. Australian consumers could have a lot cheaper sugar, and many other agricultural products, if we did not export. But it is Commonwealth and State government policies that see the need to export so as to gain the capacity to buy imports that we cannot produce more cheaply in Australia. Therefore, there is a public benefit in agricultural assistance, but it is fraught with many factors in a trading world, where we are price takers.

This also raises the broader issue of having an industry organisation compulsorily legislated for or not. The statutorily based QCGA did not prevent the ASPA from coming into being with cross-membership. Many commodity industry organisations often want some public assistance as their membership declines. It is sometimes suggested that either their relevant marketing or research organisation should arrange funds to be made available. It is hard for government to accept this as it would open up all worthy organisations to make pleas for public assistance. On the other hand, understanding the way Australia is governed, in a pluralistic economy, it is essential for farm organisations to have the capacity to make their case at the national level. The NFF once had this capacity and it is essential for State and commodity based organisations to support it.

Australia’s political parties are interest based, but not absolutely. State based, commodity based agri-political organisations often still run as if they are in the old arbitration system and have to make ambit claims to counter the unions. When they do this, they act as many unions do and take an unthinking, conservative, status quo position and rarely envisage the future, let alone analyse the present. This makes it hard for policy makers trying to adapt to reality and move industries forward.

However, in general, Australia also has a particular problem with agricultural policy reform because we live with a federal system of government where the States have the Constitutional power on agricultural production and land, water, fisheries and forestry management. In an adversarial, parliamentary setting, political parties can indulge in the ‘blame game’ and thus ‘Canberra’ is seen by State governments as the reservoir of theoretical, unknowing policies, which bear no relation to the ‘real world’ and is too concerned with international considerations. In turn Commonwealth governments tend to see State governments as
parochial, opportunistic and obsessed with the short term. This occurs regardless of the political party elected to office. In other words, there is no absolute consistency in party attitudes.

The issue of vertical fiscal imbalance plagues State governments and is always a point of contention. This impinges on agricultural policy and it is rare to gain something such as the Murray Darling Basin Agreement.

It is generally understood by all policy makers that change and reform will always be resisted. In a country as conservative, politically, as Australia, particularly those in its primary industries, resistance to change is greater than in other industry categories, such as small business retailing, where the harshness of the market prevails. When an industry is in crisis, those affected will only have a narrow focus on the desired path to take. The fact that governments are always driven by the times, by perceptions, and by the fact that the public is programmed to regard all politicians as unaware crooks or fools, means that the short term prevails.

Agricultural production, like landscapes, is always in transition. In production terms, it almost goes without saying, that there is, or can be, a vast range of income disparities between farmers in any industry or mix of industries, resulting from different soils and ever-present climate variation, ‘good’ or ‘bad’ practices, wise or silly decisions, more or less efficient farm managers, innovative or fixed approaches to production. This range of factors may or may not relate to farm size and capacity for diversification. Then there is luck that may destroy chance or choice. But no generalisation holds. Growing wheat on the Darling Downs in Queensland and in north west NSW is totally different to growing wheat in WA from an agronomic perspective; the soils and climates are different for a start. At the same time within any industry production category, there are producers who really do understand their situation and, for example, have a better understanding of what their resource base is and what their property is capable of, than any outsider.

Within any industry production category there may be wide disparities in costs of production and profit or loss levels due to weather events such as droughts, floods, fires, cyclones, invasive plants and animals, diseases etc. There can be substantial local and regional variation. For example, in the sugar industry, due to drought, many producers did not gain the benefit of the high prices in 1980-81, yet it was decided to expand the industry, by about 3%, following this period. Drought, floods and cyclones are a constant feature of the Queensland coast.

The range of subsidisation measures that had developed over many years was, understandably at the time, directed to increasing production or assisting farmers to remain on the land. The problem was that they had become self defeating in some instances, encouraged some bad production practices with respect to the resource base and capitalised into the value of land, thereby ensuring that adjustment was even more difficult than otherwise it might have been. I’ve never quite understood why the market puts such a large price on land now that most of these subsidies have gone. It is more to do with the thrust of a dominant financial sector where there is more money to be made from financing property than farm production. The return on the investment in farming land, in most cases, cannot justify the money paid to buy it.

At no time do policy makers have an absolutely accurate picture of the income situation and other than a generalised picture of farm debt structure across an industry. The changing structure of an industry is not able to be assessed due to constant autonomous adjustment; in any primary industry exits always exceed entries and land use is always changing. In the sugar
industry, I had no idea of the level and incidence of off-farm and non-farm income at the time. Both these strategies by producers are a legitimate approach to securing the viability of their enterprise. This means that policy makers have to work on the basis of average or median measures, both inadequate statistics. The sugar industry had not been regularly surveyed by the BAE in the 1970s or early 1980s so I had even less accurate knowledge of it than others.

While the broad acre farm sector has shown an enormous resilience and capacity to adapt, it is generally the rule that the sector survives after a downturn, for whatever reason, but not all individuals in it. One problem for the sugar industry was and is that there are few if any production alternatives to diversify production; perhaps horticulture but what of the land assignment system?

Where technical efficiencies in production can be clearly pointed to, they may not take into account environmental and social costs. Externalities are often ignored or are unpredictable in their occurrence. Given the mind-set of farm organisations concentrating on production per se, these costs are rarely perceived and never emphasised when an industry is in crisis.

Where it is quite clear that there needs to be change and reform, the theory that new actors and the new situation will encourage competition, market based solutions, innovation and investment by other players, in practice this may not always be beneficial or turn out to be as expected. Farmers generally have little control of their production beyond the farm gate and are not familiar with the costs and the percentages taken by rent seekers further down the product chain. This is particularly so during the later stages of providing the product to consumers. Market power within a food chain, especially for the domestic market, means that those with market power are able to beat down prices to farmers, for example the power of the two dominant supermarket chains in Australia today. It is easy to understand why sugar cane farmers would want to at least have some control over the domestic price.

Again, where export exposure and world market conditions dictate that change and reform must occur, the time taken for an industry to move from a worse to a better situation, is generally long and unpredictable. Transition costs can be ameliorated by adjustment assistance or consumer subsidies, as occurred with dairy industry de-regulation in the late 1990s, or by subventions from the public purse.

**A Reflection**

It is true that the sugar industry still suffers from exposure to fluctuating prices on the world market. Is it now more resilient? As I write (2013) I note that the co-operative and proprietary mills are concentrating ownership or, ironically, selling out to the (Communist) Chinese Government, Singaporean and Thai firms and others at a time when world food security is becoming a real issue and investment in Australian agriculture may pay well in the future. Has the wheel now gone full circle? Farms are now being sold to the new owners of mills, for example in Tully.

There had been three distinct phases in the development of the industry; plantation until early into the twentieth century, then central milling until the 1970s followed by mechanisation. Are we now again headed for a plantation based industry of large estates? If so, there was no way that I foresaw this and the likely social changes that may yet. During my time and until recently, the economics of using sugar cane for ethanol production were negative and any production had to be dependent on a subsidy (which the Howard Government later provided and which mainly benefited a producer of gluten from wheat processing). Substitution depends on the relative price of oil, public subsidisation, or the mandating of a percentage to
be used by oil refiners. At some stage, it may pay for Australia to divert cane production into ethanol production. However, growers would have to be bound by legally binding contracts, less they refuse to sell when the world price rises rapidly. If we become more plantation based, this may be easier to achieve?

Postscript: It is my understanding that the SRDC, BSES and CRC Sugar 1 and 2 have now been folded into Sugar Research Australia. And believe it or not, the Queensland Parliament in 2015-16 is in the process of re-regulating the cane growing industry after the Commonwealth Coalition Government of John Howard spent $444.4m to de-regulate it, as an adjustment assistance measure, in 2006!
# Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABARE</td>
<td>Australian Bureau of Agricultural &amp; Resource Economics</td>
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<td>ALP</td>
<td>Australian Labor Party</td>
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<td>ASPA</td>
<td>Australian Sugar Producers Association</td>
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<td>AWU</td>
<td>Australian Workers Union</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>CAP</td>
<td>Common Agricultural Policy (of the EEC)</td>
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<td>CCS</td>
<td>Commercial Cane Sugar</td>
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<td>CSR</td>
<td>Colonial Sugar Refining Ltd - later known simply as CSR</td>
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<td>DPI</td>
<td>Department of Primary Industry</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>FCOS</td>
<td>Farm Cash Operating Surplus</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GVP</td>
<td>Gross Value of Production</td>
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<td>HFCS</td>
<td>High Fructose Corn Syrup</td>
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<td>LTCs</td>
<td>Long Term Contracts</td>
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<td>IAC</td>
<td>Industry Assistance Commission</td>
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<td>ISA</td>
<td>International Sugar Agreement</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>NFF</td>
<td>National Farmers Federation</td>
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<td>QCGC</td>
<td>Queensland Cane Growers Council</td>
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<td>RAS</td>
<td>Rural Adjustment Scheme</td>
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<td>SMAC</td>
<td>Sugar Mill Adjustment Committee</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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Chapter 13: Australia’s Commercial Fisheries

The South Pacific Forum declared its interest in co-operation in fisheries management in 1977. As Minister I made a speech at a meeting of the Forum on fisheries held in Canberra in 1985. I was approached by two representatives of the US dressed in shiny, dark suits; Seventh Day Adventists, I thought? They looked very serious, introduced themselves as being from the US State Department and advised that one was the Ambassador for the Oceans. I observed that he must have a very “liquid constituency”. They looked at me blankly. They then said how much they welcomed my role as an “honest broker” between the Pacific Islands and US interests, for which, read their San Diego based fishing fleet of massive purse seine trawlers, fishing in island waters by agreement and allegedly outside the relevant Island States’ Fishing Zones. I assured them that I was not acting as an honest broker, but that I was trying to “protect poor bloody countries, which only have fish and coconut palms for resources, from the rapacious raids of the US and other national high seas fleets on migrating fish stocks and their other marine resources and thereby working to prevent illegal fishing”. They moved away in distress. It was not one of my better diplomatic moments.

There is a romantic anarchy about fishing, perhaps the last retreat for our hunting and gathering selves, which lends to the resistance of fishers everywhere to regulation. But if we are to ensure the future of our fish stocks, regulation there must be for its sustainability. However, Coalition Commonwealth governments had not advanced fishing industry policy much since the advent of the declaration of the 200 mile Australian Fishing Zone (AFZ) in 1979. By early 1983 when Labor took over, it had only got so far as establishing an Australian Fishing Industry Advisory Council on how the zone was to be managed, with one member per State (there was already an Australian Fishing Industry Council - AFIC). A bipartisan Senate Committee had strongly supported the need for a national fishing industry policy. The Convention of the Law of the Sea had been settled in 1982. The implementation of the fisheries provisions of the Offshore Constitutional Settlement (OCS) needed to be settled. Work on it had not progressed and effectively began with the advent of the Hawke ALP Government in 1983. There was a great deal to be done both in policy development and fisheries management, particularly including the definition of jurisdictions for the management of Australia’s many fisheries.

Fisheries management is about the optimal management of resources and markets in the best long term interests of the industry, but it is naturally hard for those in the front line to see it – and to wear its consequences. Uneconomic expansion of the fleets had resulted in dysfunctional competition between them. Consultation, as practised by governments, is generally not satisfactory for the people concerned. It is not easy to explain that consultation does not equal agreement and that anyone can always argue that more consultation is needed. However, in the case of fisheries it proved to be eventually productive, albeit tiresome, time-taking, necessarily bureaucratic - and educational as well for all concerned.

As with other agricultural industries, though perhaps more genially in this case, this industry showed that it can and will adapt: I have nothing but admiration for the Australian industry’s acceptance of what was a dramatic reduction in catch in some cases. One crucial adaptation, for example, was the raising of southern bluefin tuna (SBT) in cages, centred in Port Lincoln, South Australia, after small SBT had been caught and then fed and reared to meet the Japanese
sashimi market’s voracious demand. We have only ever provided a very small proportion of Japan’s fish imports.

Dealing with the Japanese was a different kettle of fish altogether (no pun intended). There was one way and it had to be the Japanese way, and there was one set of interests, and it was Japanese interests. We could never be sure that even the limited agreements we reached were ever effectively implemented; pity the poor whales. And as for the cavalier Americans, French and Spanish high seas fishing fleets, this was a zero-sum game, when for Russians, perhaps they saw it as a game of bluff. They just could not believe that the huge band of waters under Australian control - more than eight million square kilometres of it - could not be other than equally hugely full of fish as is the northern Pacific.

Policy

The policy document that the ALP took to the 1983 general election was:

A Labor Government will:

Establish a National Fishing Policy to ensure resources in Commonwealth waters are developed and managed to the optimum economic and social benefit of the people of Australia;

Restructure the Department of Primary Industry’s (DPI) Fisheries Division to reflect the Commonwealth’s positive role and recruit staff with fishing experience;

Urgently move to establish management plans for the Southern Bluefin Tuna, Southeast Trawl, Northern Prawn Trawl and Southern Shark fisheries in the belief such management strategies, based on biological, economic and social factors will help reduce disagreement between states;

Provide funds for research and development of ‘new’ fisheries in the AFZ, investigate rationalising the plethora of fishing councils and committees with a view to increasing representation by fishermen. The possibility of a national ‘peak council’ with representatives from the various fisheries (rather than State representatives) will be floated for industry consideration;

Explore national marketing potential with particular respect to the need for fish promotion;

Develop strategies to combat domestic market import;

Treat the fishing industry as any other primary industry with respect to tax exemptions, access to the Rural Adjustment Scheme (with the exception of farm build up provisions) and other assistance measures. Four wheel drive vehicles will be exempt from sales tax where essential to the fishing business;

Examine fishermen’s access to finance with a view to improvement; and

Restore free circulation of the DPI publication ‘Australian Fisheries’ to all licensed commercial fishermen to maintain the Commonwealth’s major communication and extension medium.

Bob Hawke launched an abbreviated form of this policy in the Rural Policy Speech in Griffith, in inland NSW, on 20 February 1983.
Fishing Industry Policy Challenges

By the end of 1981, I had visited fishers and their organisations in the Northern Territory (NT) and all States, except for Victoria and Tasmania, (which I later covered). One thing I had learned was that high fish prices (particularly for prawns) in the late 1970s had led to a rush of new boats into the industry. In the case of the east coast prawn industry, the size of the fleet grew without any appreciable increase in total catch. There were many disputes. For example, there was a particular dispute in the northern prawn fishery with Northern Territorians losing out to fishers from other States taking the bulk of the prawns off their coast. The ‘internal’ Fog Bay fishery was in danger of extinction and small boat owners lacked the capacity to scale up and fish further offshore. This was an issue that had to be resolved by the Australian Fisheries Council (AFC).

The Australian Fisheries Industry Council (AFIC) asked me to address it on 23 February 1982, when I was the Opposition spokesperson. At this time I was still writing the policy. Trevor Carney, CEO of the Queensland Commercial Fisherman’s Organisation (QCFO), proved to be very helpful. I could only tell the Council what was on my mind. It seemed to me that the mass of individual disputes could be classified as biological, economic, administrative and political. I said the prime duty of governments was to more seriously set about working with industry from the point of view of fisheries management from a biological perspective. Our spokesmen for the 1977 election (Senator Ken Wriedt) and for the 1980 election (Senator Peter Walsh) had given me an excellent guide to what was the approach to take.

I said that I had concluded that there were three aspects to fishing industry matters that stood out. These were that there was no such thing as an industry because all sectors in the industry were rarely agreed and this was opportunistically being used by politicians and administrators as an excuse for not persisting with more sensitive and rational policies. Further, multiple fishing licence endorsements allowed fishers to move from one fishery to another, which made management difficult. Secondly, separate fisheries were saddled with a mass of regulations and overlapping requirements, which were either not understood, resented, disagreed or disregarded. Finally, the effectiveness of State government fisheries authorities or agencies varied but tended not to be good, possibly due to a lack of political enthusiasm for industries where few votes were to be won and many regional votes were to be lost.

I stated what the current functions of fisheries management for the Commonwealth were, but that the States had the whip hand on biological research, except for the Commonwealth Scientific and Industrial Research Organisation (CSIRO) activities, infrastructure and regulation. Further, that while the Commonwealth clearly had export powers and powers regarding the AFZ, there was little chance of the Commonwealth effectively exercising regulatory powers without matching State scientific and regulatory arrangements. To propose duplication would be wasteful. The speech went down well. It was obvious the AFIC wanted a lead.

In July 1982 I received a discussion paper published by the Queensland Commercial Fishermans Organisation (QCFO). It bluntly said that there were too many fishermen in the industry (for example, at least 1,000 trawlers has used Cairns as a port in 1981) and what was missing was Commonwealth support similar to that applying in all other primary industries. The QCFO’s main concern was with the management of the east coast prawn fishery. In referring to the northern prawn fishery, it said that the fishery had been in trouble since 1971/72, that the Commonwealth boat building subsidy had been taken up to an extreme degree in the case of the Gulf of Carpentaria part of the fishery, and that 70 of the 292 licensed...
vessels were not operating on a full time basis. This represented a major potential increase in fishing effort78. I knew the task ahead would not be easy, but I welcomed the QCFO’s analysis.

At the time, the Australian fishing industry as a whole employed 20,000 people earning over $350m from export markets with over $400m worth of product sold on the domestic market. There were 11,000 licensed fishing vessels, representing a capital investment of over $500m, which landed over 150,000 tonnes of fish each year.

**General Background**

Australia controls or is responsible for an exceptionally large maritime zone of some 16 million square kilometres (Australia’s land mass is 7.618 million square kilometres). A large proportion of the zone comes from the two million square kilometres of ocean of the Australian Antarctic Territory under our stewardship (some 42% of Antarctica). Australia’s Exclusive Economic Zone (EEZ) is 8.2m square kilometres. Compared with other world fisheries, our various fish resources are not at all bountiful and are of comparatively low production and financial return. We do not have many upwelling ocean currents where fish can feed and our rain deficient land mass does not provide much river nutriment run-off.

Regardless of this, foreign fishers were and still are allowed access to, or joint access to, some of our fisheries. Fishing by non-nationals was negotiated and access granted if we were not exploiting some fisheries at all, if they were not being exploited up to a sustainable catch level, or if a joint venture or shared fishery agreement could be justifiably put into operation. This involved the Commonwealth Government in biological research and in detailed negotiations mainly with Japan and other Asian countries, for a handful of our specific or single species fisheries, for example, southern blue fin Tuna (SBT) and squid, and/or multi-species, such as demersal fish (which live and breed at the bottom of oceans and lakes) in the waters north west of Western Australia (WA).

Some Indian Ocean countries such as the Seychelles, were keen to have Australia involved in international negotiations to limit the predations by Spanish and French deep sea fishing fleets in their Fishing Zones. We could not respond to their concerns beyond reinforcing their arguments with the European Economic Community (EEC), during regular ministerial consultations, discussions and negotiations in various Belgian palaces and castles and in Brussels. One EEC Commissioner for Fisheries confessed to me that fisheries were beyond any control, in terms of trying to secure agreement within the EEC on management practices between member countries or internationally. I learned to share his view; my main concern was how major fishing nations were pillaging the high seas, they having cleaned out the Mediterranean Sea and having put many Atlantic Ocean fisheries at risk.

By the time I became Minister I had some general knowledge of the work of the Fisheries Division of the Department of Primary Industry (DPI) from the period I spent in Industry House, Barton, ACT, when I was a researcher in the Bureau of Agricultural Economics (BAE). I also acquired some familiarity with some fisheries issues when I was the Member for Macarthur (1972-75) and got to know fishers in the southern NSW coastal part of the electorate, particularly in Kiama and Greenwell Point. Some of Greenwell Point’s oyster farmers were strong Australian Labor Party (ALP) supporters: the annual dinners put on by the Greenwell Point Oyster Fisherman’s Association were well worth going to, if you were partial to oysters (best eaten with ice cold vodka, vinegar or white wine?).

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78 In this context, ‘effort’ refers to all inputs into the catching of fish – boats, nets, line etc.
I was also aware of the general concerns of fishermen in the Wollongong and Ulladulla areas, where both fishing fleets had to adapt to depleting fisheries by targeting new species, and from my association with Bob Whan, Member for Eden Monaro (1972-75) who brought the problems of the large fleet in Eden, where the migratory SBT catch was rapidly declining, to my attention. This was due to Western Australian (WA) and South Australian (SA) fishers catching an increasing proportion of the SBT’s annual easterly migration. How much of the highly migratory species was caught by the Japanese depended on what Japanese fishers told us was caught each season - or that was the theory.

In the years of the Whitlam Government I was a member of the House of Representatives Conservation and Environment Committee which examined the problem posed by the illegal taking of giant clams by Taiwanese fishers from the Great Barrier Reef. Gaoling the offenders on Thursday Island and burning their boats was one response to the problem. The same Committee also learnt a little about the problems associated with a turtle farming venture in northern Queensland.

Theories, Practice and Policy Imperatives

As Commonwealth Fisheries Minister I began with a few very clear ideas in my mind. These were, firstly, that it is necessary to manage fisheries in terms of the biology/ecology of each fishery and that the evidence of scientific research was absolutely essential for their management. Secondly, that catching technology would always outstrip our biological/ecological knowledge of each fishery. Thirdly, the industry could never be allowed to regulate itself without some institutional structure, planning and regulatory design. Fourthly, there would inevitably have to be negotiations with the States and consultation with fishers where joint control prevailed or where States could not agree with each other. Lastly, I thought that by adopting the overarching concept of ‘sustainable yield’ it may be possible to put in place measures that ensured survival of the species in the various fisheries concerned. I knew full well that this would not address crucial ecological and habitat issues for all fish, nor for the targeted species. Sustainable yield was not sustainable development, much less any pretence for being ecologically sustainable development.

An understanding of the need for a broader ecosystem approach as being essential for sustainable production was many years from entering mainstream thinking, let alone implementation and adequate monitoring. I had a particular concern about bottom trawling and by-catch, where I was told that up to 70 marine animal and plant species could be scooped up and tossed back, turning the seabed (the benthic environment) into the marine equivalent of fallow wheat paddocks. Most harm could be caused by the demersal otter board and beam trawling methods of catching\textsuperscript{79}. I had been informed that up to 10 kgs of by-catch were caught with every kg of wild caught prawns. The waste and damage involved in fishing wild stocks remains immense, world-wide. Further, the role of food chains and the land-sea interactions were then little understood. Our rivers often carry chemicals, rubbish and sediment harmful to fish populations. The most deleterious of these is the amount of plastic now in the world’s seas and oceans and the millions of deaths caused in fish and bird populations.

The role played by mangroves, estuaries, salt marshes and inshore wetlands are at the basis of the fish life-cycle for most of our species, particularly for those species caught close inshore.

\textsuperscript{79} Demersal trawling is towing a net just above the benthic zone, which is the very bottom of the ocean. Otter board trawlers use one or more parallel trawls kept apart horizontally using otter boards. Beam trawlers are a type of outrigger. They use a very strong outrigger boom on each side, each towing a beam trawl with warps going through the block at the end of each beam.
The land sea interaction was hardly comprehended except in the northern prawn fishery. Ecosystem biodiversity was not a concept grasped at the time. Sustainable yield could only ever be a milestone on the way to more sensitive management of the various biological resources. I also had the somewhat mistaken belief that I could ease into management measures, fishery by fishery, accumulate experience, devise measures for assistance or the removal of effort, learn the lessons emerging and then move on to the next one. But that was not to be; I was involved in many fisheries simultaneously.

From my general reading, it seemed that all the world’s fish stocks were under increasing pressure (as were/are all of the planet’s natural resources). The plight of the Newfoundland North Atlantic cod stocks and the ‘cod wars’ was repeated ad infinitum as the classic example of the dangers we faced. We still read of the likely extinction of many species because of over fishing, currently for example, jack mackerel, (aka the ‘rabbits of the sea’). While, perhaps, one can be too pessimistic about the state of the world’s fisheries, there was none that I dealt with that did not need firm management, or reduction of effort, or both. As I write (2013) increasing evidence is coming forward about the deleterious situation of the world’s fishery stocks and the plight of countries dependent on fisheries for animal protein. The only source for any optimism in Australia in 1983 was the prospect of sensible management to save stocks and crucial bio-mass. Basically, all of Australia’s fisheries were being overfished, except for some offshore, which we knew little about. I thought that all that I could possibly accomplish was to bring our fisheries into some kind of sustainable management.

I later learnt at first hand just how hard it is to get international co-operation to reduce fishing effort. I also learnt that whereas developed nations could be expected to be marginally more amenable to scientifically based reason, there was not much hope where populations in developing countries were dependent on fish for protein or for the quick money that could be made. The use of explosives to catch fish in reef areas in countries to our north, like the Philippines, was a stark reminder of this reality. In many small Pacific Ocean countries, fishing was the main, if not only, source of foreign earnings. The fisheries researchers and environmental scientists had always found it frustrating trying to convince fishers of the hazards they are bringing onto themselves. If one fishery was wiped out, or became unprofitable, perhaps fishers thought there would always be another to move on to?

The industry economic rationale for fishing clashed with the nature of the resource being exploited and its vulnerability to total stock depletion. In other words, while it might be economically rational to invest heavily and fish one species intensively, this did little for the resource’s long term sustainability and for the prospect for other fishers to enjoy or make a living from. As I have said, the concept of ‘ecologically sustainable development’ should have been front and centre in fisheries management, but this was not a concept to the fore in the early to mid-1980s. Thankfully the concept of maximum economic yield was also one that was not in vogue. No doubt this would have been favoured more by the professional catching sector, rather than by recreational fishermen and those concerned with environmental issues, who the latter basically believed in locking up fisheries resources from exploitation once the evidence was clear. National Marine Parks, Representative Areas and Green Zones were generally misrepresented by fishers as well as concerned environmentalists.

As I have said, I found that all the fisheries in my specific area of responsibility needed ongoing attention, if not quickly considered change and reform. I also speedily learnt that managing/negotiating with fishers and the State and Territory governments was what took up time and energy, not necessarily formulating policy based on the biology of the species in question. The politics of fisheries management revolves around catch sharing and access rights
as well as dealing with over-capitalisation. State and the Northern Territory governments continued to be always keen to ‘develop’ their fisheries, whatever the word ‘develop’ meant?

None the less, I enjoyed fisheries management because it meant engagement with the last of the great hunters and gatherers in an industrially developed society, often with fishers owning highly expensive boats with highly advanced technical equipment, requiring large amounts of capital. Technology always outpaced biological knowledge; ‘effort creep’ it was called. The deeply ingrained notion or culture of the ‘romance of the sea’ and the notion of personal success in catching fish made management very difficult. Many commercial fishers were prepared to take a gamble on their often large financial investment and indebtedness. Similarly, some recreational fishers owned expensive boats possessed of high technology and capacity to fish well off-shore. Developing countries, with coastlines and well-stocked inland rivers, pragmatically regarded fish as a free source of food or essential protein. It is my view that this belief, of a free good, is deeply embedded in many of us and perhaps contributes to the anarchic nature of fishing everything, everywhere at will.

National Policy, Administration and Research

Policy prescriptions and negotiations with the States took place within the peak Australian Fisheries Council (AFC), this being a council with the Commonwealth Minister as chair attended by all relevant State and Territory fisheries ministers, to which later was added by invitation, ministers for fisheries from New Zealand and Papua New Guinea.

The Commonwealth, as well as the State governments, were inadequately financing fisheries research. At the Commonwealth level the existing Fisheries Research Trust Account (FRTA), administered within the DPI, allocated the funds available. At the time it was clear that the State governments wanted control of research funds and that the industry was not keen on contributing to additional research funding. The danger was that data to implement essential management plans or measures, could tend to limit the amount able to be spent on essential, relevant scientific/biological research. There was always pressure from the States and fishers to be involved in stock assessment and monitoring, to the cost of biological research. One of the existing Commonwealth fisheries research organisations was the Fisheries Research and Development Council (FRDC).

There was and still is a need for increased specialised monitoring, utilising rigorous methodologies to create long term records of fisheries and assessment of how management tools have worked, but not in the FRDC or its successor. The Commonwealth also involved itself in providing funds for fisheries development research and trials by way of research into ‘virgin’ stocks via the FRTA. In August 1986 the Commonwealth agreed to fund fisheries research to the level of 1% of the Gross Value Product of the industry and amalgamated the two research agencies into one, the Fishing Industry Research and Development Council (FIRDC).

When we moved from research councils to research corporations for the industries in the portfolio, under the terms of the Primary Industries and Energy Research Act, 1989, the Council became the Fishing Industry Research and Development Corporation (again, FIRDC), but not until 1990. Negotiations for the later formation of the Australian Fisheries Management Authority (AFMA) delayed the formation of the corporate structure for a time, and this I refer to later. The FIRDC, in both forms, achieved a well deserved reputation for being an excellent research body. The Director of the FIRDC, Peter Dundas-Smith, proved to
be a first class research manager, who concentrated on the biology and ecology of the fisheries resource.

In June 1988, my colleague, Barry Jones, Minister for Science, announced the purchase of the Southern Surveyor for the CSIRO to conduct research into and assessment of our fisheries. The former CSIRO’s Marine and Atmospheric Research Division, now part of a CSIRO Flagship, based in Hobart, is a major national research asset (a national treasure) and houses many of our most important collections such as fish, algae, air and ocean samples. I suspect it was more active in fisheries research in earlier times than during the 1980s, but its contribution has been immense and is still essential. The Commonwealth Government elected in September 2013 is profoundly anti-science, so we do not know what the future will be.

The tools for fisheries management were, basically, restrictions on outputs such as catch quotas, limited entry and zoning, or on inputs such as boat numbers or net sizes. Various terms and sub-topics were associated with these main four measures, such as formulas for determining fishing capacity (catch per unit effort, etc), unitisation on a formula basis, licensing, boat replacement measures, and the imposition of royalties, taxes or levies. The levies were mainly associated with voluntary or compulsory boat buy-backs to reduce effort or employ the concept of ‘user pays’ for complex management measures. Licensing, and endorsements, often from both levels of government, meant that they accrued in value, often un-related to the changing state of the targeted fishery stock or measures being put in place by governments.

There was also some underlying theory regarding common property rights (unrestricted or restricted) and resource rent. The problem of input restrictions, their effect on incentives for fishermen to act as the managers wished and the problem of over-capitalisation were never satisfactorily resolved. The dissipation of potential resource rents was accepted by some in the industry, but theoretical concepts were comprehended by the few. It was not until the 1990 new directions in national fishing industry policy was issued that I more assiduously floated the idea of resource rent and ‘community return’.

The simplicity and advantages of total available catches (TACs) and individual transferable quotas (ITQs) was, or has been, rarely reflected in reality because of the complexities of accounting for catches in multi-species fisheries and poor catch monitoring, multiple landing points and inadequate enforcement. Such output controls have an inability to take account of habitats and interaction with other species. However, ITQs were better than fishing gear restrictions, because once transferred, the market mechanism allowed adjustment and because of the reality that increasing fishing technology tended to run ahead of both management and policy. There were hazards in any management regime, because fishers can always subvert requirements and can move from fishery to fishery unannounced. In my time, we had no way of tracking these boat movements; we do today. The imposition of fines by both State and Commonwealth authorities for illegal fishing practices was always hard to enforce and magistrates were reluctant to impose maximum fines, even for flagrant beaches.

While the measures outlined above sufficed to a large degree, to my mind they never coped adequately with multi species fisheries, or dealt effectively with by-catch. All jurisdictions, including the Commonwealth’s, were governed by regulation under umbrella Acts of Parliament; generally Fisheries Notices and warnings posted in Government Gazettes and circulated to relevant fishers and or their organisations. DPI Fisheries Division also produced the invaluable Australian Fisheries publication, drawing together information on fisheries...
throughout Australia. Memorandums of Understanding were also commonly used for specific fisheries.

The idea of applied industry economics had been creeping into fisheries management. I had it in mind that we needed to move to a more policy based approach, fishery by fishery, but with adaptations as we learned more about fish populations being exploited, or as conditions changed, and then to see what economic concepts could be applied. This meant that we would need more industry/government consultative task forces to develop acceptable options. This approach required extensive negotiation. Officials did a sterling job and only required policy oversight. I relied on John Tanzer, Jeff Gilmore and Gordon Gregory in my office as linkmen to key departmental officials. I signed a lot of paper, often late on a Friday afternoon. White-out proved invaluable at the time.

The Offshore Constitutional Settlement (OCS)

The 1979 Offshore Constitutional Settlement was crucial to the setting of boundaries for the responsibilities of the Commonwealth and the States for managing Australia’s fisheries. The Law of the Sea is very complicated and I only touch on it here. In Australia, the hierarchy of boundary definitions depends firstly on the determination of the Territorial Sea Baseline (TSB), which has to take into account the nature of the coastline. Coastal Waters are defined as the belt of water seaward of the TSB for three nautical miles, and under the control of the coastal State or Territory (i.e. the Northern Territory) in Australia’s case. The zones of maritime boundaries are expressed in concentric limits surrounding coastline and feature baselines, as follows:

- coastal waters – the zone extending 3 nautical miles from the baseline
- territorial sea - the zone extending 12 nautical miles from the baseline
- contiguous zone – the area extending 24 nautical miles from the baseline
- exclusive economic zone - the area extending 200 miles from the baseline
- the Australian Maritime Zone - the general description of all Australia’s various marine areas of jurisdiction.

The definition of the Australian Fishing Zone is:

- the waters adjacent to Australia within the outer limits of the exclusive economic zone
- the waters adjacent to each territory within the outer limits of the exclusive economic zone, but does not include:
  - coastal waters of, or waters within the limits of a state or territory or ‘excepted’ waters. Excepted waters are proclaimed to be in the Torres Strait and adjacent to the Australian Antarctic Territory.

The outer limit of the Australian Fishing Zone is the same as the outer limit of the Exclusive Economic Zone.

Many activities take place in the territorial sea such as mining or drilling for oil, gas and minerals, and fishing, shipping, management of marine parks and shipwrecks. Fisheries were not the main or, ever, the only motivation to regularise legal responsibility. In the contiguous zone the national government may exercise its control necessary to prevent and punish infringement of its customs, fiscal, immigration or sanitary laws within its territory. The Continental Shelf generally coincides with the EEZ and beyond that distance to the outer edge of the continental margin is as defined in Article 76 of the UN Law of the Sea Convention.
Oil, gas and minerals were the main concern of all Australian governments in the 1970s. There had been alarming proposals by the, then corrupt, National Party Government of Queensland to mine and drill the Great Barrier Reef\(^{80}\). Australia’s offshore oil and gas activities take place as far away from the TSB as the borders of our continental shelf. However, it was mainly the range of possible activities in the territorial sea which raised the question of how to divide management of resources and responsibilities between the Commonwealth and State governments.

The Australian Fisheries Zone (AFZ) includes waters within the outer limits of the EEZ and the waters adjacent to each external territory but does not include coastal waters within the jurisdiction of a State or Territory. The various zones and divisions took many years to agree legislatively and have been updated since my time.

It was Prime Minister John Gorton who battled to change the Liberal Party’s and Coalition’s ideological adherence to ‘States rights’ on maritime matters in the early 1970s\(^{81}\). Gough Whitlam, then the ALP’s leader, was always clear about where the conventions of international law should sensibly prevail (four UN Treaties were in place from 1958, before the Law of the Sea Convention was agreed). High Court cases in the 1960s and 1970s slowly established the legal regime for Commonwealth and State responsibility but co-operation between them had been thwarted particularly by the Queensland and WA governments. The conservative premiers of Queensland and WA had and have a long and predictable habit of opposing Commonwealth governments and threatening to secede. However, the Labor States were also opposed to Whitlam’s policy announcement that, in government, the ALP would re-introduce the Coalition’s Gorton/Swartz legislation of 16 April 1970, which had lapsed under McMahon, when he replaced Gorton as Prime Minister. The hostility to the Gorton and Whitlam governments’ actions and initiatives shaped a range of actions and reactions including the attempt by the Queensland Premier, Bjelke-Petersen, to have the OCS accepted as a formal written agreement (like the 1967 Offshore Petroleum Agreement) rather than by resolution of

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\(^{80}\) In the late 1960s the Queensland National Party Minister for Mines was at the stage of personally allocating mine leases, the first being for mining coral in 1967. It was this action which provoked the establishment of the Australian Marine Conservation Society based in Brisbane. At that time there were no State ministries/departments for the environment and conservation. It was the Whitlam Commonwealth Government which banned the mining of limestone and oil drilling on the Great Barrier Reef and led to the establishment of the Great Barrier Reef Marine Park.

\(^{81}\) As I learnt more about conservatism and the deep ideological beliefs of those on the right of Australian politics, I understood the degree to which the debate about ‘States rights’ versus ‘centralism’ had sustained so many ideologues and practitioners. I never thought that Menzies was as conservative or as reactionary as many of those following him in the Liberal Party, once the centrality of economics took over. I could easily be labelled a ‘centralist’ as Gough Whitlam certainly was, but for me it became a matter of economic pragmatism rather than ideology. I thought it was ludicrous for every State to have a different railway line gauge, for corporate and industrial relations laws to vary State by State, for police forces not to be able to freely exchange information etc. At one stage I discovered that each state had a different requirement for the level of sugar in jam! Allowing States to own their offshore seas would probably have resulted in problems of taxation and wealth distribution, which would upset the federal compact, if some States had no such resources. This would be and was also very confusing for investors. We are either one country or not. Where natural resource management was concerned, and more than one State was involved with different jurisdictions and laws, management often becomes a mess. This was not only ineffective, but was confusing to the fishers and was leading to law breaking. I had no problems with reaching agreements between States about their ongoing management of a resource, consistently, if this could be agreed.
the special Premiers’ Conferences regarding offshore management. As usual, he was being obstructive.

For the record, it is important to provide more details of the Whitlam ALP Government’s (1972-75) policy moves on the territorial sea. In January 1973 Whitlam indicated that the Government would prepare legislation to combine the purposes of the Territorial Sea and Continental Shelf Bill, introduced by Minister Reg Swartz, the relevant Liberal Minister in 1970, and the Minerals (Submerged Lands) Bill which had been foreshadowed at the same time. He advised the State premiers of the Commonwealth’s intention. The NSW, Victorian and Queensland governments immediately stated that they would legally challenge any attempt by the Commonwealth to do so. In May 1973, Premier Bjelke-Petersen announced that he would hold a referendum to gauge public opinion on secession from the Federation.

The Whitlam Government introduced the now controversial Sea and Submerged lands Bill on 10 May 1973 and both John Gorton and Jim Killen (Liberal Member for Moreton) voted with the Government. Petroleum was covered by separate legislation and the only change, in reality, to the earlier Coalition proposal was with respect to off-shore mining. The Labor premiers of SA, WA and Tasmania joined with the non-Labor premiers. At the end of May 1973 the States sought advisory opinions from the judicial committee of the Privy Council on off-shore sovereign rights. Whitlam advised the UK Government that his Government did not consider it appropriate for the Queen to refer the States’ petition to the Privy Council. Four State premiers traipsed to London, enjoyed some pleasant dining, and revelled in the chance to strut the international stage for domestic political purposes. They were sent home by the British Foreign Secretary, Sir Alec Douglas-Home, with his advice that their concerns had been noted. Despite what monarchists say, the Queen is Australia’s Head of State, the governor general is her representative and the head of government in Australia is the prime minister, from whom she takes advice. End of story - unless you are a monarchist.

An expert on these matters has since informed me of the significance of the proclamation of the Coastal Waters (State Title) Act (Cwth) 1980, in 1983, when Prime Minister Fraser prorogued Parliament for the 1983 election, and when, apparently, the ALP’s position had been to unwind the OCS negotiating process. This Act provided an arguable case that waters and the seabed to three miles offshore are vested in the States and could only be returned to the Commonwealth on just terms. The Government of which I was a member had a more realistic or pragmatic view of the OCS.

In 1975, the High Court had determined in the Sea and Submerged Lands Case that the Commonwealth had sovereignty over the territorial sea, including the seabed beneath the coastal waters. It was this that impelled the Commonwealth, State and Territory governments to the negotiations, which resulted in the OCS. Although touted as a ‘milestone in co-operative federalism’, the negotiations were bloody and required much legislation and adaptation, which continued for many decades. Although the OCS became law, as far as fisheries were concerned it did not mean that the States necessarily had to sign immediately.

The OCS was settled with the various State and the NT governments through the 1980s, with a start point in 1985, when a Protected Zone Joint Authority was established in the Torres Strait. In mid 1986 arrangements were agreed with Tasmania and Victoria and in late May 1987 with SA, WA and Queensland and also further finalised with Tasmania. NSW was the last State to agree and, strangely (and in contrast to its cooperative approach on the sugar industry), its intransigence on fisheries management arrangements has long continued. All countries have 200 nautical mile (370 km) fishing zones. In Australia’s case, this came under
either Commonwealth, State or joint control depending on the outcome of the negotiations leading to the signing of the OCS agreement, fishery by fishery. WA waters had only one Commonwealth fishery in them, the rest being vested within WA control. The exception was the Northern Prawn Fishery, which straddled the seas of WA, the NT and Queensland. I was also involved to a minor degree in WA’s Shark Bay snapper fishery and pearl farming in northern WA waters, but with WA compliance.

After negotiation the OCS made provision for four management categories:

1. Joint authority management: the Commonwealth and one or more States could form a single legal entity which manages a fishery or fisheries under a single law, either Commonwealth or State.
2. State management: where a fishery is located off only one State, arrangements could be made to manage the fishery under State law - fishermen would not need a Commonwealth Fishing Boat Licence.
3. Commonwealth management: where a fishery is adjacent to more than one State the fishery could, by agreement between all parties, be managed solely by the Commonwealth - fishermen need only hold a Commonwealth Fishing Boat Licence.
4. Status quo management: in fisheries where no OCS management arrangements could be agreed, status quo arrangements with State control over coastal waters (within three nautical miles from shore) and Commonwealth control over proclaimed waters (three to two hundred nautical miles) - fishermen need to hold both Commonwealth and State licences.

To summarise, hitherto, as with agriculture and forestry, the States had the Constitutional power for fisheries management. Under the OCS they retained absolute responsibility for fish resources extending for three nautical miles from the low water mark. Unless other agreement is reached, the Commonwealth controls fishing from three to two hundred nautical miles from the shore.

The States accounted for about 60% to 70% of the gross value of product (GVP) of our fisheries, and still do as a result of the negotiations and agreements reached. All the Commonwealth Government wanted were sensible management regimes, not ownership of the fish.

The Department of Primary Industry’s Fisheries Division

Under the terms of the Commonwealth Fisheries Act 1952, the Commonwealth had a Fisheries Division in the DPI for the three decades before 1983. Its activities had been mainly concerned with the external power under the Constitution and trade matters, but it had also built a store of knowledge about fisheries policy and options for better fisheries management. The Division had been involved in the SBT fishery for some time. It had also been actively involved in the management plans of other fisheries, such as the northern prawn fishery, but in more of an advisory role, lacking direct power.

After 1983, joint Commonwealth/State fisheries, State fisheries, and Commonwealth fisheries under the OCS were established by negotiation, often on the basis of exception, a State would have all control within the zone unless an exception was identified. Fisheries covering more than one State boundary or being of a highly migratory stock were a clear case for Commonwealth management. Fisheries coming under Commonwealth management, could only be arrived at by negotiation, given that the Commonwealth under the OCS had to be involved. This became somewhat of a hotch-potch if consistency was the goal.
The regime that needed to be put in place substantially increased the workload of the Commonwealth Government and I was exceptionally well served by the departmental officers involved. With the exception of the fisheries of WA and SA which were well managed, it was generally assumed that many of Australia’s fisheries needed better management or were in trouble. They were over-capitalised and over-fished, with some giving impoverished returns and others being managed from a short term populist point of view. All this the result, perhaps, of the fact that there were many more votes in pandering to the wishes of recreational fishers without the regulatory measures involved in commercial fishing.

Theme Setting

I made very few major public speeches on fisheries management. This was because each fishery was different and the number of fishers, relative to other primary industries, was small. It was not as if a conference of hundreds of participants could be arranged, particularly when key fishers were at sea. There were some exceptions to this, when plans were later released and broad consultation was involved. The dispersed nature of fishers meant that fishers in each fishery needed to be consulted and it was clear that officials, Commonwealth and State, would have to be heavily involved. Announcements, specific to each fishery, were made regularly as were statements on research projects and fishery development trials. Regular information on conservation, levies and assistance were conveyed to the fishers concerned, but I depended to a large degree on my officials and the face to face meetings I had with representatives of each fishery, State ministers and officials.

The Australian Fisheries Council (AFC) met each year and it was only in the first one or two that I set out the approach I had in mind. Basically, I said that I wanted to get unresolved issues quickly settled, that this would mean much consultation between the two levels of government and the industry, and that I was going to establish a Fishing Industry Consultative Panel (FICP), limited to 13 members to deal with major generic issues. I also said that a Fish Inspection Technical Advisory Committee (FITAC) would be established and that I intended

82 The departmental people in charge of fisheries in my time were Arthur Bollen (but for a brief time before he retired), Dr Rob Bain, Michael Blamey and Geoff Gorrie. Rob was a superb natural resource manager, Michael was intent on having each of his fisheries managers, manage, but not to the exclusion of general policies. Geoff was in charge from 1988 until the coming of AFMA and stayed with the Australian Public Service (APS). Both Rob and Michael went on to having careers beyond the APS. John Tanzer was the first link man in my office with the department and attended the many consultative meetings. He is now a recognised international expert on the marine environment and is currently the Director of the World Wildlife Fund’s Global Marine Programme in Geneva. John was succeeded in my office by Jeff Gilmore, who also went on to many senior environmental positions in the Tasmanian and Victorian governments. Jeff was succeeded by Bruce Turner, but Tony Gleeson and Gordon Gregory were always heavily involved. The three people I dealt with most, on almost a daily basis, were David Barnes, the late Tony Byrne and Bruce Lilburn. I do not recall where people were in the ‘pecking order’ but I will always also be particularly grateful to and remember Frank Meany, Dougal McDonald and Peter Franklin. Then there was Dr Rusty Branford, Dr Craig Burns, David Coulls, Mary Harwood, Mary Lack, Alan Newton (research structures), Campbell McGregor, Mike Perri, Graham Pike (communications), Peter Peterson, Bernie Scott, Miles Sturman and Dave Wesney – and no doubt many others I should acknowledge. Matt Gleeson, partner of my personal assistant, Trish Gleeson, was one of a key group of people in fisheries carrying out much of the hard work. Special mention should also be made of Meryl Williams, the fisheries scientist and my main link in the Bureau of Rural Science (later known as the Bureau of Rural Resources). Meryl became and remains an internationally renowned fisheries scientist, and was Director General of the World Fish Centre 1994-2004 (now known as WorldFish). She was later Chair of the Australian Centre for International Agricultural Research (ACIAR). I was privileged to have such expert people working with me.
holding a National Fisheries Conference (NFC), back to back with the Bureau of Agricultural Economic’s Outlook Conference in early 1985, to review progress and address outstanding issues. I advised that access fees for foreign fishers were to be increased.

At the subsequent Outlook Conference, I reported that the industry’s domestic production was now estimated to be worth $445m annually and exports at nearly $400m. I reinforced the points I had been making to the AFC and industry about the need for a national long term approach and that I intended reviewing foreign fishing, fisheries research and development, and fish marketing and processing. The Australian Fishing Industry Policy Council (AFIPC) was established in October 1985 with 11 members and 10 deputy members. I was unable to keep the numbers down due to the ‘tribal’ nature of the industry and the differing organisational aspects of it. However this broad mix of people, prominent in the industry gave me an exceptionally good snapshot of the industry, and industry politics. By February 1989, six meetings of the Council had been held. Along with the AFC, it was instrumental in achieving some agreement on management plans and actions.

In mid-1985, I amended the Commonwealth Fisheries Act to allow for the implementation of formal management plans for Commonwealth fisheries. The first management plans introduced were for SBT and the NPF, in December 1985 and March 1986, respectively.

In the 1985 Budget, Cabinet agreed to a diesel fuel rebate of $5-$6m; adjustment assistance of $3m; loan guarantees of $5m; extra management funds of $0.4m; increased research funds of $5.3m; an additional $3m to supplement voluntary industry contributions of about $0.8m for adjustment assistance in the NPF; and legislative agreement for the collection of a management levy from industry of $0.5m. Tangible commitment to fisheries by the Commonwealth Government was beginning to be appreciated in the industries, even if the negotiations and consultations were tough, resisted in part - and lengthy.

**The Fisheries Management Experience**

The Fisheries divisions, authorities or agencies in the various States varied in terms of expertise in management and in the dimensions of the challenge set by the differing fisheries. Each State had commercial fishers’ organisations of varying strengths and in some cases exceptionally powerful recreational fishermen’s organisations as well. One of these was Sunfish in Queensland. Queensland also had the strong QCFO (now Queensland Seafood Industry Association (QSIA) and the first President of it that I grew to know well was Dale Bryan, who later moved to Tasmania. Dale’s later successor, Ted Loveday, President of the QCFO and then the QSIA, was one of the wisest industry people I dealt with, not that we were always totally agreed.

Because the States had control of all inshore and inland fisheries, the Commonwealth was not involved in much consultation with the recreational sector. The problem with recreational fishers was that only one in a hundred at most were affiliated with recreational fishing clubs or organisations, where some advice on fisheries management and the biology and state of the relevant fishery may have been imparted. Those recreational fishers with highly capable boats were a concern to me because of their capacity to fish well off the coast and on the Great Barrier Reef.

As a rule, recreational fishing organisations only assessed their catch as being high if they wanted to convince State, or sometimes Commonwealth officials, of a decision that favoured them. For other fisheries it was always alleged that it was the professional sector, which was responsible for over-fishing. In some instances this was highly debatable, for example in
Moreton Bay, Queensland, where professional and recreational fishers had identical gear. Due to the nature of the resources in question, some States did not have highly developed commercial fisheries. This often required multiple endorsements for a range of short season fisheries, particularly in Tasmania.

It was a challenge to negotiate with or engage with the various commercial fishermen’s organisations because they all had differing ideas stemming from their experience and knowledge of specific fisheries. The Queenslanders were assiduous in pushing their lines (no pun intended) and I grew to respect them, especially when they learnt about food chains and the damage being done to mangroves by marina and coastal development. They could see that fish conservation was not just a ‘greenie issue’. The larger fleet owners in some fisheries were not so inclined to follow this lead and regarded some of their brethren as being at ‘cottage industry’ level. As management plans were developed for Commonwealth fisheries, some fishery specific catching organisations came into being. An example of this was the Port Lincoln SBT fishers in South Australia, where there were some very smart operators. I also came across some lovable rogues in all the fisheries.

I subsequently became involved in at least fifteen fisheries as well as in international negotiations. While many negotiations and discussions were time consuming, there was not as much political spleen or ideology in the attitudes of the fishers compared with some farmer organisations. The people I talked to, and sometimes it was the wives of fishermen because their husbands were at sea, seemed to understand that I was trying to help them, even if at the same time they were at pains to insist I often lacked knowledge or did not understand their case when interests were threatened.

As noted, each fishery was different and in what follows I do not go into all the details of negotiation with each and every fishery for which I was administratively responsible.

To reinforce what I have said above, I convened a meeting of the Fishing Industry Consultative Panel, which I had quickly established, in late August, 1983. I was at pains at the meeting to again explain what I had in mind, what changes I thought this may involve them in, my worries about inaction in some fisheries and offered to be very open to their advice. It was not as if I had a clean slate before me or all that I did was without precedent. There was already a Tuna Task Force and Northern Prawn Fishery Advisory Committee in place with Commonwealth officials highly knowledgeable of the issues involved. I stressed the same issues at the first meeting of the AFC a month later. There had been a lot of consultation at official level once my officers understood what I had in mind, beyond stated ALP policy. There was a great deal of expertise at the table and within the Standing Committee of the AFC. I said that I wished to establish a National Panel of all sectors in the fisheries industry and invited nominations. I also said that I intended developing a National Fisheries Policy, over time, and said this is why I had first established an Interim Panel. The industry representative Fishing Industry Policy Council (FIPC) was announced and established in October 1985. This, basically, followed the model I was establishing for our agricultural statutory marketing authorities. The fact that there was a majority of ALP State fisheries ministers at the time made some negotiations and agreements easier to achieve and I got to know the key top officials in the States, some of whom seemed to have been none too keen on a policy based approach, preferring constant regulatory change. Dr. Bernard Bowen from WA and David Mitchell from Queensland were exceptionally competent, but they had vastly different fisheries to address. WA’s Rock Lobster fishery was very profitable and was one of our most valued and best researched, a model to be followed because scientific knowledge was quickly adopted and
reflected in management of the resource. SA also had its Gulf fisheries, particularly of whiting, under sound management.

**Southern Blue fin Tuna (SBT)**

A month after becoming Minister I was able to announce that agreement had been reached between Japan, New Zealand and Australia on the state of the international stock of SBT and that the countries intended to restrain their catches. In the case of Japan, this was not to prove to be the case.

The first meeting of the Australian Fisheries Council I chaired was held in Sydney on 23 September 1983. The fisheries discussed in detail were the SBT, the NPF, south eastern trawl (SET) and Bass Strait scallop. It was agreed that the Standing Committee on Fisheries (of the AFC) should finalise a plan for the SET for circulation to industry by 1 January 1984. Also on the agenda was the OCS and how best to implement it, a report by the IAC on the harvesting and processing of fish and the impact of fuel prices on fishermen, the latter always being a concern. I confirmed that the Commonwealth Government was prepared to incorporate fisheries, that is, professional fishers, as eligible under the Rural Adjustment Scheme (RAS).

Following the limited agreement reached at the meeting I announced interim management measures for the 1983-84 season for SBT. These were a national quota of 21,000 tonnes with 15,000 tonnes to be caught in the eastern sector with a size limit of 70cm, and 4,000 tonnes in the western sector with a size limit of 54cm (WA waters), and with 2,000 tonnes to be held in reserve. Purse seine operators were subject to a quota limit of 5,000 tonnes and prohibited from trans-shipment operations except to licensed carrier boats. This increased the size limit of fish previously taken and was designed to try to stabilise the number of spawning fish, which scientists had shown was necessary to maintain the stock and catch level. The value of the previous season’s catch had been $15m. The tonnage to be taken by the Japanese had yet to be negotiated. The Japanese had bigger boats than Australia’s and, allegedly, caught tuna both outside and inside the AFZ and never complied with the tonnage agreed. Australian SBT fishers believed both the allegations were factually true because they often sighted Japanese boats well inside the AFZ in areas where they should not have been.

The spawning biomass for the SBT congregated south of Java and the annual migration swam south down the West Australian coast with fish then heading east and some west. The Australian easterly catch was caught by fishers in WA and SA and then by NSW as the fish rounded the south of Tasmania and used to swim as far north as Ulladulla on the NSW south coast. WA’s catch was more inshore and generally of smaller fish and directed to low value canneries. Both the catching and processing sectors of the fishery were concerned about the levels of the announced quotas and doubted that the concern of scientists and fisheries

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83 I came to understand the phrase that the quota was ‘up for grabs’. On one of my many visits to Port Lincoln in South Australia, the home of the SBT fleet, I was in the office of Dinko Lukin, one of the top SBT catchers. He was a larger version of his son Dean, who, at the time, was Australia’s Olympic gold medallist in weightlifting. We sat down, Dinko fixed me with his eyes and placed his elbow on the table, saying, “I will arm wrestle you for a bigger quota”. I appreciated his pragmatic approach but couldn’t see how this administrative procedure could be consistently applied to all fisheries. There were some great characters in Port Lincoln and some became very wealthy, but were prepared to invest heavily and take huge risks. Some made, lost, and made fortunes again. As I write Hagen Stehr is close to perfecting the breeding of SBT in captivity to be grown out in pens: a high risk, high capital venture - and adventure too, no doubt.

84 A seine is a dragnet hanging vertically in the water weighted at the bottom edge.
biologists was of the order of the depletion of stocks they claimed. The scientists were looking at trends in the size and age of fish caught; they (not the scientists) were becoming smaller.

In December John Button, Minister for Industry and Commerce, and I announced that a reference had been sent to the IAC to examine the necessity for extending adjustment assistance to the fishing industry. We extended an invitation for all parties to state their case. Through January various SBT fishers complained about quota levels, but it was obvious that the industry was not agreed. I held the line and only allowed some minor variations. By late February 1984 the purse seine quota of 5,000 tonnes had been taken. In mid-March I announced that a register would be established for all boats which had operated in the fishery from 1 April 1980 to 31 October 1983.

Trilateral talks between Japan, New Zealand and Australia took place in June but little progress was made. There was no precise commitment from the Japanese nor concession on catch expansion. The meeting recognised the need for urgency in the matter of conservation of the stock but the Japanese would only say that their reporting system would be used to keep fishing effort at a level which did not hurt Australian catchers. This was hard to believe. I was advised by officials not to mention Japan’s harvesting of whales but the Japanese raised it, as they always did on every occasion.

After a lot of consideration and following exhaustive consultation, I announced the SBT management program to protect the future of the species for the season commencing 1 October 1984. It was fundamentally different from anything previously put in place. The nub of the plan was a system of individual transferable quotas (ITQs), allocated on a formula basis, a two month seasonal closure in selected areas off WA and a national aggregate limit of 14,500 tonnes. No size limits were to be applied, foreign carrier boats were permitted to purchase tuna from Australian fishermen, and processors were permitted to import fish directly from foreign vessels subject to the interests of Australian fishermen being protected. I believed the findings of scientists, most fishers did not. The result of the imposition of ITQs was that the South Australians quickly went to WA and bought most of their quotas from them. The Western Australians probably sold too cheaply. The impact went beyond the fishers and caused both social and employment problems as a result of the Albany cannery closing. The Commonwealth tried to put in an adjustment package, but it was not very successful; it is almost impossible to replace the jobs of people in country towns or in remote locations, once a major employer closes.

A new access agreement (or non-agreement) was concluded with the Japanese in mid-October with Australia insisting that their fleet would be banned from taking fish in the AFZ above 34 degrees south. Japan was still not prepared to limit their take of SBT nor was it prepared to limit its ‘complementary’ by-catch. It was also not possible to reach agreement on limiting continued access by Japanese long liners85 to SBT in our zone. Australian processors were not happy with this and I also received complaints stating that fewer Japanese boats would use our ports. Japanese port access fees were a significant source of income for the Hobart Port Authority. In the interests of conservation, I was being tough on our industry when the Japanese were not under any meaningful restrictions. This naturally caused a lot of angst. These were the days when our media would have one believe that the Japanese were the most

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85 Long lines with hundreds or even thousands of baited hooks off a single line. They can be used on the surface or the bottom.
economically successful and cleverest people on earth. At the time they were our biggest export market, even though our agricultural exports faced restricted quota entry and huge tariffs.

I established a Southern Tuna Management Advisory Committee (STMAC) which met in early 1985. I subsequently stated that the new arrangements were working well, that the Australian industry was adjusting by selling the larger fish being targeted as sashimi to the Japanese market, but that Australian processors were being disadvantaged. Some fishers were also processors, which provided another level of complication. In August, 1985, trilateral talks held in Wellington, New Zealand, resulted in the Japanese continuing their recalcitrant behaviour. Further negotiations were scheduled to be held in Japan in September.

Following amendments to the Act, I announced a formal management plan for the SBT fishery in September 1985. This enabled me to set the total allowable catch for each season on 1 October. For the year ahead it remained at 14,500 tonnes. The catch was divided into 5347 individual units of fishing capacity (that is every Australian boat in the fishery was unitised on a formula basis) with a cost recovery levy being placed on fishers at the rate of $41.15 per unit. This levy raised over $200,000 per annum and, remarkably, did not attract as many protests as I expected. Cabinet was insisting on the principle of cost recovery to cover fisheries management expenses by this time. The fishers of SBT were adapting very quickly and finding ways and means to increase output, including the growing out of caught fish in pens and gaining income by exporting snap frozen SBT air-freighted for sashimi to Japan. Large yellow fin tuna caught off the NSW coast were also bringing high prices in the Japanese market and were being air freighted.

The plan I put in place in April 1986 was amended to allow borrowers to nominate lending institutions to be their legal representatives in the case of any quota units given as loan security. The management of SBT included the waters off Victoria and Tasmania, and came under Commonwealth control in mid-year. At this time, I also temporarily froze quota trading pending the result of agreement on the quota total for the season beginning in October by the AFC, and depending on the result of discussions between scientists from Japan, New Zealand and Australia.

The trilateral consultations took four months in all and at last the Japanese agreed to some catch limits; perhaps their scientists were making an impact on their thinking? The total agreed between the three SBT fishing nations was 31,000 tonnes, with a reduction for Australia to 11,500 tonnes (down 3,000 tonnes), for the Japanese a reduction of 4,000 tonnes to 19,500 tonnes, and with the development limit of 1,000 tonnes to remain for New Zealand. We hoped that the Japanese would more honestly report each season’s catch record. To ease the blow of the 3,000 tonne drop for Australia, it was decided to allow this tonnage to be leased by those wishing to stay out of the fishery for a period, to be facilitated by a substantial financial co-operation package to be provided by the Japanese. It was obvious that there was a lot more rent (profit) to be gained out of the fishery beyond canning. To its credit, the industry directed itself to the challenges in 1987 and much adaptation was taking place in their endeavours to value add.

In mid-1988 scientific evidence provided to the industry and governments suggested the SBT stock could be 29% of the pre-fishing level and could be as low as 15% by 1990. It is almost impossible to convince people that scientists are absolutely right when scientists themselves readily and sensibly concede that they can never be absolutely right and that more research is always required. Concepts are hard to impart. In one discussion with a group of fishers, it was put to me that they were only taking fish from the outer perimeter of the spawning mass south
of Java. I then pointed out, “But what if you are taking them from the centre of the mass and then one day, nothing?” This was dubious logic, but the image seemed to convince them.

Changes for the season ahead included that the incidental catch of SBT would no longer be allowed (sashimi prices were up to $50,000 a tonne and acting as an incentive for non SBT fishers). Industry agreed to limit its annual take to 11,500 tonnes for a three year period. We had by now presented a formal treaty to Japan and New Zealand to ensure the continued viability of global stocks. Mercifully, agreement was reached with Japan and New Zealand to limit the catch for 1988-89 to a total of 15,500 tonnes; 8,800 tonnes for Japan, 6,250 tonnes for Australia and 450 tonnes for New Zealand. The scientists, by this time, were talking about a total collapse of the fishery. There were some estimates that the actual catch was closer to 22,000 tonnes.

In five years the agreed tonnage to be taken had been halved and the three nations agreed to target larger fish. In May 1989 it was agreed that an Australian company, Australia Japan Tuna Pty Ltd, could lease and catch up to 12.5% of Australia’s SBT quota. The rationale for this was that the Australian industry would gain from the benefit of Japan’s long-lining expertise so as to concentrate on larger, higher value fish. The situation looked bleak and the reduction in catch by now was 70% below the peak of 1982, a very rapid decrease. Would the incidental catch, caught on long lines, now increasingly be albatross?

For 1989/90 the global quota was negotiated to be 11,750 tonnes; 6,065 tonnes for Japan, 5,265 tonnes for Australia and 420 tonnes for New Zealand. Japan was not receptive to the idea of a moratorium on the catch but, under the latest arrangements, was not allowed to take more than 1,800 tonnes from the Tasmanian region of the AFZ.

While I raised the SBT issue with relevant Ministries and Agencies in Japan, most of the negotiations took place at official level. My wife and I once visited the Tsukiji Fish Market in Tokyo, the world’s largest fish market, which handles something like 2,000 tonnes of fish a day, with imports from many sources. It is an education to be one of the 120 visitors a day allowed entry and watch how the marketing is conducted with tiered levels of buyers. It is also an experience to eat raw fish (sushi), and drink beer at dawn, as is the practice. I also once visited a port south of Tokyo where much of Japan’s SBT fleet was anchored (Yaizu?) and ate tuna eyes and SBT cheeks as delicacies: they tasted alright, but the things one does for one’s country!

Interestingly, more recently, I have read that the Japanese eventually confessed to their under-reporting of catch and also their belief that the SBT stock has been increasing. The scientists were right at the time; it had been a classic case of ‘recruit over-fishing’. I wonder how the Minke whales will survive? I have recently been told by some in the industry that the SBT biomass is starting to come back, at last. I hope this is so.

**The Northern Prawn Fishery (NPF)**

The Northern Prawn Fishery is a good example of a fishery in which area closures, gear restrictions and boat buy-back were the main management tools used. Essentially, the target species were banana, tiger, endeavour and king prawns whose fecundity each season was related to onshore rainfall related to the monsoon in our north. There are only six permanent rivers in our north but the flow from the land in the ‘wet’ is enormous. Management policies were first introduced in the early 1970s and it was gradually agreed that there was too much effort in the fishery and that potential resource rents (potential profits) were being dissipated.
Each season’s catch was approximately 8-9,000 tonnes but it fluctuated dependent on on-shore seasonal rainfall; the attraction to enter the fishery in any one year by licensed boats was also influenced by estimates of the fluctuating price. In 1988 the fishery generated revenue from a catch of 7.9kt was $135m. Some other species of prawns were caught and, of course, there was a lot of by-catch, some of it valuable. For employers, and employees particularly, I was told that it was always a rather “tough old fishery”- young single women were advised not to accept jobs as cooks on prawn trawlers. Despite this, I thought it was quite sophisticated in terms of the gear being used and expertise employed.

Before my time the USSR had been fishing for prawns in the Gulf of Carpentaria with their ‘giant boats’, which Australian fisherman had convinced the government of the day were ‘vacuum cleaning’ the sea bed, requiring some negotiations with the Soviets.

In February 1983 I received a submission from the Northern Fishing Companies Association Limited (NFCAL), which was to be submitted to the Northern Prawn Fishery Advisory Committee (known as NORPAC) and Northern Fisheries Committee (NFC), which was also to be discussed at a pre-season prawn seminar in Cairns on 15 February. The NFCAL represented the six major companies involved in the fisheries, many being family firms of long standing and two of which were based in the NT. The recommended measures in the submission centred on a voluntary buy-back and included: the allocation of no new leases of unattached licence entitlements for a period of 24 months; no additional licence entitlements; deferment of boat replacements for a period of six months; and a list of other requests to governments.

To me, not yet in government, this indicated that the industry was thinking constructively on the challenges ahead.

In October 1982, the AFC had agreed that there should be a review of management arrangements as well as consideration of gear restrictions in the Fog Bay area of the Northern Territory (the second largest bay south west from Darwin). On becoming Minister I announced in April 1983 that there would be gear restrictions there. The total head-rope length of a trawl net or nets attached to a boat operating in the area were to be limited to 29.5 metres, and the total footrope length was not to be permitted to exceed by more than 15% the total head-rope length of the attached net or nets etc. At this early stage in the job, I did not have a clue what this meant, but apparently it had been agreed by the NORPAC, the NFC and my departmental officers. At the time the fishery under management extended from Cape Ford in the NT to Cape York in Queensland. A part of northern WA, from east to Cape Londonderry, was later added. In May 1983 I announced some interim changes in the management of the fishery, including measures designed to reduce boat numbers and a more effective boat replacement policy. These were to be debated or finalised at the next AFC meeting in September. Replacement of boats would only be allowed if there were special reasons or if they had sunk; I hoped this did not encourage a rash of ‘accidental’ sinkings.

At the AFC meeting it was agreed that there be a joint government/industry management committee established; that a boat replacement policy based on utilisation calculated by combining under deck tonnage and engine power be implemented; that a voluntary licence entitlement buy-back scheme financed by a compulsory levy on industry be put in place; and that there be permanent and seasonal closures in 1983-84 for various parts of the fishery. Improved licensing procedures and effectiveness of penalties were also to be addressed. The Committee became the Northern Prawn Fishery Management Advisory Committee.

86 The head rope is a cable along the top of the net and foot rope is the one which is closest to the bottom.
(NORMAC) which then carried out the necessary negotiations to reach the multiplicity of decisions necessary to manage the fishery. In early November 1983 I announced the seasonal closures that were to prevail to allow the prawns to reach commercial size. The six or seven closure areas were expressed in terms of co-ordinates and conveyed via a Fisheries Notice.

The fourth meeting of the NORMAC took place in Darwin on 18–19 September 1984. The agreed boat replacement policy was coming into effect and by this time 151 boats out of the total of 292 had been unitised so that any allocation of fishing effort could be based on boat capacity. Eventually boats fell into three categories: smaller than 375 units; 375 to 475 units; and larger than 475 units. A Voluntary Licence Entitlement Buy-Back Scheme (VLEBBS) was to be put in place. The Cabinet agreed to a guarantee for a $5m off budget loan and I had by this time placed legislation before the Parliament to impose a levy to recover the costs of management and special purpose projects such as the VLEBBS. It had been agreed that there be closure of any additional prawn nursery grounds and a seasonal closure of two other areas. A total closure was imposed from the low water mark out to the southern boundary of the foreign fishing line in the AFZ. Progress was being made.

A very valuable economically based paper, ‘Management Options for the Northern Prawn Industry’, written by ABARE officers Sean Pascoe and Natalie Scott, was published in 1989. Its main conclusion was that from a purely economic efficiency viewpoint the number of boats had to be reduced by 50%. The practical reality was that single boat owners in the fishery could not reduce by 50%, but fleet owners could. It was another piece of economic research that showed how big the challenge was.

Each season’s opening time was made after research by the CSIRO and fishers, and agreed by the NPFC/NORMAC. Some pre-season closures were put in place to allow prawns to reach commercial size and were announced in mid-November. The 1985 season opened at 12 noon AEST on 6 April 1985 with a closure date of 1 December 1985.

In February 1986 I introduced another formal management plan for the fishery to begin in March. This gave expression to the management arrangements made, the consultations within the NPFC/NORMAC, and the acknowledgment by the industry that total fishing capacity had to be contained and reduced. At the time, the value of the fishery was estimated to be about $80m per annum. Total fishing capacity was to be measured by a system of units. Class A units (previously called boat units) were a measure of the fishing capacity of each boat’s units assigned to the boats nominated. The allocation of a Class B unit was to recognise the ongoing ‘access right’ of a fisher to operate a boat in the limited entry fishery; these replaced Commonwealth boat licence endorsements. Class C units were allocated to boats licensed to fish commercially for prawns in the Joseph Bonaparte Gulf, west of Darwin.

There was a concession for smaller boats; debate became protracted about the factual aspects of smaller boats and what gear restrictions should apply to them compared with larger boats, some of which were in commercial fleets. Licence splitting was prohibited. The requirement to surrender units after installing more powerful engines was removed - a decision not greeted happily by smaller NT fishers. I recall many telephone conversations with Eddie Kemp, representing NT fishers, expressing his concerns about fleet owners in the Gulf of Carpentaria from SA and elsewhere. The NPF was closed from December 1986 until mid-April 1987 to protect juvenile stocks. Some exploration of possible new fisheries areas was sanctioned and a gear test area was designated off Karumba, in the Gulf of Carpentaria.
Following ongoing consultations, agreed to by the four relevant governments and suggested by scientists and officials, a new management strategy was announced in January 1987. This plan was complex but set the pattern for the management of the fishery from then on. It included a mid-year closure, a ban on daylight fishing at some times; restrictions on gear (two nets for each boat, only); a Voluntary Adjustment Scheme (VAS) to reduce effort to be financed by an increase in the management levy; and a new boat replacement policy (with some strict conditions). In March 1987, Michael Blamey, Director of the Department’s now Australian Fisheries Service (AFS), formerly the Fisheries Division, warned NORMAC that the fishery was still being over-fished. By this time it was estimated that the value of the fishery was $120m per annum. In mid-February maximum head-rope restrictions on trawl nets were introduced for the season commencing mid-April that year.

By and large each season was managed along the lines of the parameters set in the 1987 management strategy and what had been subsequently agreed. Former director of fisheries in Queensland, David Mitchell, was appointed to chair NORMAC. I had a lot of faith in Dave and knew him well from his presence on the AFC’s standing committee. However, the fishery became a very high paying one, depending on each season’s harvest, because fewer and fewer boats were taking more of the catch. It was decided that the 1988 season would start at exactly the same time wherever boats were harbouraged to reduce surveillance costs and combat allegations of illegal fishing. A ‘genius’ in the AFS suggested this approach, that is a ‘Le Mans’ car racing type start for each season, so that everyone had equal access to the fishery (Gentlemen, man your boats!). It was then alleged that boats went out and pin-pointed where they thought the best catch would be and placed globally positioned buoys over them. It was then further alleged that other fishers went out and shifted the buoys.

Progress remained slow in the eyes of managers in terms of getting effort out of the fishery. In 1987 I had introduced into the Parliament a major restructuring proposal for the NPF. It was designed to concentrate the attention of the fishers. Without going into the details, it was rejected in the Senate.

NORMAC met on 28-29 March 1990. Two options were put forward to accelerate the VAS, maintain the status quo or try a voluntary surrender approach. The $5m available from Treasury still had not been spent. There were no uncommitted funds then currently available to enable the NPF Trading Corporation (NPFTC), the organisation set up to implement the buy-back, to do so. Levy proceeds continued to rise enabling the VAS to get back into some business by the end of May. The sale of hulls to African countries was also being explored. The options were referred to the AFS’s Task Force on Structural Adjustment but in spite of a great deal of negotiation, the process bogged down for a while. NORMAC had many reports and simulations before it on the effects of various measures on the various classes of boats in the fishery (very detailed work) as well as difficult topics such as licence splitting. Key parties and departmental officials advised that the Commonwealth may be prepared to contribute to the cost of restructuring if it could be shown that the fishery would become more profitable for all.

The catch in 1988 was about 7,500 tonnes

I put forward a further proposal for consideration, which was opposed by the Department of Finance. The Department of Prime Minister and Cabinet insisted that it needed to be assessed as a new policy proposal, not an amendment, in budget considerations, which meant I had to find the dollars. The sticking point was that the Department of Finance wanted a policy of total industry funding established. By this time the annual export value of northern prawns was $200m. The compromise I placed before Cabinet on 14 August 1990 was for 75% contribution
of buy-back funding by industry which Cabinet agreed after much consideration. There would be a loan guarantee of up to $40.9m to fund it to begin when loan funds became available early in 1991. It was proposed to start the extra buy-back in the period of 1 January 1991 to 15 April 1991. There was to be compulsory reduction in fishing effort at a later date if not enough effort had been removed through the voluntary buy-back scheme.

Late in 1990 another major change was introduced into the management of the fishery. Despite the progress of the voluntary buy-back scheme, it was assessed that the fishery still had 50% over-capacity. The plan had been based on the goal of taking this surplus capacity out of the fishery by 1993 to boost productivity. The buy-back levy continued and an additional $5m was granted to the industry. This was easier for fleet owners to deal with and concessions were made for single boat owners in terms of a pool of units and a 50% reduction in the levy. (I was always uneasy about tax-payer funded buy-outs of fishing capacity as a result of constant effort creep). At the same time I called for expressions of interest by Australian fishermen wishing to trawl off northern Australia in the Gulf of Carpentaria and the Timor and Arafura Seas. Some boats transferred to this fishery, which we hoped would lead to its development. As I left the portfolio, the new funding approach appeared to be working.

The Bass Strait Scallop Fishery

Apparently, the Bass Strait border between Victoria and Tasmania had never been successfully agreed - and certainly not by scallop fishermen. An equi-distant line between the two States could be drawn from Tasmania’s Flinders and King Islands, but never was. Fishing areas around these and some smaller islands were contested. Two State fleets were in operation and ‘war’ was imminent. The available catch depended on spat fall each year and material for the attachment of the spat. Some fishers were suggesting that they would grind up oyster and scallop shells to sprinkle in the sea to provide this material. It was alleged (by Victoria) that they had been better husbanding the resource, that the Tasmanians were negligent managers and trespassing on the Victorian sea bed; and vice versa. This was a job for Solomon to resolve but only the DPI, John Tanzer and I were available.

The three Governments agreed in November 1983 that scallop dredgers should be banned in what was reluctantly agreed to be Commonwealth waters. This was the central area between what were clearly State waters, and which became known as the Central Zone. Access to this area was to be limited until the end of 1984. This was to stop the build up of capacity until options for management were explored. Victorians, who had endorsements to take scallops from the Victorian coastal zone, were allowed into some of the larger area, that is from east of Flinders Island in the east and West of King Island in the west. From April 1984 limited entry into this area was proclaimed and all fishers had to acquire an endorsed Commonwealth fishing boat license. An area was then closed south of Cape Barren Island to prevent the catch of small scallops in Commonwealth waters and extended east to 149 degrees longitude. A closure was subsequently extended to 1 January 1985, because severe weather in Bass Strait had limited a survey of the species. During this time the Tasmanian Government had to decide what conditions would apply in its three nautical mile zone and it was under heavy pressure from its scallop fishers.

A Task Force had been established. It was obvious that the fishery meant much more to Tasmanian fishers than Victorian; but how to discriminate between the two States? It was decided in late October 1984 that Tasmanian fishers who had dredged scallops in 1981 and 1982 and had maintained a continuing commitment to the fishery, be granted licence endorsements to operate in an inshore zone adjacent to Tasmania. This, in some way, reflected
the concession already made to Victoria. In November 1984 I announced the closure of scallop fishing grounds in Bass Strait east of Lakes Entrance and north of King Island and continued the closure off Eastern Banks Strait; too many small scallops were still being taken further imperilling the stock. New management measures in Bass Strait were delayed until 22 July 1985, because the many short term challenges, especially by Tasmanian dredgers, had to be resolved before a long term plan could be introduced.

As an aside at this time, I had decided that scallops could not be taken in the East Coast Trawl Fishery (from Scotts Head in NSW to Cape York) unless trawlers had an east coast prawn entitlement. This decision had been challenged but was subsequently upheld by the Federal Court.

In June 1985, based on surveys by the now AFS, I was able to open some closed areas but maintained closures in others. In 1985 there were two openings and two closures more broadly. In July the three Governments announced that there were to be State based management zones of 20 nautical miles adjacent to their coasts and that the central zone would be jointly managed by Victoria and Tasmania. The Tasmanian Government requested that I close an area of scallop beds off north eastern Tasmania in the Furneaux group of Islands, where both fleets had been operating in late August. On further investigation, it was decided to extend the closure. From then on, management of the fishery became a question of closures and openings of various areas, dependent on surveys. It was the Bass Strait Scallop Task Force which arrived at these decisions; my role, but not that of the AFS, became less. There were plenty of other fisheries requiring my attention. However because the Commonwealth/AFS remained heavily involved and the central zone remained under Commonwealth law, I continued to make relevant announcements, generally agreed by negotiation via the task force. Ray Groom, from Tasmania, who later became Premier, and Evan Walker, the Victorian Minister, then Joan Kirner, who also later became Premier of Victoria, were constructive to work with.

In June 1986 I reopened the Central Zone because it was becoming clear that sensitively agreed management was allowing the stock to gradually come back. Also, in June, the management was further ‘sophisticated’ under the terms of the settlement of the OCS with the two States. Also, boat replacement decisions were from now on to be a State matter. The last closure for which I was responsible was in mid-1990, for the Central Zone, and on the clear advice from the CSIRO. There was evidence that some fishers were again catching under-size scallops and it was essential to give the resource time to recover. The lessons of the 1980s still had not been learnt so, to emphasise the point I banned the carrying of dredges in the zone.

At one stage boat replacement became an issue. I was shown a very big lump of wood in Tasmania which I was assured was a keel and thereby permissible to build, because there was ‘grandfathering’ once building started, even in the situation where no more endorsements were to be allowed from date ‘x’. This also once happened in Port Lincoln, SA, where some sheets of steel in jigs were sworn to be a boat under way to being built. It became a magnificent boat, but I was not asked to launch it.

While the above records the way the fishery gradually came under beneficial management, it does not record the politics and all the many meetings of those involved nor the deliberations of the management committees. I was strenuously lobbied by both States and by their organised fishermen. The Victorians were probably more astute; their representative was a particularly competent woman, S. Melissakis. The decisions were more of a ‘life and death nature’ for individual Tasmanians with smaller boats and multi fisheries endorsements. To get
to where we did, I had to remain firm once decisions to close areas were made, which was not easy.

**South East Trawl Fishery (SET)**

The South East Trawl fishery was established in 1915 and is Australia’s oldest demersal fishery. The fishery extended from Kangaroo Island in South Australia to the Queensland/NSW border and covered all fish taken mainly by trawl, but also by Danish Seine methods, including royal red prawns but excluding other prawn species, at first. Nineteen main species were targeted but many other species were being caught. The catch in the mid-1980s was between 22,000 and 26,000 tonnes per annum. From 1986 orange roughy and gemfish were the largest tonnages being caught.

Protection of the fish stocks in the south east trawl area was the main concern since several species had disappeared, for example, some species of flathead. The Commonwealth and NSW Governments shared the cost of monitoring the resources from July 1983. In mid-January 1984 I made a draft management plan available for public consideration by all involved in the fishery. A Traditional Zone was suggested which encompassed the trawl fishery off the NSW and north-eastern Victoria coasts, which had been assessed as having enough effort in it. A Development Zone was suggested for the rest where only limited development had previously taken place. Any boat replacement prior to a final plan was only to take place if the boat in question was to be of no greater size.

It was the most complex multi-species fishery that I had to deal with. The challenge for me was to take action on specific species within the fishery at the same time as trying to get overall policies in place, in what was a multi-species fishery. It required not only limitless patience but extensive research. There is no way that I can document all that went on in the, seemingly, continuous negotiations.

Part of the then fishing fleet in Ulladulla, NSW, where I regularly attended the Easter ‘Blessing of the Fleet’- an Italian tradition.
A South Eastern Trawl Task Force was established to take submissions and engage in consultation. On 21 August 1984 I announced a new interim management regime for the fishery. It was the culmination of negotiations by the four States and the industry over several years. The basic element of the plan was limited entry and the establishment of an industry/government committee to manage it day to day. This was the South East Trawl Management Advisory Committee (SETMAC). The Committee was composed of representatives of fishers, processors and marketers, the four State fisheries authorities, the CSIRO and the AFS. At this stage it was not a Commonwealth fishery, so anything I did or announced was by agreement.

Applications for entry were invited with eligibility to be judged in terms of sufficient commitment to the fishery. The fishery would not to be closed until licence endorsements had been issued and appeals heard by a licence review group. While it was stated that there could be some specific exceptions to the freeze, these were not to be permitted in the eastern sector of the fishery, which was under most pressure. To determine the commercial viability of deep sea trawling near Tasmania, an area was made available for no more than three large trawlers for exploratory fishing with unspecified fish targeted. There was an assumption that the main species would be blue grenadier and orange roughy.

In 1984 the SET was divided into three zones for management purposes and then to five between 1986 and 1988, to which a remote zone, south of Tasmania was later added. The dominant fleet of Danish purse seiners was located in Lakes Entrance in Victoria. The Lakes Entrance Co-op had a very astute manager, Tom Davies, who proved to be a source of sound advice. In practice, I had to regard it as a separate fishery, but due to its limited range, this was not that difficult, just unpopular. The fishers here were targeting fish in canyons and were intent on keeping otter board trawlers out, which was sensibly agreed to. At one stage seasonal closures on rock lobsters were also put in place in this general area to grow the stock out.

The SET was basically State managed until 1985. Management had been slow to come to the fishery and four, often disagreeing, State governments were involved, with the Commonwealth government/AFS having to act and adjudicate. At first there were only two constraints in place: a minimum mesh net size restriction to protect juvenile stocks and an upper vessel length restriction of 45.7 metres, together with the requirement for a special endorsement to operate trawlers longer than 32 metres in all areas of the fishery, except waters west and south of Tasmania. However, because of growing concern about overcapacity and pressure on stocks, more specific arrangements were gradually introduced. The first large step was the announcement of a SET management plan on 3 June 1985, which has been subject to much discussion and negotiation at the previous AFC meeting as well as in SETMAC. Elements of the plan included continuation of the existing limits; limited entry for vessels endorsed for one of the three management areas; a boat replacement policy; freeze on the transfer of units between the Danish seine \(^87\) and the otter trawl fleet; a total available catch (TAC) of gemfish in the eastern sector; and a stock protection strategy for orange roughy.

A comprehensive set of detailed measures, following consultation, was attached to the plan, including the nomination of three zones, representation on the SETMAC, engine replacement

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\(^{87}\) Danish seine nets were more simply constructed with no otter boards and very long warps. The boast drags the long line warps and the net around the fish and the action of the warps herds the fish towards the central net.
rules, dual boat operations, etc. I had by this time been subject to much lobbying, which at least gave me a far better idea of the fishery, but I wasn’t going to act as arbitrator but only subject SETMAC views, my officials and personal staff to questioning. Some very keenly judged decisions had to be taken on some species targeted.

The BAE published an excellent economic analysis of the fishery in August 1986, which also had an analysis which could be validly applied to all fisheries in terms of the trade-offs in various management regimes and the mechanisms used or available. It stated that the limited-entry scheme for the SET could only suffice as an initial step. The job for State officials, my officials, my staff and me was to try to synthesise economic logic with biological research findings in a setting where the livelihoods of hundreds of fishers were at stake.

The SET was the fishery in which I personally knew more of the fishermen than in any other; many of my Easter movements were dictated by my attendance at the Blessings of the Fleet in Ulladulla. I twice went to sea for the day in this fishery and continued my record as a Jonah for the boats concerned. We got stuck on the bar at Lakes Entrance and only caught the benthic sea floor. I was once put in the crow’s nest on a boat out of Ulladulla. The day was dull, the sea was like molten lead and all day I never saw one skipjack tuna, which we were targeting. A large fishing boat owner once caught one kingfish off Greenwell Point when I was aboard. This was when I decided that all fish were too pretty and too hard to catch and that if you wanted fish, you bought them. As an aside, when I subsequently chaired the Reef Management Advisory Committee (ReefMAC) in Queensland, one meeting was combined with fishing in the lagoon adjoining the Great Barrier Reef. Everyone around me caught some magnificent fish but I caught nothing. A fisherman I was not. This was strange, because the QCFO had named me Fisherman of The Year in November 1984.

There were issues which arose quickly while an overall scheme of management was in the process of being installed, for example on the taking of rock lobsters. The number of pots per boat off Cape Otway, Victoria, was limited to 50 in both Victorian and Commonwealth waters. But then I discovered that South Australia had a different size limit for caught lobsters than Victoria. This issue was not resolved in my time.

The more major southern shark fishery was within the SET area. Two species of small sharks (gummy and school) were being targeted and, again, there were fears about the state of the stock, given the slow reproductive rate of sharks. The species were being fished for the flake trade, which composed much of the fish in Melbourne’s fish and chips market. A Southern Shark Fishery Task Force (SSFTF) was established in August 1984. Its first decisions were to limit entry to the fishery and that split boat licence endorsements not be allowed, which also involved a debate about boat replacement. Warnings against investment in the fishery were issued but were being ignored. Because of this, I announced at the end of November that all fishers in Commonwealth waters using gillnets and taking shark would have to have Commonwealth boat licences endorsed on the basis of operators with a history in the fishery from 26 August 1981 to 25 September 1984, the date of the first warning. This measure was put in place at the end of February 1986 and applied to netters from Victoria, Tasmania and

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88 ‘Oh no! Blessing the bloody fleet again’, my wife would bewail.

89 Gillnets are vertical panels of netting normally set in a straight line. They are a very effective method of fishing catching the fish by its gills as it swims into the net.
NSW. Transfer of endorsements was allowed but on the understanding that they may expire at the end of six months.

I had before me estimates that the catch in 1988-89 was in the order of 4,000 tonnes.

This resulted in more research and analysis coming forward toward the end of 1990. It was held that the sustainable annual yield was estimated to be between 300 and 800 tonnes for southern shark at a time when catch rates were in the order of 3,500 tonnes (valued at $20m per annum) with 50 fishers dependent on the fishery. On 19 February 1991, I agreed to recommendations from the relevant Task Force that steps be taken immediately to substantially reduce the fishing effort and that $2m be allocated for restructuring of the fishery. I trust these arrangements were endorsed by the Australian Fisheries Management Authority (AFMA), which is discussed below.

The Australian Fisheries Council (AFC) meeting of August 1984 had resolved that an overall plan for the SET fishery be completed by the end of the year. The interim arrangements held but the period of negotiation and planning took longer than expected. The October AFC meeting in 1987 agreed to the principles and some of the details of a plan which was formally agreed and announced in April 1988. The plan was supported by levies to offset ongoing management costs at $250 per gillnet. The whole question of the advisability of using gill nets and purse seine nets was also coming under more scrutiny due to the environmental hazards they posed when lost at sea and their capacity to catch endangered species as by-catch. To reduce the effort in the industry, it was decided to reduce the number of fishers by amalgamating two fishing entitlements into one and require the surrender of some nets.

An AFC sub-committee reported to State ministers and me in December 1989. The Committee was unanimous in its recommendation that management of the SET should move from input-based to an output-based system over the next two to three years. It saw the phased introduction of quotas necessary for both the overall success of the ITQ regime and for the protection of stocks already under threat. Consequently, it further recommended that gemfish, redfish, tiger flathead, jackass morwong and whiting be allocated as ITQs as soon as possible, with priority to be given to gemfish and redfish. As late as May 1990, it was obvious that another economic and biological survey of the industry needed to be carried out.

A Southern Trawl Fisheries Conference was held in Melbourne 6-9 May 1990. Two papers from ABARE were particularly illuminating on restructuring and on community return from the fishery. ITQs were again endorsed but the problem of managing by-catches remained and clouded any clear way for fishers to be adjusted out of the fishery. Various calculations were made about the value of the resource rent in the fishery, up to $19m per annum. In some sectors, there was four times the number of boats needed to maximise profits. The problem was that there were no markets for boats, so progress in restructuring would remain slow. This proved to be the case. Theory was of use is trying to arrive at an optimum position, but the crucial problem was that we only had sound data on gemfish and not on all the other species being targeted, nor the by-catch.

The fishery gradually came under sensible control and management, but at large cost to some fishers. One of the last announcements I made for this fishery was quota allocations based on catch history at the end of July 1990. AFS then set up a group to implement quota management over the next two years.

In November 1990, I was very pleased to appoint my former colleague, Bob Whan, as Chair of SETMAC. Bob had chaired the NSW Dairy Corporation and was still Chair of the Australian...
Pork Corporation. He had acquired enormous experience in handling difficult agricultural issues.

**Orange Roughy Fishery**

There were two fisheries within the South East Trawl Fishery which were inter-related in as much as some fishers had moved from gemfish to orange roughy (gemfish caused me more grief than most). It was only in 1986 that the first large aggregation of orange roughy was discovered off the west coast of Tasmania, where 8,000 tonnes was caught. By the end of 1986, fisheries managers, scientists and I were becoming worried about the number of boats targeting orange roughy because we knew so little about its biology. The biological concern was that, as had been demonstrated in other fisheries, to catch all age classes before sexual maturity was a sure way to ‘mine’ a fish stock. Fishers were making small fortunes by taking them and the rush was on.

The New Zealanders had a lot of experience with their orange roughy fishery. They were still pioneering the orange roughy resource in the mid to late 1980s but had had an earlier experience with the fishery than Australian fishers.

A survey in 1984 had been carried out on deep water trawling grounds in the Great Australian Bight and off western Tasmania, (Ceduna Plateau) which had given us some idea of the species residing at 400 to 1200 metres depth, including orange roughy. A more specific orange roughy survey was conducted on the Cascade Plateau, some 200 kilometres south east of Hobart in late 1985. Large catches towards the end of 1986 had stimulated a lot of interest. There had been an earlier scientific debate on the fish’s age and age at maturity. It gradually became known that the fish was indeed very old (70 years?) and only able to be caught when it came into spawning concentrations on deep sea mounts, a limited area involving all ages, including those of breeding age: the catch was most probably being taken from a limited overall biomass. In December I issued a warning to fishermen to be very cautious about investing heavily in the fishery. This was ignored because of the fortunes to be made. I instructed the AFS and asked the SETMAC, which had been by then established as the fishery’s overall management committee, to prepare recommendations on the level of initial quota for the species.

In January, 1987, I asked for the report on the recommendations to be made urgent. A major problem of product wastage arising from inadequate on-board handling and storage facilities on some boats had been observed. About 4,000 tonnes of the species had been thought to represent the aggregations before they became specifically and heavily targeted. We were all, literally, fishing in the dark. Who knows what the food supply for the orange roughy was at such great depths. Pending more research and debate, I fixed a total of 20,000 tonnes catch per annum, but with no guarantee that this would not be reduced if the science said otherwise. Even this amount was hardly an endorsement of the ‘precautionary principle’.

A grant out of the Fisheries Development Trust of $109,000 was made in May 1987 to employ the large research vessel, the Soela, to assess the extent of the resource and sustainable annual yields. A ‘hot spot’ for orange roughy was discovered in 1988-1989 in the Great Australian Bight development fishery which was under test for two years and due to end by the end of 1989. Thirty boats had cascaded into the area, including some 20 from other parts of the SET fishery. As no plan had been settled and research results could not be made available quickly, all I could do was issue another warning, perhaps unsurprisingly ignored by all.

With the consent of the Tasmanian Government, an area off St Helens was closed to fishing in mid-year. In September following consultation with the industry an interim stock protection
strategy was put in place, with changes to the existing closure. I imposed a catch limit of 15,000 tonnes, a thousand tonnes more than the catch in the previous 1988-89 season. As we acquired more knowledge of the fishery, more and more resources were found by fishermen. Along with my long-time friend, David Llewellyn, by now Tasmanian ALP Fisheries Minister, we still took a limited, precautionary approach to catch limits. In 1989-90, despite the quota set, 31,000 tonnes had been taken. Two management zones were established, one east and one south of Tasmania, with a limit set for each of 12,000 tonnes.

In September 1989 I endorsed a new interim stock protection strategy which had been developed within the industry and set the catch limit at 15,000 tonnes for the period May 1989 to April 1990. By April 1990 it was agreed between the two Governments that an electronic monitoring and surveillance system for the Australian fishing industry be established with priority to be given to orange roughy. The Tasmanian Labor Government also intended to introduce regulations to prescribe the minimum standards for transporting and handling and processing of all finfish. The trend to electronic surveillance was particularly important for the SET. More aspects of the long term management of the SET were introduced in July 1990 and the whole fishery came under some sensibly agreed management. However, I would be very surprised if the catch ever came back to what it was when the resource was first ‘mined’.

**Gemfish**

By May 1988 it became obvious that the Working Group set up by SETMAC on management options for the gemfish catch could not reach agreement - and was unlikely ever to reach agreement. However, it was agreed to initiate a program of research and analysis of biological, economic and social aspects of the fishery. Calls for a separately managed east coast fishery prompted me to accelerate the decision making process. The AFC examined the issue in July 1989 and agreed to form a sub-committee of officials, chaired by the AFS, of the relevant State and Commonwealth fisheries authorities, charged with the responsibility of recommending a management regime for the whole fishery by the end of 1989. The AFS sub-committee exhaustively examined eleven reports and many submissions and utilised all known biological, catch and fleet information available to them.

I was working at two levels. While waiting for reports and possible agreement, I had to act on the advice of my officials, consultative bodies, State officials, and relevant scientific bodies. The scientific evidence was becoming incontrovertible. Both the CSIRO and NSW State Fisheries had been monitoring the fishery for many years and were absolutely certain the stock was in a lot of trouble. In April 1988 I set a limit of 3,000 tonnes for the gemfish catch in the SET. The measure was intended to protect stocks during the winter spawning run, heading north along the east coast. Bermagui on the NSW south coast was central in the catching of this species. Both NSW and Victorian fishers urged me to allocate them equal quotas. I did not. Processors were required to lodge a weekly return with the AFS and once the TAC of 3,000 tonnes was reached, a total ban on the catching of more fish was put in place. It was later estimated that 4,000 tonnes had been caught.

I had acted quickly but then followed the usual path of procuring catch results from the fishery, engaging in consultation, weighing up available research and trying to move to a longer term arrangement. The working group under the auspices of SETMAC was set up to report by mid-September, but it had again reached no agreement. My action to limit the catch was opposed, particularly by the NSW Government and its National Party Minister, Ian Armstrong. I tried to ensure that traditional NSW trawlers would be given access and, if the stock looked like not
swimming as far north as usual, that I would consider a mid-season closure to allow smaller trawlers in the north to have access.

By July, the 3,000 tonnes had been taken and the fishery, which extended from north east Tasmania to Barranjoey Point, just north of Sydney, was closed. Fish wholesalers and retailers and the restaurant trade became very vociferous and complained that they would be disadvantaged, if not reduced to penury, even though a lot of the catch in previous years had been exported. Minister Armstrong backed outspoken restaurant celebrities and radio shock-jocks. The prominent restaurateur, Peter Doyle, of the historic family fish restaurant at Watson’s Bay, in Sydney’s eastern suburbs, and other celebrities were getting plenty of publicity in the Sydney media about the allegedly disastrous nature of my decisions; were they unaware of the strong backing for them from scientists and responsible fisheries managers? Know-nothing radio commentators infamous for taking cash-for-comment parroted the claim that “you could walk to New Zealand on the back of gemfish”. I did not know anyone who had done this, but perhaps my antagonists knew better. A further working party and a liaison committee were established to see if any agreement could be reached; consultation to a fault? My earlier policy ambition to limit the number of councils and committees in the industry was fast disappearing.

At the AFC meeting of 15 July 1988 it was agreed that Minister Armstrong and I would meet after the meeting. The AFC Ministers, other than Ian Armstrong, unanimously accepted the ongoing advice of the scientists. Even after the near unanimous consensus of the AFS and the achievement of some agreement about the wisdom in what was being done, after we met, Armstrong continued to publically attack me. When I challenged him, he said, “It’s only politics”. The Working Party had not reported and the industry wanted an earlier opening of the coming season. I prohibited the minor catch of gemfish, north of Barranjoey Point on 24 July 1988, so that nothing would be taken when the stock made its migratory run back down the coast. The overall catch proved to be far less than it had ever been.

For the 1989 season I announced interim arrangements in late 1988. It was decided to allocate individual gemfish quotas to operators on the basis of catch history both in the eastern sector and also north to Barranjoey Point. Individual fishers were able to choose their best gemfish catch in either 1986 or 1987. This figure was then to account for 85% of the weight in the formula for allocating quota. Fifteen per cent of the formula was attributable to SET units of capacity for incidental catch. Where the best catch history in 1986 and 1987 was less than 4 tonnes, allocation was based entirely on that history. Under the scheme, about 80% of the TAC went to NSW fishers, which reflected the traditional pattern of activity. Leasing of quota was also allowed. The 1989 catch records showed the absence of four year old fish. Only 2,000 tonnes had been caught in 1989 and I was being blamed for setting the TAC total available too low, on the basis of individual quotas and fishing catch history. Because the fish generally spawn at five to seven years, the absence of the five year old class in the year ahead implied the abundance of fish could be reduced by another 35%.

In practice the sub-committee of the AFS which reported in December 1989 saw that gemfish quotas could be allocated in 1990 with other species being subject to ITQs in 1991. A further move to quotas on species such as orange roughy and blue grenadier could then take place in 1992.

One of the issues that caused me grief was that a Mr Musumeci from Wollongong had pioneered the fishery and was proud of his status in the industry. His quota allocation turned out to be 45 kgs. This was due to the fact that his son, Rocco, had headed for the orange roughy
fishery in 1986 with his own and his father’s boat and made a fortune. Several prominent Wollongong people, including a personal friend, who was a police inspector and an ALP member, begged me to see what could be done. I agreed to an interview with Rocco in Canberra. He was at pains to explain that it was all about his elderly father’s dignity and pride, not the decision per se. Rocco explained that his father was not able to walk down the street without being teased about the size of his quota. I could not see how I could do anything about this without creating a bigger war.

In February 1990 I announced that the gemfish TAC for 1990 would be 1750 tonnes, pending the outcome of further assessment of the stock and dependent on the number of four and five year old fish being caught. Being aware of the views of fishers on the previous year’s low catch (that is, naturally, it was my fault) I said that if the evidence showed it would not be irresponsible to increase the catch I would allow a 2,500 tonnes quota, but no more. This was comprehensively rejected by fishermen and consumers. At a meeting in Ulladulla, the NSW Fisheries Research Institute reported that there were strong signs of a further reduction in stocks. I tactfully pointed out that hostility, lies and offensive comments by fishers, restaurant proprietors, radio shock jocks and the media, generally, were not going to produce more fish, and nor could the scientists.

My last contact with the fishers and the fishery was in April 1991 when I met a delegation of NSW coast trawler operators who were still convinced that the policies we developed were based on inadequate knowledge and were far too cautious. The proposals at that stage were the closure of the gemfish fishery, but with selected permits for vessels to conduct stock monitoring or setting a TAC of between 200 and 500 tonnes to be shared amongst all participants in proportion to past catch histories. The scientists had not been wrong.

The Gemfish Liaison Committee comprising scientists, fishers and managers was assiduous in early season sampling to assess the composition of each year’s run. I still see the odd gemfish in fish shops but the last I heard (in the 1990s) was that the stock never came back to anything like its former volume. Perhaps one could not walk to New Zealand on the back of them after all, as I had been assured?

**East Coast Prawn and Trawl Fishery (ECT)**

The East Coast Prawn and Trawl Fishery extended from Barranjoey Point, just north of Sydney, to Cape York, Queensland, an immense distance. There had been a rapid increase in fishing capacity in recent years which was threatening the future viability of the industry. Queensland had introduced a limited entry scheme in its waters in September 1979. NSW had placed a freeze on the number of prawn boats in January 1984. In June 1983, Mike Ahern, Queensland Minister for Primary Industries, Jack Hallam, NSW Minister for Agriculture and Fisheries, and I announced that the number of boats permitted to trawl for prawns, would be limited for twelve months. During this time the BAE was to carry out a survey of the industry. The restrictions were to apply to both Commonwealth and State licences for the prawn fishery. During the interim period, boats in northern NSW ports could continue to fish in both NSW and Queensland waters. Future endorsements would depend on commitment to the fishery.

Because several problems that had arisen relating to seasonal conditions and the way fishers had moved between fisheries during a year, in early 1984 the three of us agreed to a rearrangement of boundaries. An East Coast Prawn Task Force was established, which held meetings in Sydney (twice) and Brisbane from May to October 1984. The Task Force developed a Management Issues document which was circulated to every fisher operating in the east
coast prawn fishery, held port meetings from Evans Head (NSW) to Cairns (far north Queensland) and set a closing date for submissions of 30 September. Four hundred out of 1200 fishers attended the meetings and 52 submissions were received. This was a record for fisher involvement. What was finally agreed was exceptionally complicated but met the wishes of the three Governments and represented the best compromise available at the time. Effort was gradually reduced.

Tuna fishing (albacore, yellow fin etc) by hand-lining off the northern Queensland coast was being funded to see if a viable fishery could be established. Governments were encouraging fishermen to move to northern waters and the East Coast Tuna Management Advisory Committee was later formed. The Fisheries Research Trust fund was also funding the exploration of fisheries off the NSW coast. I remember that at a meeting of fishermen, I was informed that the further one went offshore, the more fish there were and that as boats and catching technology improved, fortunes could be made simply by sailing further out to sea. Research into the nature of off shore stocks was the only way to test their beliefs.

It was decided to include scallops in the interim plan in October 1984. Minister Ahern and I announced that the taking of prawns off North Queensland would be prohibited in January and February 1985. In this month, we agreed that the interim arrangements would be extended to cover finfish, royal red prawns and other deep water trawl species. The application and allocation of licences became complicated and took some time, but gradually the whole fishery was coming under management with no disputes between the Governments. In September, the East Coast Trawl Fishery Management Advisory Committee (ECTMAC) was established. Following its deliberations, the Governments concerned acted quickly to adjust boundaries, close and open fisheries and generally fine tune its management. As part of adjustment measures, the Commonwealth made $9m available to buy back the holders of Commonwealth east coast prawn trawl endorsements. This was to take effort out of the fishery and also to the north of Australia. Precluded from one fishery, prawn fishers had no problem in heading for another.

By the end of my time as Fisheries Minister, our fisheries were starting to come under sensible management. On 20 July 1990 the Queensland Minister for Primary Industries, the new Labor Minister, Ed Casey, and I announced that we had come to an agreement for Queensland to have jurisdiction for fisheries management off the east coast of the State. This built on the earlier agreement reached under the OCS of May 1987. Ed was by then being advised by my former staffer and friend, John Tanzer.

Later as noted (post-politics) I chaired the Queensland Fisheries Management Authority and, as part of the fishery, the Reef Fish Management Advisory Committee (ReefMAC) and Trawl Management Advisory Committee (TrawlMAC). We were able to develop a Reef Line Management Programme covering coral trout, sweetlips, emperors and other high value fish such as spanish mackerel. Most of these fisheries were in the lagoon of the Great Australian Barrier Reef (GABR), particularly prawns and scallops. When boundaries for the GABR National Park were drawn, fishing was banned in only a small part of the reef. John Tanzer had by now became CEO of the Great Barrier Reef Marine Park Authority (GBRMPA) and during his time, after many years, the Authority was able to introduce, under the Representative Area Programme, an extension of the ‘green zone’ areas of total protection, covering nearly 34% of the Park’s area, (up from 4.5%) and prohibiting trawling in 70% of it.

The main species of reef fish being commercially targeted was coral trout, caught by hand line for the Asian live fish trade. The QFMA experience gave me a far better idea of the day to day
work of a State fisheries agency, the notion of ‘source’ (where they breed) and ‘sink’ reefs (where they can be fished), the power of the recreational sector (‘I Fish and I Vote’), the value of tourism and the essential need not to destroy the Reef. Few recreational fishers could reach the very outer reefs and the close in shore reefs were just about ruined by this time. The fishers blamed the farmers for this. While many chemicals used on farm are a large problem, it was a combination of many factors including the sediments produced from some very big floods, accentuated by past land clearing that mainly caused the problem. The GBRMPA, the Australian Institute for Marine Science and James Cook University, all located in Townsville, were accumulating a great deal of information on the GABR and its ecology. It was impossible to ignore all the work they were doing and the findings being made.

**Torres Strait Fisheries**

Management of the Torres Strait Protected Zone fishery and the possible rebirth of the pearl oyster industry were of great interest to me. I flew to the Strait islands many times, more often than not with local member, John Gayler, Member for Leichhardt, accompanying me. In the case of the Torres Strait, the Commonwealth, Queensland and the Papuan New Guinea Governments, local and Queensland fishers were all involved. The Torres Strait Islanders (TSIs) always had some idea of achieving independence, knowing that the fisheries resource in their area was of a commercial value and believing it could or should be theirs.

The problem for the Torres Strait people was that many who had the necessary ‘get up and go’ had got up and gone; the traditional leading families from each island, sensibly, had non-fishing investments on the mainland. TSIs were mainly working in Cairns, Townsville and towns along the Queensland coast, because there were few jobs on the islands. They had limited access to credit and income sources and non TSI Australian fishers had tied up available licences. The fishing of prawns, lobsters and a range of finfish in Torres Strait waters, was primarily carried out by non TSI Australians, mainly using Queensland licences and endorsements.

One of the main requests by the TSIs was for the Commonwealth to provide trawlers to local people for the catching of prawns. While I might have been able to get the money from other portfolios, I needed to be convinced that there were people with sufficient qualifications to be put in charge of boats. This proved to be hard. Other fisheries would probably be easier to make commercially available to locals. At one stage authorities tried to develop a finfish trade with the Cairns tourist industry by providing small outboard boats (‘tinnies’) and placing refrigerators on islands for storage and accumulation of the catch for transport. This

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90 The islanders were very religious. At nearly every meeting I attended, the Anglican Bishop would say prayers, there would be hymn and psalm singing, following which I would speak, and then there was some more singing and prayers. They were great meetings and the people were wonderful. On one occasion I was talking to a group under a very large banyan fig tree. The audience was entirely of black faces. I ventured the idea that PNG people were crossing the Strait and exchanging dugong for beer and how bad this was for the dugong population. I was absolutely assured that this was not happening. I was later told that at least a third of the audience was from PNG and probably engaged in the trade! John Gayler and I spent many a night in the largest hotel on Thursday Island, the largest Torres Strait Island, listening to the singing of the famous Mills Sisters and trying to get some sleep despite the celebrations that seemed to go on well into the morning. One small island we visited had the airstrip right across it. As I hopped off I announced with as much gravitas as I could muster: “This is the site for a city!” How was I to know that I was being filmed? The islands close to the PNG coast will be the first to be flooded with sea level rise, king tides and some subsidence of what are, in reality, mud islands. There are six in all and Saibai, the biggest, is the one most at risk.
experiment did not last long on account of the cost of collection, irregularity of catch and cost of transport.

The Torres Strait Treaty defining the border between Australia and Papua New Guinea and establishing a regime for the management of border areas was signed in 1978 but not yet ratified. However, at the end of July, Denis Young, PNG’s Minister for Primary Industries, Neil Turner, Queensland Minister for Primary Industries and I considered management of the tropical rock lobster (crayfish), prawn, Spanish mackerel, dugong, turtle and pearl shell fisheries. We agreed that the rock lobster fishery would be promoted as a dive fishery to allow island people the maximum opportunity for economic development of the Torres Strait fisheries and adjacent areas to both countries. Each year during their annual breeding migration from Torres Strait east across to Yule Island in PNG, the crayfish were very vulnerable to being caught. It was alleged that the stock travelled hand in hand, single file, across the sea floor (!). In 1984 bans were placed on trawling by both countries from August to November, to allow the stock to recover. Any rock lobsters incidentally caught by prawn boats were to be returned to the sea alive. A TAC of 180 tonnes tail weight was placed on the catch for the year. It was agreed to manage prawn resources jointly and that the regime and any strictures applying in the ECT for prawns would also apply.

Prawn trawlers were allowed joint access to the waters of both countries, as were possible joint ventures. The taking of dugong for commercial purposes was banned as was the taking of turtles for sale. It was agreed that there be an educational campaign for traditional hunters of dugong to explain how vulnerable they were. It was also agreed that the Spanish mackerel fishery should be promoted as a line fishery. I indicated to Minister Young that we were willing to co-operate in the development of the pearl industry, if it was possible. Our people started to prepare detailed arrangements for what had been agreed pending the ratification of the Treaty. To maintain the ban on the catching of the rock lobsters during the times designated, it was agreed fisheries inspectors in Torres Strait would board boats to check for illegal catch, the only exception being any tagged fish, which had to be handed to the CSIRO.

With Foreign Minister Hayden and Aboriginal Affairs Minister Holding, I flew in ‘Freeby One’ (the Prime Minister’s plane) to Papua New Guinea for the ratification of the Torres Strait Treaty which came into effect from 15 February 1985. A Joint Authority was established to manage under Commonwealth law the above fisheries in the Protected Zone as well as traditional fishing in the Zone and the barramundi fishery in Australian waters nearest to the PNG coast. The new arrangements required separate licences to be issued by the Joint Authority. The three Governments decided to decrease the pressure on the rock lobster fishery by closing it for four months and by trying to make it a dive rather than trawl or pot fishery. A lot of work on regulations and procedures began with a period of grace being given to fishermen to comply with the new regime.

On the Australian side of the protected zone, I was the Chair of Torres Strait Fisheries Protection Zone Authority but the Authority, as such, was Neville Harper, the Queensland Minister, and me. It was decided at the end of 1986 to ban the transfer of rock lobster licences pending a comprehensive package of management measures for the Strait and that boat replacement could only be on a like-for-like basis. Carrier boat licences were also restricted and the bans during the breeding migration were kept in place. These measures were being implemented to increase TSI involvement in the fishery. The Management Committee established for consultation was meeting regularly to ensure that people understood what was being done - and why – to allow time for adaptation. The moves were not popular with those fishers who had been in the area, off and on, for years. On the prawn fishery, we decided that
these arrangements would continue to be along the lines being agreed for the ECT prawn fishery. We also endorsed the establishment of dugong sanctuary areas as proposed by Islander communities. We also had to issue a warning on the necessity for fishers in all the fisheries under management to accurately, and in a timely fashion, report their catches.

By the end of May 1987 we had reached some finality with the Offshore Constitutional Settlement. This meant that many fishers would only need one licence rather than separate Commonwealth and state licences.

In March 1988 the Authority announced that the freeze on the issue of Master Fishermen’s licences for the rock lobster fishery, and of boat licences for the mackerel and pearl shell fisheries, would remain in force until 30 June 1988. The ban on the right of prawn trawlers to retain incidental catch continued. This was, again, not a popular decision but we still did not have an agreed overall plan for the Strait fisheries. We were trying to get inactive licences out and preparing for catch sharing with PNG in the prawn fishery. Loopholes arising from dual licences were eliminated. The ban on transfer into the ECT prawn fishery remained. In March agreement was reached with PNG that trawling would stop for rock lobsters and that the fishery for both countries would be a dive fishery for local people. The TAC was to apply only to the dive catch. All other arrangements were held in place for review in early 1990.

A Working Party on rock lobsters then advocated minimum size limits for the fishery, which was agreed and implemented. The QCFO and the Islander Co-ordination Council had been working well together and some of the measures being worked on for a long time were set in place in June 1988. In May 1989, the Authority decided to ban the transfers of prawn trawlers to other boats. Although the then increasingly erratic Premier of Queensland, Johannes Bjelke-Petersen, had interfered in the establishment of the boundary between Australia and Papua New Guinea in earlier times, the Torres Strait was an example of where the two Governments worked together well, because of the efforts of Mike Ahern. Some islands under Australian jurisdiction are very close to the PNG coast. The border has always been very porous and the movement of people across the Strait from PNG to Australia for health services, employment etc, has been going on for a long time. The consequent health and quarantine risks remain very high.

The main regulations introduced centred on the number of boats licensed (100) for the prawn fishery but neither effort nor catch was restricted at first. One of the issues was that boats with multiple licence endorsements could move into the NPF and ECT prawn fishery and frequently did. Although I was no longer involved, I later learned that both effort and catch rose to record levels in 1992 and that tougher controls had to be put in place (a report by ABARE in 1993 said that effort levels needed to be reduced to increase profitability in the industry). It was estimated that 200 tonnes of lobster and 1,200 tonnes of prawns were caught in 1988.

After some backing and filling by the Queensland National Party Government, the two Governments built and paid for a patrol boat to patrol Protected Zone waters, to be operated by the Queensland Fisheries Boating Patrol. The 23 metre ‘Wauri’ was officially launched by my wife, June, in Cairns on 30 March 1988.

The changes and adjustments continued. I do not know how successful we were in trying to assist the Islanders to sensitively, commercially exploit resources in their area, particularly rock lobster. There were plenty of people saying that we should have left it as it was with very little TSI involvement. It was a different fishery in terms of the people involved and the intention by governments to involve as many local people as possible. It proved, at the time,
to be a success of which officials should be rightly proud. I have been informed that the arrangement is now subject to Thursday Island politics and that not much progress has been made in the ‘islandisation’ of the fisheries. If so, early fears by some may have proved to be correct.

Pearls

The pearl industry in the Torres Straits did not regenerate in my time. I understand some people have since been farming black pearls in the region. The NT/WA west coast was a different kettle of fish with a long and strong history of pearling centred on Broome. In early 1988 I banned all trawling along a section of the WA Kimberly coast to protect the pearling industry in the region, said to be worth $50m per annum. At the end of June, Marshall Peron, NT Minister for Industries and Development, and I announced the issue of licences, with a quota of 10,000 shells to each of four firms. This was to be part of a development plan for three years. As I left the portfolio there was to be a fifth licence issued and there was some debate about making this available to Aboriginal people. Pearling in the west has become a very successful, world famous, business.

Other Fisheries

The above outline of the issues arising in a selection of Australia’s fisheries illustrates the fisheries management challenges in my time. There were at least six other fisheries I was involved with and there were another nine regarded as development fisheries with trials carried out to examine feasibility; when proven the management regime in place elsewhere
automatically applied. Examples of these were the Great Australian Bight (GAB) development trawl fishery; scampi in the north west of WA; and east coast tuna. It was estimated that 5,500 tonnes of fish were caught in the GAB in 1988-89. In other cases, my role could be limited to using Commonwealth powers to bring States and fishers together.

The backing given to the fisheries by the Research and Development Trust Organisation was appreciated by the industry and by me. The work of the CSIRO, State fishery research authorities and my own scientists and economists was invaluable. I was pleased to be able eventually to merge the two Commonwealth organisations into the Fisheries Research and Development Corporation. This followed the release of the Research Innovation and Competitiveness Statement and the passing of the Primary Industries and Energy Research and Development Act 1989, largely thanks to the work of Alan Newton of the Department and Tony Gleeson in my office.
Experiments were being carried out at the time to exclude by-catch, such as for turtles and dugongs. Much later Commonwealth legislation, using the export power under the Constitution, enabled the Commonwealth to take stronger action on environmental issues in the fisheries from which we were exporting\(^\text{91}\). The formation of marine parks, while still under debate, at least provided some respite from fishing for some endangered species and provided habitat protection. To make the very fundamental point, the formation of marine parks is an essential part of ecosystem based fisheries management. The motive is not to stop people from catching fish. The motive, assuming that there are soundly designated

\(^{91}\) The Environment Protection and Biodiversity Act, 1999, was brought in by Environment Minister, Robert Hill, and enacted by the Howard Government.
boundaries, is to ensure that functioning spawning and nursery areas are not destroyed. Destruction, or massive depletion of a fishery, eventually ensures that no one catches a fish.

Aquaculture for some species was being trialled (for example prawns, barramundi and mangrove jack in the north). The growing out of southern blue fin tuna, salmon and trout in salt water cages in SA and Tasmania, respectively, proved to be successful. Scientists continue to work on developing a plant based protein fish food that contains the essential Omega 3 oil. They are very close to success I am told.

Copious legislation and bids for funds were submitted regularly to the cabinets of the governments concerned but it was the AFC and its Standing Committee which was so effective as a clearing house for decisions. Australia’s domestic market has grown and by and large the work carried out by so many during the 1980s was very worthwhile and made some progress on the central issue of the sustainability of fisheries.

An Australian Fisheries Management Authority (AFMA) was established and began work in early 1990, after which time my role in the day to day negotiations and consultations eased greatly. By this time I had made a few more general speeches on policy and possible futures in terms of legislation, but the scene had been set.

The Australian Fisheries Management Authority (AFMA)

By the end of the 1980s it was becoming very apparent that ongoing consultations and negotiations were not only draining for all concerned, but that persistence and patience, major amounts of consultation concentrating on the conservation of species and environmental concerns, and trying to maximise efficiency in the exploitation of the fisheries resources, was working. However, disputation was continuing and no matter how much consultation was involved, the industry, or some in it, was always unhappy, did not believe what the Commonwealth was doing was sensible or disbelieved research findings. A new overall management approach had to be taken. Commonwealth management, fishery by fishery, was working to the extent possible, but we had resource constraints.

My first approach to the challenge was to propose the employment of four or five more senior managers in the AFS to focus on fisheries management and then analyse or synthesise the best approaches to take. I could not get the funds from the Expenditure Review Committee of Cabinet so, in 1989, I asked the Department to conduct a consultancy into the issues. Following two reports, neither entirely to my satisfaction and whipped into shape by my staff, I agreed to the establishment of an Australian Fisheries Management Authority to manage Commonwealth fisheries.

In December 1989 I issued a Government Policy Statement, ‘New Directions for Commonwealth Fisheries in the 1990s’, announcing the creation of AFMA and what I had in mind for its work. I launched the overall policy statement at Ulladulla, on the NSW south coast, on 20 December. To all intents and purposes, the statement became the Government’s national fishing policy. Remarkably, most industry spokespeople supported the new policy. My fears about the impact on smaller fishers were not to be realised. The experience again showed me the importance of well thought through policy.

AFMA came into being in mid-1991. A union dispute arose with the Public Service Union (PSU) concerning staffing in the Australian Fisheries Service, which was to remain, but in shrunken form, and employment in AFMA in terms of pay and conditions and portability of superannuation. This was a matter for the Department, but I met with the PSU on 7 May 1991
to try to provide what assurances I could. I understand the matters under dispute were resolved but not to everyone’s satisfaction. By this time the Bureau of Rural Resources was where most research was carried out relevant to Commonwealth fisheries policy. Despite my earlier doubts I continue to be assured that AFMA has worked well.

The establishment of AFMA coincided with the beginning of the Commonwealth’s involvement with ecologically sustainable development (ESD), which I discuss in another chapter. The ESD process was launched in July 1989 and resulted in Australia’s National Strategy for ESD in 1992. In consultations, I had spoken with Dr Bob Kearney from the NSW Fisheries Research Institute. The nub of his advice to me was that he hoped the need for change would not be hidden under a banner of jargon, that the Government had accepted ecological principles, but that this was not all that was necessary to solve the problems facing Australia’s fisheries. While I was happy with the concept of sustainable development, I thought the concept of ESD was too big a jump at first and tended to agree with Dr Kearney’s concerns. It took until 1999 to develop structured, practical, researched ways to handle ESD for fisheries. The Bureau of Rural Science, as well as State researchers, was to be instrumental in this.

**Foreign Fishing Negotiations**

In all the cases set out below, consultations with the littoral state and the Northern Territory were carried out and increased licence fees were secured. Apart from my reference to Japan, New Zealand and PNG and the issues of southern blue fin tuna and the Torres Strait Protected zone, there were many other negotiations with other countries in which we had to be involved.

In 1983 the terms of fisheries agreements were agreed and signed with Taiwan and its Australian agent (KKFC P/L) for gillnetters and paired trawlers off the north-west coast of WA, and with South Korea for squid off Tasmania, Victoria and SA - squid jigging\(^{92}\) being the technique used. A new agreement was put in place with the Korean squid jiggers in September 1984 permitting 12 vessels and a catch of 1,800 tonnes with the possibility of a further 2,200 tonnes if more licence fees were paid. The boats were subject to strict operational controls, reporting requirements and inspections. The agreement was renegotiated in 1986 with a reduced catch tonnage.

The Taiwanese with the same Australian partner were given three years access to areas to the north of Australia to catch both pelagic\(^{93}\) and demersal fish. This agreement was strongly supported by the NT Government. In 1984, a more comprehensive agreement was entered into with the Taiwanese Government. Their gillnetters and pair trawlers had been operating off the north and north-west of Australia since 1979 and taking fish in an area where no Australian fishers were involved. Up to 30 gillnetters and 120 pair trawlers were now involved and taking large catches - up to 32,500 tonnes. This was of concern to me because we didn’t know much about the state of the fisheries being targeted. The agreement was renegotiated in late 1986 with gillnetters being banned and a lower permitted catch also agreed.

Following complaints by NSW fishermen, an area east of NSW was closed to foreign fishers. This and other measures, such as a 50 mile wide seasonal limit to protect game fish, and to keep Japanese long liners well off the edge of the continental shelf, were agreed with a near doubling of the licence fee. An initial joint venture proposal came forward from the USSR for fishing in waters off the east coast of Tasmania in December 1983. The Tasmanian Minister, John Beswick, was fully informed and consulted about this, but the Premier, Robin Gray,

\(^{92}\) Jigging is fishing with a jig, a type of lure with a lead sinker and a hook moulded into it.

\(^{93}\) Neither close to the bottom nor near to the shore.
decided to play politics, run a scare story, raise the ‘communist bogey’ and said that he knew nothing about it, which was nonsense. In February 1985 Australia signed the Australia/USSR Fisheries Agreement. All that seemed likely to actually happen was that two Soviet vessels would engage in feasibility fishing in the western AFZ. All fishing was to be exploratory. Concerns were expressed about this but, as a general rule, we were hesitant about deep water trawling due to a lack of knowledge about the fisheries. A representative of the National Fishing Industry Council had been present at the meeting - so that I couldn’t do secret deals with the Russians and further excite the Tasmanian Premier? I had previously had a very long meeting with Soviet authorities and fishers in Vladivostok. Because of our large AFZ, they thought that Australia had limitless fish stocks. I went through each fishery carefully, stressing how poor they were. The clincher was when I told them that after a certain tonnage, plus a margin, which we and foreign fishers were catching under agreements, they could have the lot if they could prove they existed, as long as we monitored any catch. Nothing much happened; the Northern Pacific fishery was far more productive and attractive to the USSR.

In September 1985, the Commonwealth and Seanorth Pty Ltd, a joint venture company of Australian and Thai interests, signed an agreement authorising six Thai gillnetters and six stern trawlers to take up to 2,000 tonnes of pelagic fish and up to 6,000 tonnes of demersal fish in designated waters of the northern AFZ. The NT Government strongly backed this and I had two meetings with the Thai principals, one in Thailand. The deal had several features not negotiated before. Each year of the three year agreement was to see one Thai vessel replaced by an Australian vessel; the purchase by the Thais of 600 tonnes of fish from Australian fishermen rising to 1,000 tonnes if the resource was shown to have increased productivity; and the maximum use of shore based facilities and expenditure in Australia on Australian goods and services was to be at least ten per cent of the value of fish caught. Stringent safeguards were put in place. The deal maximised Australian participation. By and large the deal proved to be beneficial though the tonnages projected were never met.

Indonesian fishers had been traditionally fishing Australian waters in our north for a very long time, but at a low level of technology. One of the main concerns with foreign fishers in Australia’s north was the taking of shark for shark fins. Sharks have a slow reproductive rate and being the top predator, keep our seas and reefs healthy. They are over-fished world-wide and one assumes that some stocks are now at risk. Four boats, parts of a larger fleet of Indonesian subsistence fishers, were caught 45 nautical miles north of Bathurst Island, part of the NT in March 1985. The boats were well beyond their normal traditional areas and posed a quarantine threat if they landed on our shores. This required extensive discussions with Indonesian authorities to try to prevent any landings.

The catching of dolphins in gillnets later became a major concern. In May 1986, I reduced the size of permissible gillnets from 15-20 kilometres to 2.5 kilometres to reduce dolphin kill. The Taiwanese said they would have to cease fishing, which they did to concentrate on trawling only.

The by-catch of albatross by long-liners in southern waters was also a particular concern of mine. I remain convinced that it is possible to have devices on long-lines to prevent the catching of albatross. Always the issue is that unless we have our own people on foreign boats we have little idea of any compliance, just as we have no control over by-catch, damaged nets and garbage being dropped at sea.

In November 1988 a one year access agreement was signed with China for some trawlers to fish on the North West Shelf and part of the Timor Sea. The Australia/Japan Fisheries
Agreement was also renegotiated in this year covering distant fisheries as well as for SBT. In March 1989 a comprehensive trade agreement with the USSR was concluded which included fisheries. In May 1990 a very satisfactory agreement on joint sharing in the TSPZ was signed between Papua New Guinea and Australia detailing arrangements for prawn, rock lobster and pearl catches. Similarly, a Trans Tasman Agreement was agreed with New Zealand in 1990 designed to conserve fish stocks in the international waters between the two countries.

The question of conservation and the sustainability of highly migrating and free swimming species is a fraught one. Australia attempted to put in place management plans based on the best knowledge of the ecology of a fishery. However, if the species moves outside our waters, it is invariably caught by people with little regard for long term sustainability. Hungry people or people chasing the quick dollar are not necessarily interested in tomorrow. As I have pointed out, to achieve binding international agreements on fisheries is nearly impossible. When it is, the policing and monitoring regime is very expensive. But no doubt some of our own fishers can or will establish themselves off-shore in other countries so that they can continue fishing in waters near Australia, not under our management, or perhaps, anybody else’s.

**Additional Activities**

There were always plenty of other issues arising in this part of the portfolio. As well as research and development activities in support of particular fisheries, with the AFS I was involved in matters such as standardising fish names, marketing strategies, use of computer graphics, developing computer based surveillance, global positioning, examining drift-netting for pelagic fish with a view to examining the harm caused, the impact of long-lining on other species and designing more friendly trawl nets. Examples of these activities included turtle exclusion devices, research into the dolphin catch problem (particularly caused by gillnets), research in the NT to develop a semi-demersal trawl net, and examination of contaminated ballast from ships and how this was affecting harbour waters, for example, in Tasmanian waters from woodchip carrying boats. Dealing with the catch and kill of non-target species was then in its infancy.

On 10 August 1990 I attended my first meeting of the Great Barrier Reef Ministerial Council. This was the Council’s 16th meeting and the agenda mainly covered many reports on reef condition and the findings of research into monitoring, water quality management and run-off effects. It also included discussion of the progress of a Torres Strait baseline study into heavy metals in prawns from PNG’s OK Tedi copper and gold mine’s tailings and from the Halifax Bay nickel ore loading facility, (problems which are still unresolved); oil spill response; and an initial study into the effects of fishing on the Reef. It was at this meeting that I learned that the inner reefs of the Great Barrier Reef were just about ruined. Reading today’s news and thinking of issues now confronting the Great Barrier Reef, one gets a sense of *déjà vu*. While climate change will cause coral bleaching and the crown of thorns starfish is coming back, there are many other issues in reef management other than the headline events.

On 6–9 May 1990 a major conference was held in Melbourne between Australia and New Zealand. Reports were given on all major fisheries and agreement was reached on many research and scientific matters. Having a unitary government helped New Zealand in its fisheries management. It could experiment with various management approaches, such as co-management, and was able to negotiate sensible access by its indigenous Maori population to sea waters and fisheries under the Treaty of Waitangi.
At the end of March 1987 the South Pacific Tuna Access Treaty was signed. This Treaty had been negotiated over two years between the South Pacific Forum and the United States and provided controlled access for US tuna boats to a significant part of the waters of the South and South Western Pacific. It ensured that Forum countries received a fair return for fish taken from their fishing zones; the fee was $US60m over five years. The Commonwealth Government, through its aid budget, later provide sea worthy patrol boats to island countries to police the areas where fish were being caught. In Australian access was limited to a small part of the Coral Sea. We also conducted some analysis of the situation in - and consultation with - the people in the Cocos Keeling group of islands and also with Norfolk Island where some waters were closed to fishing. We had not just acted as ‘honest brokers’ for an insular US, but had treated all countries as equals in making our own case.

However, there is a ‘Stop Press’ to the 1987 Treaty. By 2013 the Western and Central Pacific tuna industry was and is the largest in the world, worth $7b annually. The Pacific Islands Tuna Industry Association says their industry is close to collapse because the Pacific nations cannot compete with the growing number of subsidised fleets (mainly Chinese) now totalling 400 vessels. The catch per unit effort and fish size is down, the fleets of Fiji, Tonga and Samoa have shrunk and American Samoa has put its fleet up for sale. Is this part of the new anarchy in the seas to our north and east? Again, our experience in the years 1983-1991 illustrate how nearly impossible it is to achieve international agreement on fisheries management.

Summary

My fisheries management experience brought the issues of regulation versus deregulation, property rights, economics and science (biological research findings) into sharp focus. It is inane policy to fish species to extinction or engage in such ‘recruit overfishing’ that the catch is substantially reduced below the sustainable. Our fisheries were once deregulated and each State acted as a separate entity regardless of the nature of the fishery. To all intents and purposes recreational fishing is still of this anarchic (but understandable) nature; it is politically and economically costly for the States to impose rigorous management regimes.

It is the professional fishers who fall under the sway of government regulations and specific planning instruments. Regulatory control of inputs aims to restrict the total effort and thereby the catch and can be applied to any aspect of a fisher’s boat, gear and activities. By limiting access to a fishery some fishers gain a property right, which may or may not be traded, akin to the trade in taxi licence plates. This brings in the concept of a resource rent and how to optimise it, which, as I have shown above, is difficult. To contain effort effectively, all substitutable forms of effort must be regulated.

It is impossible to restrict every aspect of the fishing effort without incurring excessive management costs, hence the need for the level of consultation that I have outlined in the various fisheries discussed. If effort is successfully reduced, then rents accrue to fishers with the contrary consequence that there is then a tendency to increase effort in any unregulated component, for example, increase the size of vessels in a limited entry fishery. The conditions agreed, such as boat replacement policies, were then incorporated in the licensing provisions, as occurred in the Northern Prawn Fishery. If boat sizes are restricted then the most economic means to fish may be thwarted. Then it has to be decided if it is desirable to have only a handful of boats operating in our major fisheries and how, practically, to achieve the relevant reduction.
Eventually, input restrictions result in the dissipation of economic rents, because the costs of providing a given level of effort will be subject to regulation. This is because, by increasing the unrestricted components of catching power, fishers depart from least-cost combinations of inputs. On the other hand, in the competitive environment of an open access fishery, there is an incentive for fishers to increase their productivity by adopting new technologies to catch more. However, the short term benefit will not be carried over longer term because only ‘normal’ profits will ever be made as distinct from maximum economic yield.

In my time about 70% of Australia’s ocean fisheries operated with some form of limited entry, but it was not demonstrated that this limited any reduction in total fishery effort. The limited entry in the south east trawl fishery, for example, was best judged as a first step in the management process. Effort reduction was approached in two ways, either by licence buy-back or compulsory retirement of boat units on the replacement or sale of a boat. Once boats are removed from a fishery, incomes improve for those remaining, so these fishers will increase their level of effort. The NPF and SET were good proving grounds for various approaches. Here, the most sophisticated (or complicated) system of effort reduction was used based on a boat replacement policy relying on vessel ‘unitisation’, the capacity of each vessel, as measured by underdeck volume and main engine power, divided into a number of standardised units. To remove effort by this formula was slow because units had to be sacrificed once a vessel was replaced.

Output controls tend to be blunter instruments. Total available catch criteria can impose heavy costs on fishers and tend to lead to the dumping of less valuable fish and dumping in a multi-species fishery like the SET. The individual transferable quota approach was an economic approach which worked best in a single species fishery with a more or less centralised marketing channel, for example the sashimi market in Japan.

Fisheries management was an enjoyable intellectual exercise for me, but draining in terms of time (more so for departmental officials and my staff). The Commonwealth/State government tension was always present, because fishers were in competition with fishers where the stakes were high. In later years I have become aware that governments have simply bought fishers out and there have been estimations that more was paid to acquire the boats than the fleet was worth. It is very hard to move beyond the absolutely basic reality that we are exploiting a natural resource, which may be and often is changing for any number of reasons. Undoubtedly, for the future, climate change will be an increasing factor to take into account as the oceans warm and fish stocks move.

Some final food for thought:

> Because changes happen slowly, over a human lifetime, they never startle. They just tiptoe silently along helping us to adjust to a smaller shrunken world.

From an article by a Robert Krulwich on the declining size of the fish catch off Florida over the past 50 years.
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<thead>
<tr>
<th>Abbreviation</th>
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<tr>
<td>ABARE</td>
<td>Australian Bureau of Agricultural and Resource Economics</td>
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<td>VLEBBS</td>
<td>Voluntary License Entitlement Buyback Scheme</td>
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Chapter 14: Australia’s horticultural industries

During my Shadow Ministerial days I was once at Renmark (or was it Berri?) in the South Australian Riverland and introduced myself to the editor of the local newspaper. Remarkably, he provided a very young reporter to take a story from me. We were sitting beside the Murray River, with the sun glistening on the water and black swans elegantly floating by. At the end of the story, which I kindly wrote for the reporter on water reform, I asked if she wanted a picture? “What of?” she asked. It remains one of the best stories I can tell against myself.

Horticulture was one of the largest agricultural industries across Australia. Its success or failure was crucially linked to its hinterland towns, not least from an employment point of view. The issues for me were how far the Commonwealth should be involved in areas where the Constitution gave the States jurisdiction; the levels of subsidies at a time when government policy was to ease out of these; and the issues arising from the volatility of markets, once again on account of corrupt international markets and the fallout from Britain’s decision to join the European Economic Community (EEC).

In my time as Minister for Primary Industry, we were on the cusp of greatness for one wonderful industry, winemaking, and seeing the beginning of the end of another, the tobacco industry. Trying to persuade both where their best interests lay was not easy. But we did have some wonderful times with at least one of them, trying to persuade them to do so. There were/are some great characters in the wine industry and I met many of them – and tasted some great wines. So many individuals were doing great things in boutique wineries across Australia. The symbiosis of wine and music was just being recognised and back then we began our following of the now world recognised Richard Tognetti from his very first concerts at Huntington Winery in Mudgee. And then there were the remarkable achievements of, for example, the McGuigans in the Hunter Valley, who perhaps did as much if not more than anyone else to establish a profile for Australia wines overseas – and to get the market moving. Many other wine producers were also aware of the potential for an export industry

Apart from three industries - dried vine fruits, canning fruit, and apple and pears directed to exports, in the many score of individual and mixed horticultural industries, the Commonwealth in 1983 was not heavily involved in the making of overall horticultural policy. The three the Commonwealth was involved in through their statutory marketing organisations, were saddled with deep-seated, chronic problems. The exception to this was the statutory arrangements for the tobacco industry, which was not an export industry, but involved the Commonwealth from a trade negotiations point of view. There were also some arrangements concerning the, mainly, domestic wine grape industry at a time when wine and spirit exports were negligible. Our wine grape industry had been mainly directed to the production of fortified wines, (brandy and Sherries), not premium table wines.

The reticence of the Commonwealth to engage more widely with horticulture was possibly due to the number of small enterprises and the multitude of crop, tree and vine based enterprises, which were the Constitutional responsibility of the States. Fruit growers were perceived to be different from vegetable growers; I struck instances of vegetable growers being resentful due to their view that fruit growers had more government support than they did. Yet the overall horticultural industry (or collection of industries) was marked by many innovative producers and many country towns depended on fruit and vegetable processing for employment. I thought horticulture was a national issue and that more attention should be paid to it, only if by way of research and development, policy sensitivity and assistance in export marketing, if
we had products that were or could be competitive on world markets. I was aware of the crucial role the CSIRO was playing in the provision of horticultural research at that time. I was also aware of the work of the Australian Wine Research Institute, which was incorporated in 1955 and worked within the Waite Institute (now the University of Adelaide) in South Australia and survives to this day. I am sure that the Institute’s research over the years has been instrumental in the pre-eminence of South Australia as a wine producer.

Policy

The ALP’s horticultural policy for the March 1983 General Election contained some sixteen detailed commitments for producers in the various segments of the industry’s overall 12,000 horticulturalists. The headline promises emphasised policies for the wine grape growing and wine industry, because of the mess the industry was in. This appears at the beginning of the section on wine.

Preliminary Background

During the period I farmed, 1953-1971, I was always engaged in the growing of vegetable crops and in the management of firstly, a small, and then the planting and care of a larger orchard. We grew potatoes, peas, beans, onions, cabbages, cauliflowers and cucumbers, commercially, on a very small scale, and the farm always had a home garden of many vegetable species. While still at primary school, I began picking peas and beans to send in hessian bags to the Sydney Wholesale Market. We would avidly read the Sydney Market Reports in the *Sydney Morning Herald* to get a rough idea of what we might receive. I loved growing fruit and vegetable crops. The scale on which we were growing catch-as-catch-can cash crops in the late 1940s to early 1960s would be absolutely laughable now, three quarters of an acre or so at a time, maximum. All tillage was carried out with a five horse power Howard rotary hoe and at one stage a bloody great Clydesdale, named Robbie, was used to pull a mouldboard plough to open up some new paddocks or plots for cultivation. Once the poultry enterprise expanded the growing of vegetables, other than for the home garden, ceased.

The main activity on our farm was poultry which took too much of my time for me to work as much as I would have liked to in the orchard. I fell behind in pruning. However, I ended up with something like 17 acres of orchard: apples (mainly), peaches and plums. I believe that there is neither better lifestyle nor, possibly, a way to make a living than in deciduous tree and vine orcharding. There is a seasonal rhythm to management that is so rewarding. In winter the trees and vines are pruned for easier, more productive care. In spring, there is the glory of the blossoming and the fruit set, then the harvest in summer. There is nothing better to look at than a peach or apple tree, or grape vine with fruit ready to pick. In autumn the leaves change colour, sometimes with glows of red and gold. I could not escape from having an emotional affinity with horticulturalists. However, I was becoming aware of the changes underway in Australian horticultural production from my visits to orchards in major apple growing areas and field days, as well as my experience conducting the Bureau of Agricultural Economic’s (BAE’s) horticultural surveys in 1977.

Horticultural production is about scale, specialisation/diversification and innovation.

Scale! This was confirmed in 1983 when I saw 100 acres, each of lettuce and strawberries, being grown in the Central Valley of California, harvested by dozens, if not hundreds, of Mexicans, no doubt enjoying the rewards of a deregulated labour market (wetbacks equals slave labour?). The thought struck me that if this is the future of horticulture, if it is inevitable
that there will be large scale plantings and limited harvesting mechanisation, then Australia does not have such readily available or exploitable labour, nor workforce flexibility?

One Australian family firm now produces 600 tonnes of carrots, weekly, year round and Australia exports $51m worth of carrots each year: horticulture can be scaled up dramatically. As I write (2013) a firm producing 30% of all Australia’s tomatoes has gone into administration; obviously, economies of scale still not large enough? The 3,000 tomatoes I planted and cultivated when I was 14 years old, did not quite come up to this level of production. However, mechanisation and technological innovation was taking place in many agricultural industries, albeit that mechanisation may bring a high level of waste. Similarly, it was clear that vast estates planted to fruit in developing countries, utilising cheap labour, would always make it hard for owner/operators in the Australian production setting. This proved particularly to apply to citrus production and the threat of imports for our producers from Florida and Brazil, the latter of which possesses the world’s dominant citrus exporting industry. Our pineapple industry was always at a comparatively low scale in terms of the size of individual holdings compared with US growers.

Perhaps we needed a new model for Australian horticulture? Unfortunately, in my time I was too busy playing catch up to think much about the future shape of our horticultural industries.

**The Policy Challenge and some History**

From the Commonwealth Government’s point of view the main specific areas of policy interest and concern were those regarding the three Commonwealth legislated statutory fruit marketing corporations, generically known as Statutory Marketing Authorities (SMAs). These had been established when the United Kingdom was our major and guaranteed export market when Australia was part of the British Empire. However, the United Kingdom was not our only market; we had always sought other export markets.

It was Alfred Deakin, both a Victorian cabinet minister and then later Prime Minister three times, who called on the Canadian Chaffey brothers to come to Australia. The two brothers had established themselves in California after having previously developed an irrigation colony in Ontario, Canada, where Deakin first became aware of their skills. The brothers received a grant of 250,000 acres near Mildura in Victoria, on the south side of the Murray River, and later negotiated water rights lower down the Murray in what became known as the Riverland. Pioneering plantations of dried vine fruits, under irrigation, started here in the Mallee land zone near Mildura (later known as Sunraysia) in 1887, but many other small vine and orchard plantings had already been established by the country’s European, mainly British, settlement and were widespread. One exception to this was the strong influence of German settlers in the Barossa Valley in South Australia, growing wine grapes. Irrigation does not loom large in the mind of city dwellers. The environmental lobby has convinced many city dwellers that it is deleterious to the environment, yet it is an absolutely vital part of Australia’s food and fibre production. Because of the distribution of powers in the Constitution, this was, and is, again, a production and management responsibility of the States. The Commonwealth Parliament rarely discussed matters relating to irrigation until the Hawke Government established the Murray Darling Basin Commission, which I discuss in the chapter on land and water. Water is so important in Australia that my major concern was to see that adequate continuing research was carried out into water availability, its use, its relationship to environmental considerations and, crucially, for irrigation. These issues are also discussed in the chapter on agricultural research.
The key marketing corporations were the Dried Vine Fruits Corporation (ADFC), the Australian Canned Fruits Corporation (ACFC) and the Australian Apple and Pear Corporation (AAPC). For ease of reading, I will refer to the products marketed by these corporations by their shortened acronyms, DVF, DCF (‘D’ for deciduous) and A&P, respectively. Britain’s entry into the EEC in 1973 spurred the corporations to seek other export markets and increase promotion on the domestic market, where such promotion tended to be unrewarding or simply self-defeatingly competitive.

The export apple industry in Tasmania, concentrated in the Huon Valley, was hit particularly hard by Britain’s EEC entry, as were the many sawmills making timber for fruit cases. Some other traditional export markets, for example Germany for DVF, continued to be maintained. These three industries had some governmental support by way of equalisation and underwriting arrangements, which, to my lay mind, had been hard to account for and difficult to assess in terms of the level of, or if any, consumer transfer (that is, domestic consumer subsidisation of exports) was involved due to rapidly fluctuating international prices. Equalisation mainly had the effect of cushioning the industry against sudden price falls on the export market.

Although I was concerned to see what beneficial, practical policies could be implemented for horticulture overall, I realised that with so many different crops being grown, that only generalised marketing and research structures and adjustment measures could assist the industries. Also, because many new crops were being tried (for example, tropical fruits), the menu of problems and prospects was becoming larger. Most fruit and vegetable growers survived, or otherwise, with the price fluctuating domestic markets and the prices set by the large, allegedly auction-based, wholesale markets in each of our major cities. In Queensland there was a Committee for the Direction of Fruit Marketing, which exerted some supply control. Markets in Sydney and Melbourne were publicly run and, at some stage, tried to implement quality improvement measures, for example the juice content of oranges. The major supermarket chain stores did not then have the fruit and vegetable industries by the throat to the extent they now do.

Some specialised growers battled to gain export markets, but with the impediment of being infant industries. A good example of the infant industry problem was brought to my notice by a mango producer on the Atherton Tablelands in Queensland. He had managed to send a container of his product to Sweden. The buyer telexed him after receipt: ‘Great product, please send 32 containers asap.’ This case was part of the reason why I established the Innovative Agricultural Marketing Programme in 1986. There was also no shortage of evangelists, convinced that their product had special health giving or other properties, as well as potential commercial viability (I still do not believe that the eating of bean shoots will extend my life by a decade but I believe the eating of fresh fruit and vegetables will help!).

All together the fruit and vegetable industries amounted to our fourth largest agricultural industry and, importantly, one which was spread throughout rural Australia, with many towns dependent on fruit and vegetable picking and processing for local employment.

Except for those horticultural industries where the long standing statutory export marketing corporations were in place, horticulture, generally, was very adaptable and possessed the seeming willingness and capacity for risky investment, rapid change or exit. Real estate development close to the major cities propelled autonomous adjustment out of the industry for many fruit and vegetable producers and floriculturalists, as well as poultry farmers after World War Two. However, the peri-urban fringe of the major cities and towns was and still
remains a supplier, albeit diminishing, of much fresh food, dependent on local government zoning. The borders of my city seat of Werriwa in the Commonwealth Parliament had many part-time farmers, particularly from Lebanon, producing tomatoes, cucumbers, and many root and leaf vegetables for local sale at door or at roadside. As the local MP, I became aware of the hazards immigrant growers faced with the labelling of chemicals, especially those with limited skills in English.

By the mid to late 1970s a major farm welfare problem had unfolded in our traditional, concentrated irrigated fruit and vine growing areas. Much of this was the product of the small scale of the enterprises. When I was responsible for the Bureau of Agricultural Economic’s *Horticultural Survey* in 1977, and spent time in the field, I acquired some appreciation of the challenges involved in the industry and the economic and social circumstances of many horticultural producers. The DVF industry was in a lot of trouble. Producers were pinned into the two major irrigation areas, Sunraysia in Mildura and in neighbouring towns in Victoria, and some over the Murray River in NSW, which produced nearly 80% of all dried vine fruit (to all intents and purposes NSW farms were regarded as part of Sunraysia; the issues were virtually the same). The Riverland and its towns in South Australia produced the other 20% of all Australian DVF production.

The Murrumbidgee Irrigation Area in the Riverina of NSW was more diversified, did not produce DVF, but faced several additional challenges in terms of markets, irrigation infrastructure and growing conditions. Both of the Sunraysia and Riverland irrigation areas had the characteristic of being composed of ‘fruit salad’ farms, this being the description of small farms growing three or four or more crop types at relatively small scale. The problem for them was that they were so small that that their owners could not afford to have part of their property out of production for some years if they pulled out vines or tree crops to replant with better, more suitable varieties or different species.

As well as the fluctuating export market price problem, loss of market access and declining incomes, farm size and water rights had also become major problems, with evidence of the need for attention to the existing irrigation infrastructure. Slow scaling up was happening in some areas. However new entrants were able to get into the industries relatively cheaply and had to cope with the same problem. Many farmers came from a family background of Mediterranean countries and were knowledgeable and hard working. It was easy to envisage the economic and social effects of what would happen if some of the impediments to more economic levels of production were removed or adapted; that is fewer, larger farms, but with abandoned farm houses and infrastructure and a need to change or upgrade irrigation channels and irrigation methods in most areas.

Wine grape producers had State Marketing Boards in the relevant States and grower majorities on the boards were attempting to hold prices at a profitable level, regardless of the capacity of processors and winemakers to pay unless they too secured economically profitable domestic or export markets. In early 1984, a delegation from South Australia, led by Allan Preece, President of the Winegrape Growers Council of Australia Incorporated (WGCA) representing the then wine grape growers from all wine grape growing states, advised me that his organisation could not secure markets for top class cabernet sauvignon grapes being grown in the Coonawarra area of South Australia. Coonawarra was and is one of our premium wine grape growing areas but the glut of grapes was large in the early to mid-1980s.

The South Australian Government offered a subsidy to pull out unsuitable wine grape varieties and was working to rehabilitate the region and its farms. The growing of dual purpose grapes
added to the complexity of the industry. Some varieties were utilised as a DVF, some for wine and some as table grapes. Thompson’s Seedless table grapes were sultanas treated by being sprayed with gibberallic acid. Three quarters of the multipurpose grape crop were dried. Some of the white wine I drank in the early 1960s came from such grape varieties. It could have been better and it is a long time since I have savoured any Ben Ean Moselle (made from sultana grapes) or Cold Duck. Emu brand wines, which were mainly fortified and exported, still had not disappeared by then. We used to laugh at some of these labels, but we now see many just as hilarious as smaller vineyards and wine makers bid to gain domestic market share.

Dealing with a Multitude of Horticultural Industries

Central to formulating policy on the horticultural industries was that in 1983-84 Australia exported 20% by value of its horticultural products but we remained a net importer, even then. We had prospects for more exports but imports would always be a feature of domestic consumption, therefore industry protection and quarantine measures would also always be an issue.

Three of our horticultural industries took as much of my time as some of our larger industries\(^94\). The wine grape, citrus and tobacco industries all faced particular problems. Imports, disease entry and quarantine surveillance were always constant concerns for horticulture overall, for example, pineapples, apples and bananas. I touch on honey in this chapter, because, while honey may be said to be not a horticultural industry, horticulture crucially depends on a healthy bee population, in absolute terms, for the pollination and fruit setting of so many fruit crops, critically in the case of almonds. The vegetable industries were autonomously restructuring rapidly, and had occasional problems apart from being at the whim of the weather, imports and markets. In some of the newest industries, there was an attitude of optimism or enthusiasm, which could also be labelled innovation and experimentation; exciting really.

One of the first examples of a willingness of some to invest heavily in various forms of horticultural production occurred early in my time as minister. Ted Lindsay, ALP Member for Herbert, organised for me to open the Laudham Park project of 3,000 acres of mangoes south of Townsville on 4 May 1983. The investment was worth $50m and up to 400 jobs were thought to be able to be created. Mangoes are a classic example of an industry undergoing rapid change. Once mangoes were only available in southern Australian markets for about a month each year; the season now extends over five months or more, with a spread of varieties and we are now exporting. I still have the engraved shovel given to me for the ceremonial planting of the first tree.

When I first went to Bowen in North Queensland, I learnt something of the industry’s potential and of how knowledgeable the Vannard and Camp families were of mango cultivation.\(^95\)

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\(^94\) Gordon Gregory on my staff was the key link man on the horticultural industries and a number of people in the Department provided constant well-informed advice. Terry Kelly, George Mackey, Tim Mackey (no relation), Bob Alderson, Frances Cassidy and Bruce Lilburn are just some of the many of those I can still recall. The BAE Economics had been surveying the three traditional industries for some time and was a power house in providing information and analysis, which I greatly relied on.

\(^95\) The irrigation area of Bowen is on the Don River floodplain. When I first saw the Don, it was a sand river and water was being pumped out of the sand beds, mainly for the growing of tomatoes. Having read the book on the First World War battles in Russia/the Soviet Union, I made the observation,
Mangoes originated in India and there were, at that time, at least 60 to 70 known native varieties. The families later helped open up the Katherine region for the growing of mangoes in the Northern Territory.

Growers in Queensland and northern NSW were experimenting with many tropical fruit crops such as winter peaches, lychees, rambutans, starfruit, custard apples and durians. Blueberry and macadamia nut production were attracting relatively large investments, some for tax avoidance purposes.

The key players in the large fruit and vegetable wholesale markets were realising that the supplying producers, consumer demand and the retailing industries were changing rapidly. I regarded wholesale markets as markets of allocation more than of auction, because prices tended to be set mainly by an assessment of supply and demand on the day, with the weather being a factor for some products. Agents and wholesalers were indentifying how to source production optimally through a season, by latitude on the east coast, so as to guarantee fresh

‘Quietly flows the Don?’ I was then shown pictures of the ferocity of the river when in flood. Its catchment area was in high mountains not far inland and flash floods were common. Live and learn!

Planting the first of 30,000 mango trees at John Barlett’s Laudham Park plantation, south of Townsville
and cheaper produce, by way of informal and actual contracting. Some wholesale agents lived in Werriwa and from them I gained a good idea of how the Sydney Wholesale Market worked at Homebush.

Large producers of vegetable exports were coming into play in Western Australia and one large farm, owned by the Sumich family, was successfully exporting carrots and other crops to Asia. Growers of onions in northwest Tasmania were exporting to Germany and other countries. Comparatively, large citrus plantings were increasing in Queensland at a time when export markets for fresh whole fruit were opening up and more juice was being produced as a result of a change of diet in the cities. This led in turn to a threat from cheap imports of citrus pulp to be reprocessed in Australia, resulting in orange trees being grubbed out in the troubled traditional southern growing areas, at the same time as Queensland was increasing plantings. There were many challenges. Always the central problem was how the Commonwealth Government could assist or respond to the many horticultural industries, given the Constitutional problem for Commonwealth involvement in a federal structure, and whether or not it was wise to get involved at all.

I have to begin my story of the wine industry with a whinge – and a reminder: broken promises are nothing new. Governments make decisions when the full picture is before them, never the case in opposition, and must make responsible, consistent whole-of-government decisions for the greater good of the greater number. So surprise there should not be; disappointment and dismay there will be. And so it was for me and for the wine industry.

The Wine Industry: My whinge: Surprise, surprise! Broken promises are nothing new!

The ALP policy for the 1983 election stated:

_Labor will not impose a sales tax or an excise tax on wine;_

_Labor will seek co-operation with the States to facilitate the establishment of Grower Regional Councils, to collect basic statistics and to allow growers to gain a better idea of which varieties can be best grown in their areas;_

_Labor will examine the special problems faced by co-operative wineries and supplying growers;_

_The taxation disadvantages suffered by wine makers with respect to stockholding will be objectively examined on the basis that wine making is a primary production process not a manufacturing industry._

At the time, one of the biggest problems was the disparity between the supply of wine grapes and demand for the end product, against the background of a changing market. The imbalance between supply and demand was compounded by a proliferation of the wrong grape varieties being grown in the wrong areas. Information to guide producers in planting decisions was totally inadequate and the industry was faced with the need to make bold decisions at a time of low profitability if it was to be in a position to meet the opportunities of the 1980s that many in the industry and I could see. Again, this was an area in which State governments had primary responsibility, but they were only slowly responding. The pricing of irrigation water, again a state issue, was a constant source of dissent.
During my shadow minister days, I witnessed and recognised many brilliant examples of the application of science, research, innovation, experimentation and marketing, which was particularly evident among many winemakers and wine grape producers. And some of our universities and agricultural colleges had top class schools in oenology. As a result I came to believe that Australia had the potential to be a major wine exporter if we adopted the latest science and techniques, for example experimented with varieties by region, engaged in blending, adopted the best agronomic techniques and, above all else, concentrated on quality. This is why I argued in various ALP forums before the 1983 election, and had had accepted, that there be no wine tax. My colleague, John Dawkins, at this time chaired the ALP’s Agricultural Policy Committee to which I submitted papers/proposals, which were endorsed.

Bob Hawke’s policy speech in Griffith in February 1983 set out the ALP’s policy in absolute terms: no wine tax. I accepted that previous governments were taxing other alcoholic beverages and that there was absolutely no reason, in terms of tax equity, not to tax wine. Also, if alcohol per se was used as the tax base, then beer was certainly taxed at a much higher level than wine. However, wine is a natural product and not mainly ‘brown water’, as is beer, which had been taxed since Federation. Earlier governments had destroyed the latent potential of our brandy industry by taxing it at the same level as imported whisky. This resulted in it being an industry a shadow of what it could have been. I thought the absence of a wine tax would give the industry a chance to capitalise, raise funds from the domestic market, expand, gain export markets and, most importantly, facilitate desirable adjustment in our then grape growing areas.

Unlike those of a more precise and pure, value free, economic mind, I had no objection to the concept of investment rather than reliance only on the perfection of markets, and this was one area where I thought a winner may be able to be picked, though this thinking caused deep distress to Treasury and Finance Department officials and ‘econocrats’. As I was making my first overseas visit as Minister in May 1983 for the International Sugar Agreement negotiation, the first Budget Cabinet of the Hawke Government decided to tax wine. I phoned the Prime Minister from Geneva and managed to hold the tax off. However, excise on grape spirit was introduced in the 1983-84 Budget and gave me plenty of complaints from wine producers.

Given the glutted production of the grape industries, the timing could not have been worse for an overall tax to be introduced. The wine lake in the EEC was immense and our market was open to subsidised imports. I believed I had to put the industry case, strongly. Yet two of my heaviest wine drinking colleagues were emphatic that wine had to be taxed. The Treasury case had been comprehensive and well argued in favour of a tax. At the time, dry white table wine consumption composed about 56% of the domestic market, with dry table red wine only exceeding fortified wine by 4%, at 24%. We were only exporting 2% to 3% of our wine production. It seemed to me that, in the interests of tax equity, we were to make sure our exports remained at that level. I wondered if Treasury and Finance officials were committed beer drinkers or had some maniacal or ideological desire to destroy an Australian wine industry at birth.

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96 It goes without saying, both were white wine drinkers, not that I am prejudiced, even thought I claim that real people drink red wine and that many white wines are little more than lolly water! Another prejudice - I have a philosophical, almost ideological belief, that wine and cheese should be freely traded, untaxed, throughout the world.
I later lost the wine tax argument, in 1984-85, as I did my advocacy for the taxing of wine at sale not at production. This latter, I thought, would obviously have given winemakers an incentive to cellar our best wines to enhance quality; with this the government would have earned more revenue over time. The Howard Government compounded Labor’s 10%, later 20%, wine tax with one of 41% to 48%, (the Wholesale Equalisation Tax), with cask wine taxed at $2.70 a litre compared with $9 for 750ml of premium wine, which works out at 50% above the tax on beer. This is the highest wine tax in the world, though I concede that the way it is structured does not hurt smaller winemakers to the extent it might indicate due to a threshold measure. While exports are not taxed, it is apparent that governments want to persist with a domestic regime that even goes against what health advocates argue. (The health aspect I largely regard as a red herring.) Soft drinks were taxed at 20% but the amount of sugar in them means that they are by far a bigger health hazard than wine (think of the obesity epidemic). What was also evident was that per capita wine consumption was slowly rising as per capita beer consumption was declining: the ‘fiscal fiend’ was in the search for revenue.

Here endeth my whinge on wine, but it was one of the issues which resulted in lost nights of sleep, because in the era before Prime Minister John Howard introduced the paradoxical concept of the non-core promise, it was a broken promise, nothing other than a broken promise, a promise I had fought so hard to set as policy. I was also concerned about the impact on the industry and people in it. The four ALP State governments with wine grape growing areas were also very concerned.

Once I became Opposition Spokesman for Primary Industry, I received an incredible amount of information and analysis on the wine grape growing and winemaking industries. Robert Hesketh, chair of the Australian Wine and Brandy Corporation (AWBC), was one of the first to brief me and I am forever in his debt for his patience with the industry and for his ongoing advice. The AWBC, in various forms, first came into being in 1929 as a result of export problems associated with the granting of a bounty for fortified wine. Ernest and Judith Marty, lobbyists representing family firms, were also very assiduous.

In 1983 and into the mid-1980s, there was a glut of grapes. This was in varieties no longer suitable for wine production or because of the diversion of surplus production from the DVF industry. This had happened before. John Riddoch had set up the Coonawarra Fruit Colony in 1890. He planted cabernet sauvignon grapes in 1891 but could not sell them. At the time I became involved, more suitable wine-grape varieties were being planted and investment and takeovers of winemakers and vineyards were becoming common. The industry was in transition but it was an industry that seemed to go through cycles of boom and bust, particularly as tastes and more astute marketing changed the domestic market.

When my family and I holidayed in South Australia’s wine grape growing areas in the 1970s, it still had the feature of old established brands, some large companies and co-operatives, established family firms (Lindemans, Orlando and Penfolds) and some new entrants. I drove to Wynns in the Coonawarra but arrived on a Sunday with no one in sight. Growers were pulling out grenache in the Barossa Valley at the time and new varieties and wine making techniques were being adopted. South Australia was our largest wine and brandy producing State. In 1985-86 it had over 42% of all wine-grape acreage, 61% of all wine sales and 90% of the shrinking domestic consumption of brandy.

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97 Chile for example, later a serious competitor in the international wine market, taxes on sale, not production. As a result, large stocks of wine are laid down in Chilean winery cellars to mature.
Wine tastings had been promoted in the 1960s. Our growing middle class of city dwellers was developing a taste for wine and, like me, spouting nonsense about what they saw as the latest thrill in a new wine grape variety on the basis of outstanding ignorance, but good fun in any case. From a background of early, near rural poverty, having an occasional sip of sherry at Christmas, I had become middle class in my tastes. I rarely, if ever, drank or drink beer.

The industry was moving from one based on fortified wines, partially as an adjunct to the DVF industry, and table wine production was increasing attracting overseas corporations buying into established firms. Boutique wineries, often over-capitalised, were coming into play. A third category of winemakers was the surviving family groups, and four large co-operatives making up the fourth category. While the bulk of wines came from irrigated areas, regions such as the Barossa Valley, which had some problems with old disease infected vines, other valley locations in South Australia and NSW, and areas in the other States, were producing larger quantities of table wines than areas which had been devoted to the production of fortified wines. In 1983, 33 varieties of white grapes and 28 varieties of red grapes were being grown in the Barossa Valley, the dominant white was pedro ximenes (for sherry) and the dominant red was grenache, closely followed by shiraz. The industry was still in transition in 1983, and the views of the various different categories of winemakers varied in terms of the issues and depth of intensity with which they were held, for example the corporate entities didn’t think the boutiques were much of a threat. In 1985 there were still only about 300 of these, 200 of which crushed less than 100 tonnes of grapes per year. Politically and industrially speaking, the wine grape growing and wine making industries were by far of most importance to South Australia.

The surviving family firms were in a difficult position in a growing market because they lacked the capital to compete with the larger corporate firms in the then growing cask or bag-in-the-box market in the 1970s-1980s. The four surviving cooperatives mainly grew grapes for sale to wineries but were rapidly becoming winemakers. Some wanted continuity of fixed pricing arrangements, which I believed would not assist them in the long run.

Takeovers in the wine industry began in the 1960s and continued throughout my time as minister, to the extent that, unless I kept up with it I didn’t know who owned what. For example, Pernod Ricard, a French firm, bought Orlandos and Jacobs Creek and then bought Wyndham Estate. Against a backdrop of a decline in sales, Penfolds bought Lindemans (with which I associate the name Ray Kidd), and then the South Australian Brewing Company bought it in 1990, controlling nearly 40% of the market. The implications for trade practices under our law with respect to market domination were starting to require official consideration. From a government point of view, consumers would benefit from increased competition between the large firms and exports would be assisted on account of access to the pick of the vintage and to economies of scale.

In the early 1980s Kaiser Stuhl, in the Barossa Valley, was one of the biggest cooperatives but it merged with Penfolds. Berri and Renmano cooperatives merged under John Pendrigh (who always gave freely of his time and advice to me) and which became BRL Hardy Ltd when it bought Thomas Hardy and became the largest wine company as a single trading company entity at one time. (In 2011 it was bought by a private equity firm and is now known as Accolade). Two of the Hardy brothers, Sir James of yachting fame and Bob, who was particularly never happy with the collapse of our brandy industry caused by government imposed taxation measures, became quite well known to me and they, too, shared a lot of their knowledge with me. As I write there are literally hundreds, if not thousands of brands of wine.
Three issues dominated my negotiations and discussions with the wine grape growing industry: taxation, adjustment and legislated structures. I could also add taxation! I have already commented on the complications inherent in there being a multipurpose grape growing industry, which made policy formulation difficult. That said, it was the decision of the Whitlam Government in 1973 to repeal Section 31A of the Taxation Act that poisoned relations between the industry and the ALP for more than a decade: I only ever met four Labor voting winemakers. Prior to this decision, wine stocks had been treated the same as livestock for valuation purposes, that is, wine was put in the books of makers at a nominal value (as were sheep and cattle) and tax was collected when sold. I was in the Parliament at the time but did not have a clue about the implications of this decision, although I later argued unsuccessfully for its repeal. Once the change had taken place, wine had to be brought into the firm’s accounting at cost or market value, which imposed added difficulties, especially if a wine maker was burdened with stocks that had to be sold at a discount, or if a winery burnt down (there had been one which did). In my time, the imposition of the retail sales tax added to the industry’s anger. The boutiques were incensed about both decisions. This and the decisions of subsequent governments acted as a spur for the industry to become more united at a time when large winery groups and cooperatives were so dominant (and became more dominant due to takeovers when the market improved) and when newer vineyards with younger, innovative, highly educated wine makers and marketers began to come on the scene in the 1960s, coming of age in the 1980s and beyond.

On 24 June 1984 I addressed the Horticultural Section of the United Farmers and Stockowners of South Australia in Tanunda in the Barossa Valley, setting out the harsh statistics for the industry’s production and market prospects, particularly for grapes being produced in the irrigation areas. I made the important point that the AWBC was the only forum in which the main sectors of the wine grape industry met on a regular, formalised basis. I saw problems in this as overall issues of industry and government policy were a distraction from the corporation’s charter. I suggested that an industry advisory council to government was a better way to proceed and said I was thinking of revising the AWBC and the industry’s statutory arrangements.

A paper I had released in December 1983 was followed by another on 17 July 1984 outlining proposals for a reorganisation of the AWBC and the creation of a Wine and Brandy Industry Advisory Council (WIAC), heroically suggesting that I would be seeking the agreement of industry organisations. The AWBC was to have fewer members and be expertise based in its board membership and would concentrate on specific commercially oriented functions. The WIAC was to have an independent chair, seven representatives of national winemaker and grape grower organisations and the Chair of the AWBC in its membership.

On 26 July 1983 I made an announcement that the AWBC would continue but that I was giving consideration to its form and functions so that it would be better able to address problems facing the industry. I was of the view that there was a range of issues that could only be tackled collectively to advance the industry. These functions were research; consumer information; forecasting grape supply and demand; and the preservation and promotion of the industry’s image in domestic and export markets. There was also the specific problem of trying to get grape plantings by variety into better balance with demand, where detailed industry consideration was needed.
A controversy had arisen in the industry about the AWBC’s role with some large companies and the Australian Wine and Brandy Producers Association (AWBPA) suggesting that its continuation was unnecessary. The nub of their objection was that the AWBC must never have any role in the marketing of wine. I agreed with this only in part, because I had no objection to generic marketing in Australia and overseas. I had no objection, either, to the competitive marketing of wine between makers but would have preferred more effort in export markets. The large producers’ views were countered by other independent makers who saw a continuing need for it. The imposition of the grape spirit excise in Labor’s first 1983–84 Budget was causing ‘spirited debate’, particularly about its imposition prior to sale of the product, a time gap of up 15 years in some cases. The industry, as later with the wine tax, claimed that, by its nature, it carried a larger level of stocks to sales than most other industries, creating problems for firms entering the industry, for existing firms when expanding and in periods of rapid inflation.

On 17 July 1984 I made a major speech to the Wine Press Club of NSW setting out my many thoughts on the industry and the challenges before it. At the time the gross value of wine grape production was $233m with retail value of wine sales estimated to be $500m. Seven thousand people were employed on 5,000 grape growing enterprises, with another 5,000 employed by 300 or so wine and brandy producers. I said I regarded the industry as one, regardless of where the grapes were directed and that we were at the “forefront of being capable of being recognised as a leading winemaking nation”. However, I thought it was time that the growing of table grapes become more specialised rather than be an adjunct to the DVF industry. Exports of wine at two or three percent of production still matched imports to the same level, consumption wise. I stated that California was gaining a big start on us and competing strongly with the French on world markets. In June 1984 I had visited vineyards and wineries in the Napa and other Californian valleys and saw both the scale of the operations and the quality it was possible to attain.

At the time in Australia there were takeovers, discounting and fierce competition for domestic market share - and the AWBC was only promoting white wines. There was still not much focus on exports. The result was less emphasis on wine quality and this had to be turned around. As some kind of visionary, I said discounting had to stop; that it was essential for grape price fixing arrangements to be rationalised; that there needed to be more accurate labelling; and the fact that the vast bulk of wine was of lower quality had to be addressed because even the domestic market was static.

On exports, I said that we first had to target our limited quantity of high quality wine to specific markets. I thumped the quality drum quite hard. All this would require cooperation between large companies and smaller winemakers because the smaller makers could contribute to the quality range but not in volume. Statutory grape pricing was a matter for the States to resolve. It seemed to me that the large companies were best placed to pioneer export markets, but the majors were overly preoccupied with short term profits, competition on the domestic market and takeovers. I then outlined the new structure that I had in mind: a revamped AWBC and the WIAC. The speech seemed to be accepted well, but the audience was made up of commentators, not the potential industry implementers of the direction I would like the industry to take.

On 10 September 1984 I announced details of an independent specialist Inquiry into the Grape and Wine Industry to be chaired by Doug McKay. The other members were Noel
Dimech, a grape grower from the McLaren Vale district of South Australia, Norm Hanckel\(^98\), a former Head of the NSW Department of Industrial Development and Decentralisation and a former General Manager of Hungerford Hill Vineyards, and Professor Warren Musgrave of the University of New England. The inquiry was to review the structure of the industry, identify major problems and make recommendations on ways in which the efficiency and competitive abilities of the industries could be improved.

The McKay Inquiry reported to me in April 1985, making 15 recommendations. Principal of these were that vine pull, as it existed for DVF, should be extended to all grape growers; that there be no increase in sales tax for 2-3 years; that tax should be on the current *ad valorem* (in proportion to the estimated value of the goods concerned) not volumetric basis; that there be no reintroduction of 31A on stock holdings (the experts disagreed with me but mainly on the logical basis that winemakers did not pay tax on stocks); that the replacement of legislated minimum grape prices be dealt with by the States; that a mechanism to fund research be introduced; that labelling practices be improved; that implementation of uniform wine standards be introduced; that there be coordinated promotion for export; and that the introduction of Plant Variety Rights would be of value to the industry. It was a very sound report. I released it to industry on 23 May 1985 to spark debate and comment, stating that the permanent WIAC (I had already set up an interim WIAC) must be set up quickly to provide communication and consultation in the industry and that I welcomed moves to form a new national grape-grower and small wine makers organisation.

South Australia, Victoria and NSW set up a working party to examine wine grape prices and had reported in March 1985. Essentially it recommended a single base price determined annually with regional advisory bodies to make recommendations on varietal prices. This allowed market forces to act to some degree, but it was the grape surpluses that finally led to the more rational supply and demand by variety to come into play.

The AWBC had been established in 1980 and through the 1980s was the peak organisation of the industry, but it had limited powers mainly in terms of licensing for export, encouragement of quality and its monitoring, and promotion. The Board’s membership was representative of particular industry organisations. Again, the multipurpose nature of some grape production and subsequent direction to sale gave rise to many attempts to form overall industry representation, particularly to try to get grower unity. At the time there was the AWBPA with a South Australian offshoot, the Winegrape Growers Council of Australia Inc, Grape Producers Associations in the Barossa and Murray Valleys, an Australian Table Grape Association, many smaller winemaker bodies, a Wine Grapes Marketing Board in the MIA as well as the ADFA.

A new organisation was established in 1984, the Australian Grape Producers’ Association (AGPA), which was recruiting members strongly and vigorously lobbying me to establish a Grape Industry Corporation. I received a comprehensive submission in April 1985. At the time, the plethora of organisations, many regionally based, trying to be heard and active in lobbying State governments, were still singing with several voices. Individualism was not foreign to many small, innovative wine makers. The AGPA achieved a large measure of unity for a time. The problem for me was that the proposed functions for the newly suggested body were very similar to those of the AWBC or were being carried out by the interim WIAC, which I had established.

\(^98\) Norman Hanckel later planted a vineyard in Camden in my then electorate of Macarthur and I grew to know him well before he moved back to South Australia.
After two years of discussions on the future of the AWBC, little had been resolved. There had appeared to be reasonable agreement on revised functions and structure but the positions of the AWBPA, small winemakers and wine grape growers split apart during a meeting on 12 April 1985. I had told some of the players that if they could not agree, I would take a purely political position, meaning that I would act without the industry agreement I had hoped for. There was agreement about my proposed advisory council. I told them that I would transform the interim committee into a Council, which would be established and made operational once the Small Winemakers Forum and AGPA could sort out their differences.

Progress had been made on wine and viticultural research arrangements for implementation in 1986-87 under omnibus rural research council arrangements and I had secured funds following on from the McKay Report in my Department’s 1985-86 estimates. The options I faced were to terminate the AWBC; continue it but with only its export regulation function (the wish of the AWBPA, which was the major levy payer); extend the AWBC for three years; or defer a decision. The Department was in favour of termination. George Mackey headed its Horticultural Division. He was ex-WW2, a great public servant who had worked exceptionally hard to secure the agreement I wanted. None the less, I decided to go against departmental advice. Ray Walker was the linkman in my office during much of the time I was negotiating with the industry.

On 20 June 1985 I received a report from the Victorian Government, which was part of their Economic and Budget Review Committee of the Parliament into Wine Industry Taxes. It made the point that due to the fine balance between exports and imports and the imposition of the 10% wine tax by the Commonwealth, that the Victorian Government should vacate the area. However, their industry strategy recommended that they should maintain their liquor taxes. All State ministers for agriculture and some premiers were assiduous in pursuing their industry’s case. That June and July 1985, I spent some time in wine grape growing areas. A delegation of the ALP Caucus Primary Industry Committee visited the Hunter Valley and Mudgee wine grape growing areas on 4 and 5 July. It got the message. Like good backbenchers, they quickly calculated that many small wineries were in marginal seats and raised both the sales tax and the 31a repeal issue with me.

On 9 August 1985 I addressed the AGPA’s Seminar in Mildura. This meeting was also addressed by Rick Farley of the NFF which, sensibly, had recently rejected a proposal to formally align with the National Party. I praised the organisation because I was not aware of its particular pushing of partisan politics on an issue by issue basis, and in spite of its overall New Right economic agenda and the fact that it was generally opposed to the ALP government’s policies and to the speed of reform. I pointed out that the AWBC, as structured, had become too much an organisation acting as a forum for discussing issues of industry or government policy, which was a better role for the WIAC. I again said once the small wine-makers had established the organisation they were working towards, I would establish the WIAC on a more permanent basis as a forum and that the AWBC would be directed to specific tasks with a smaller membership at board level. I also said that I hoped to have legislation through Parliament to establish a research levy, with proceeds matched by government, for the 1986 season.

Deciding that the industry, as such, would never be agreed I took a submission to Cabinet late in 1985 and announced the Government’s decision on 24 December. This included reforms to the AWBC and the establishment of a permanent Wine and Grape Industry Advisory Council (WGIAC). The AWBC was to have a smaller membership, down from fourteen to eight, revised functions and funding arrangements (a maximum levy for any one levy payer). It was to
coordinate export promotion activities at the request of wine exporters on a user pays basis. This was a compromise, to some extent, to try to find an arrangement acceptable to all parts of the industry. I placed specific functions and possible financial requirements on the table for further consideration and legislation. The WGIAC was to concentrate first on the recommendations and findings of the McKay Report. The WGIAC was to have an independent chair, with the Chair of the AWBC and leaders from the industry on it, with funding for its operation provided by the taxpayer. I had been able to secure increased expenditure for research and the arrangements for its administration.

On 16 January 1986 I addressed a workshop on the future of the grape industry in Loxton, South Australia. Over half the grapes in winemaking came from this region and about seven per cent of all DVF was also still being produced there. The South Australian Government had established the Riverland Development Council and Gordon Gregory, of my staff, attended its meetings. I ran through what the Government was doing in areas of economic and trade policy of interest to them, what I thought the local problems being addressed by both Governments were and what I expected the new arrangements to achieve. The Hawke Government had recently established the Murray Darling Basin Ministerial Council and I stressed that at last we may start to address the problems of water management, quality and availability, land management, soil conservation and environmental degradation in the Basin.

On 12 March 1986, with John Button, Minister for Industry, Technology and Commerce, I announced that in order to eliminate unnecessary regulation of the business sector the Government would terminate compulsory maturation requirements for brandy, rum and whisky. On 22 August I met with South Australian Liberal members and senators on what needed to be done in the wine and citrus industries. For local consumption, they claimed that as a result of the meeting, I had finally agreed to vine pull. This was ridiculous as the sum allocated for vine pull was already in published Budget papers. I did agree to examine the proposition that there be no tax on 100% citrus juice produce, but that this was a question for my colleague, John Button.

On 3 October 1986 I announced that George Mackey, who had retired from the Australian Public Service (APS), would be chairman of the AWBC. It was to be a tough job, but George willingly accepted it and I knew that few people were more knowledgeable about all aspects of the industry than he was. Four directors came from the divisions of winemakers in the industry with two independents, Dr Lionel Ward from the Marketing Division of the Australian Wool Corporation and JP Youngman, former managing director of Club Med (Australia) Pty Ltd. The industry members were Peter Barnes from Lindemans, C Hancock from Rosemount Estates, Wayne Jackson from Thomas Hardy and Sons and Tony Smith owner of Plantagenet Wines in WA. Bob Alderson was appointed as the government representative. Robert Hesketh, Karl Seppelt and Doug Collett had ensured a smooth transition.

On 9 October I announced the membership of the new Grape and Wine Research Council (GWRC). This was to be chaired by Graham Gregory, Deputy Director-General of the NSW Department of Agriculture and former Chair of the NSW Dried Fruits Board. The membership of the Council’s Board was Dr Bryan Coombe, Brian Crosier, Roger Hoare, Dr John Kirk, Phillip Laffer and Bob Roberts with Keith Jones as government member. Most were known to me: the Board was a sound mix of research expertise and industry knowledge. The two new organisations were put to work and much of the vexatious debate within the industry calmed down.
On 3 June 1987 I announced membership of the Wine and Grape Industry Advisory Council (WGIAC). Dr Kevin Foley was to be the independent Chair and the industry membership was Bob Hardy, President of the AWBPA, Don McWilliam, AWBPA, Brian Croser, President of Australian Winemakers Forum (AWF), Murray Robson, AWF, John Pendrigh, President Wine and Brandy Cooperative Producers Association of Australia Inc, Roger Hoare, President of the Winegrape Growers’ Council of Australia (WGGCA), J Petch, L Pech and B Ferry also of the WGGCA, George Mackey, Chair of the AWBC and Graham Gregory Chair of the Grape and Wine Research Council (GWRC). I suggested that the WGIAC should also examine the recommendations in the McKay Report and come back to me with advice.

Strong arguments against generic promotion continued but on 10 August 1987 I launched the AWBC’s export promotional publicity material. Exports were increasing and the material was seen to be of use to winemakers establishing export markets for their product. I accepted the views of the large companies but still believed I could not ignore the needs of smaller players. By this time domestic consumption was 21.4 litres per head and the highest in the English speaking world, so exports had be the driver of the industry. I once calculated that if the per capita consumption could match mine, Australia would need an industry five times bigger than it was.

Apart from the organisational decisions taken, part of the reason for a lessening of debate and protest was that wine exports had started to increase from 1986. The 1985 harvest was 560,000 tonnes of grapes, an increase on the record vintage of 1984 of 519,000 tonnes. Some of the 1985 harvest was diverted into distillation. Imports, the great worry of the boutiques, amounted to 13,244 kilolitres compared to 108,200 kilolitres of exports. In 1985-1986, exports nearly doubled to 215,000 kilolitres with the value rising to $44.56m, an increase of over 117%. While exports have fluctuated year to year and required ongoing astute attention, they have risen ever since, despite attempts by the economically pure to frustrate them. As for imports, there was an ongoing issue with compliance with Australian standards. The same issue for exports had to be discussed with the EEC, plus the question of nomenclature in European markets, a job which fell to my colleague Trade Minister John Dawkins. All was eventually resolved, but it took time.

As with nearly every industry I was associated with, the Government’s decision to move to a uniform tariff regime for all industries caused concerns in the wine industry. In 1988, some sections of the industry stated that the decision to phase down tariffs to 15% ad valorem would hurt the industry. The claim was based on the proposition that grape growers in irrigated areas would have their economic viability seriously damaged and were concerned that wine would be imported from Argentina at a value of 20 cents per litre. When examined it was shown that only 1,300 litres of bulk wine had been imported by the end of 1988 at an average unit level of $3.40 per litre. At 20 cents per litre ad valorem the average level of protection would have been equivalent to 211%. There had been a real depreciation in the Australian dollar since the end of 1984 and exports had increased by 140% since 1984/85, while imports had declined by one third. I rejected the claim.

When George Mackey’s term finished, I appointed George Paciullo Chair of the AWBC. George very successfully represented the industry’s views to the Government and to me. A change in the criteria for winemakers/exporters for eligibility for Export Market Development Grants, outside my portfolio area, caused a particular problem for successful but small and middle range exporters, which was never entirely resolved to the industry’s satisfaction.

The Taxation of Wine and Spirits
The distillers and brandy producers had a long running dispute with governments over the years. They were primed to fight any additional impost. Total consumption of spirits had risen from 1965 prior to the excise being raised from $2.60 per lal (litre of alcohol) to $3.08 per lal to $9.35 per lal in 1973 (legislated), and then to $18.75 per lal in 1978, all under conservative Coalition governments. The rate of inflation played a large part in determining the increases. The Hawke Government raised this to $21.39 per lal in 1983-84, from which time it was indexed. These changes induced an increase of imports by 65% which had a disastrous affect on domestically produced brandy, whisky and rum. By 1985-86 Australian produced whisky sales had dropped to 1.2% of the domestic market and brandy to 26%. No doubt we were gaining some excise revenue from the imports (many subsidised), which we were encouraging. However, the industry issue, not the revenue issue, was that brandy had been part of the solution to mopping up excess production of grapes. I was slowly learning that industry issues always take second place to revenue issues.

The repeal by the Whitlam Government of Section 31a of the Income Tax Assessment Act was implemented on the advice of the Coombe Taskforce’s Inquiry into the Continuing Policies of the Previous Government. The way in which the Section was repealed raised an instant debt owing to the Government amounting to many millions of dollars, and at the same time, eliminated the equalising mechanism it afforded the wine industry in recognition of its capital needs and commitments from year to year. As I have already stated, this, naturally, poisoned the relationship between the industry and the ALP, a problem exacerbated by our imposition of the 10% wine tax in the 1984-85 Budget which was raised to 20% two years later. The duty on imported wine was also simultaneously reduced in line with the tax regime on Australian wine, which fed the industry’s fears of an increase in wine imports. The tax was also imposed on alcoholic cider. The 10% was calculated to raise $92m in a full year. I wrote to the Prime Minister before we increased the tax again, enclosing a copy of the relevant section of the McKay Report, which I had followed religiously, despite any misgivings about the stockholding issue.

Regarding the taxation of wine stocks, the McKay Committee accepted that the industry faced an issue with inflation if stocks had to be held for a long time and which particularly disadvantaged industry entrants. However, the industry had changed greatly since 1973. In 1985 the majority of wine was being sold in casks and flagons, reducing the impact of stocks on liquidity. Growth in the industry since that time as well had also enabled adjustment to take place. McKay judged that demand would keep up for specialty wines from the boutiques where some high quality wines were now being produced. The tax system was not to be based on value judgments (that is, any industry policy considerations and prospects for growth in an export industry). My wine industry hating colleagues in Cabinet would never support me, so I eventually gave up on the issue. I had raised my concern about the timing and effect of the tax with Treasury and received a comprehensive and rational reply on why the tax was justified. Economists believe their discipline is positive rather than normative and advice is thereby value free- and that they are not qualified to comment on values. The AWBPA then campaigned for wine stock to be inflation adjusted, but I could not get any support for this idea either.

I had to defend the decisions. My argument, as an industry minister, when the protests deluged my office, was that there was no argument against the tax in terms of tax equity, that in an inflationary environment, 10% was comparatively low, and that if we wanted to lift exports to $1b by 2000, this would not help in the short term. The industry reality was that, at the time, it cost $30-35,000 per hectare before wine grape plantings came into production over four to
seven years. I far preferred an industry policy approach, not a tax policy. With the transition occurring in the industry I was concerned that banks would squeeze out smaller producers in favour of larger firms and multinationals. It was complicated, because I also believed that large producers would be best placed to secure export markets. Eventually, one large combine had access to 40% of the Australian vintage, as noted above. Wine consumption in Australia in 1982-83 was lower than it had been for the past five years and consumption in 1983-84 was only projected to be at the level of 1981-82, well below 1979-80. In other words, winery demand for grapes for crushing had shown little change since 1979.

As I keep saying the industry was in transition, but marking time as it replanted more suitable varieties. The Australian Associated Brewers had lobbied parliamentarians heavily and was, unsurprisingly, ecstatic about the tax measures. The excise on beer was equivalent to a tax of 80% for bottled beer and 155% for bulk beer. The West Australian Labor Government did not share the brewers’ views and the Premier and Deputy Premier wrote to me in emphatic terms. The South Australian Labor Government was no less emphatic; Premier John Bannon was ‘astounded’ by the 10% tax decision and wrote to both the Prime Minister and Treasurer in protest.

From a hard headed point of view (a macro-economic view?) the facts were that beer consumption was falling, wine consumption was rising, flagon discounting was common as real prices dropped, ‘champagne’ was becoming cheaper than beer and mineral and soda water was taxed at 20%. With a sales tax rate of 10% compared to other beverages, wine was still favoured, and any impact would be on marginal grape producers, which may have been thought to be advisable by the macro-economic gurus? This taught me a great lesson but I still believe that the tenets of macro economists are not always useful nor are macro economists much interested in applied industry micro economics or the realities of agricultural production.

The problem I had was in dealing with the industry in transition, and having to deal with thousands of farmers, many of whom were necessarily adjusting production slowly, not a handful of breweries. As I have said, the reasoning for the tax in terms of tax equity could not be disputed. The Treasury case was exceptionally well argued. However, the letter I received from the Treasury via the Treasurer, implied that I had no right to query the tax decision, or make any public qualifying statements trying to hose down the protests. Expletives deleted: I retain the letter and my knuckles have long since recovered.

What was the effect of the tax on sales? Firstly, available statistics did not take into account producers making less than 250,000 litres of wine, that is, we only had figures for 68 of our then 381 winemakers. I had got to know the McWilliams winery in the Riverina during my time with the BAE’s horticultural survey in 1977, and Don McWilliam since at industry meetings. Don maintained that the figures disguised the actuality of the situation. It was estimated that the smaller winemakers accounted for 3% of total sales but 16% of bottled sales. The first imposition of the tax showed that sales had increased by 2.5% overall but that flagon sales had dropped by 21.6%, that bulk wine sales had dropped by 32.2% with bottled and sparkling wine the only categories showing an increase. The published accounts of the larger winemakers later showed that it was apparent that much of the tax was being absorbed as they re-constructed their businesses. However, wine grape prices for growers fell by almost 18% and wine stocks rose to 552m litres. Essential, structural adjustment within the industry was not helped by this: collateral damage?
The various analyses carried out by the BAE showed that wine grape growers would carry half the cost of the tax, calculated to be a 14% reduction in grape prices in the medium term. Another study showed that if the 20% sales tax was doubled, domestic sales would decline by 20%, grape prices would decline by 32% and the grape supply would inevitably be reduced. While prices to growers certainly dropped and caused me much pain in dealing with the protests, some of the more worrying estimates of the impact, fortunately, were not to be realised. This was due to factors within and without the industry, such as large producers of wine scaling up and growing their own grapes and the boutiques multiplying and surviving on the back of rising incomes in Australia’s middle income earning classes. Not all investment in the boutiques was wise in economic terms, but was sustained and subsidised by people with large off farm incomes wanting to be part of the industry. There was always some romance about specialty or individual wines, but small wineries, too, always had a financial problem with a bad vintage. Imports rose but not to a damaging degree.

As I predicted, the Australian wine industry became a major export earner. This was in spite of the fact that in the 1990s and early 2000s we became complacent about quality and the industry expanded too much, under less than inspired management. Some of the larger firms split and most of the family firms survived. Widespread discounting continues due to excess supply and the policies of the two major chain stores which have been active in buying out wine wholesalers or in sending them broke. As I write in 2013 some large winemakers seem to be ignoring earlier lessons on the importance of quality and the importance of having people on boards who know something about the wine industry. Australia now has 148,000 hectares under wine grapes, despite the nostrums of the economically pure, but it has been a battle.

The IAC and Fruit Growing Reconstruction

The Industries Assistance Commission (IAC) had first examined fruit-growing reconstruction, generally, and the South Australian Riverland Region, apples and pears and dried vine fruits, specifically, in a report in 1975-76. The IAC said its recommendations were also to be relevant for DCF, but advised that it needed to look at the industry separately, again, which it did in 1982. It made the obvious, but general observation, that there were now only limited export markets; that our exports only amounted to 1% of Australian farm export returns overall; that returns to scale were limited (if the capital could be mobilised); and that the problems were regionally concentrated. It was this that led to the IAC’s view that the earlier Fruitgrowing Reconstruction Scheme of 1972, (known as tree-pull), which had been twice extended, had successfully facilitated some adjustment, contributed to grower welfare and reduced the cost of direct production subsidies, but that there were also shortcomings in the Scheme.

The point the IAC made was that policies of efficient resource adjustment did not match up to the personal well being of farmers and their families. The means testing criteria was clumsy if one examined the welfare situation of the individuals exiting the industries. The IAC recommended that the stabilisation arrangements in the three SMAs only continue to the end of 1977 and that a compulsory two pool scheme with unrestricted entitlements should replace the then industry voluntary equalisation scheme. The Fraser Government, 1975-1983, decided to extend stabilisation until the 1980 season and to introduce compulsory equalisation from 1978.

The IAC also recommended the establishment of Area Redevelopment Authorities (ARAs) in fruit growing areas facing major adjustment problems; the provision of special adjustment counsellors to service these authorities; and that adjustment finance on concessional terms be advanced for three years to aid fruit growers in the regions affected. The IAC at the time was
also examining a more general rural reconstruction measure, or measures, and was strongly inclined to adjustment, funds for farm build up, if feasible, but also for moving farmers out of production but with some dignity. The Fraser Government did not proceed with the ARAs.

In Opposition I had made a speech endorsing the IAC’s ARA approach. As Opposition spokesman I had the theory that if the ALP won government and if I could get access to $40-50m, this could be rolled through the major irrigation areas facing financial misery and come out the other side with the same amount of funds or a profit as well as reconstructed irrigation areas. However, once elected, I was to be thwarted in this grand theory as we faced an intimidating Budget situation- the Fraser/Howard Government was not noted for its Budget management skills.

We also faced and an increasingly interdependent world embracing global financial markets and the promulgation of debt instruments (the world had just started to confuse credit and debt with wealth). The Commonwealth ALP Government became more economically rational and sensibly adapted to the new international reality.

**Dried Vine Fruits**

The dried vine fruits industry had, historically, experienced widely fluctuating production and returns. Between 1976 and 1983, production had been within a range of a high of 98,602 tonnes (in 1980) to a low of 60,190 tonnes (in 1981), with an average of 84,900 tonnes for the period 1980-83. The BAE’s Surveys bulked grape growing into multi-purpose grape growing, because growers could easily switch grapes into wine, or for the table, during a season. In 1983-84, there were 3,383 multi-purpose grape growers in Australia of which 1,698 were in Victoria. The average Farm Cash Operating Surplus (FCOS) per farm was estimated to be $7,626 Australia wide and $5,429 for Victorian growers. The comparative estimates for 1984-85 were $18,360 and $19,300, respectively, at a time when the number of farms had dropped by 131, of which only 24 exited in Victoria. The international supply and demand situation had a rapid impact on price and the profitability of the Australian industry.

Horticulture was another industry dramatically affected by Britain’s entry into the EEC and by the production and export subsidies provided by Europe’s Common Agricultural Policy (CAP). This was threatening world markets and possibly opening up our market to subsidised imports from the rapid, subsidised European expansion of plantings in Mediterranean countries. The growing of both dried and canned fruits in Australia was concentrated in irrigation areas, meaning that some inland towns were vitally dependent on the industries for both seasonal and regular employment.

Returns to packer per tonne of sultanas rose from $814 in 1978 to $1,218 in 1980, but fell to $860 in 1982 and $893 in 1983. The stabilisation arrangements, when I was a shadow minister, were intended to apply to sultanas produced in the 1978 to 1980 seasons, but because of record export prices, they were repealed at industry request after the 1978 season. The Fraser Government subsequently implemented a sultana underwriting scheme to apply to the 1982-1986 season, which I inherited as minister. Prices on the world market were subject to seasonal influences in the other main producing/exporting countries, such as the US. The other major factor was the assistance given to Greece when it entered the EEC and secured a considerable price advantage within the EEC, the most important international market for DVF. More often than not an oversupply situation prevailed on world markets. The US and Turkey provided very active competition for Australia on world markets.
The Australian Dried Fruits Association (ADFA) controlled the marketing of the bulk of domestic DVF and ADFA affiliated packing companies graded and packed more than 90% of each season’s crop. About one third of Australian production was consumed in Australia, normally above the export price. The industry also had a Dried Fruits Research Committee, which was allocating about $0.35m to $0.4m per annum. The Committee was composed of a mix of people very au fait with the industry. Relevant State governments were assiduous in pressing the case of the distress in the industry on the Commonwealth and it was necessary to consult them, regularly.

On 14 September 1983, following discussions with Henry Tankard, Chairman of the ADFA, and Ian Thorn, its General Secretary, it was decided to send a reference to the IAC on assistance for the industry. This reference required the IAC reporting in 90 days on assistance during the 1984 season, and to report by the end of September 1984 concerning assistance for 1985 and subsequent seasons. Subsequently, in February 1984, we announced that we had accepted an IAC recommendation that no additional assistance be provided in the 1984 season.

The ADFA wanted a greater predictability of returns; increased underwriting for dried sultana production; improvement of statistics on the industry’s productive capacity; the retention of the Australian market for local production; continuation of statutory equalisation; and examination of the problems in the relationship of dual purpose grapes with respect to the setting of minimum prices for wine grapes. I advised the ADFA that the industry faced changes no matter what action was taken and that it needed to adopt the latest production technology (which would need investment) and that the average size of irrigation blocks would need to be increased.

I had well remembered the IAC’s mid-1970s report into the reconstruction of fruit growing areas noted earlier. Some of the industry’s requests also directly involved State governments. The longer inquiry by the IAC was to be wide ranging. Industry expenditure at the time was financed by a levy on fruit delivered to packing houses and matched by the Commonwealth; it amounted to $353,000 for 1983-84. In August 1983 a further payment of equalisation to producers of raisins for the 1982 crop of $222,649 was made. For currants and sultanas initial equalisation payments were set at $100 and $415 per tonne respectively, for the 1983 season. As with other industries the loss of, or decline, in export markets had meant that domestic sales were less able to bolster overall industry revenue and, socially, the regional and personal welfare implications of this were large.

On the basis of the excellent information the BAE’s surveys had provided, the BAE made a very comprehensive submission to the IAC enquiry in April 1984 advocating a more market based approach. The research and analysis was exceptionally good and the logic was impeccable, but a little hard for me to swallow, politically. It advocated domestic prices to be at export parity; export market entitlements to be deregulated; sultana underwriting be reduced; tariff protection phased out; carry on finance be extended under the Rural Adjustment Scheme (RAS); and a national grape pricing advisory committee be established, to replace State government regulations. Bob Alderson, the then key person in my Department, advised that he could not see me getting easy industry agreement to this. I agreed. The Victorian Farmers and Graziers Association and United Farmers and Stockowners of South Australia submitted the proposal of a two-pool scheme, with most protection measures intact and with more power in the hands of the ADFA. They thought they could manage their way through the crisis with more powers and more assistance.
In March 1984 industry concerns were raised about some small imports of very low priced Greek DVF entering the Australian market. I arranged talks with EEC officials in Canberra and followed them up during EEC/Australian ministerial consultations on 20 March 1984. The problem was that the EEC had bought 27,600 tonnes of Australian DVF in 1982-83 and that the issue would have to be dealt with sensitively, by negotiation. We did not want to lose any market nor be seen to want it both ways. The industry pursued the course of imposing countervailing duties and was successful to some degree. Fortunately, the immediate threat passed. On 15 June 1984 I announced payments to DVF producers of $2.913m under the equalisation arrangements and also announced increases in equalisation payments for the year ahead and payments for the underwriting of sultanas for $1.321m.

In July 1984 the IAC issued its draft report recommending that equalisation continue between 1985 and 1990, but the levy be reduced to the equivalent of a 15% export subsidy. The IAC also recommended alternative methods of redistributing the levy proceeds to the industry during the phasing down period, one of which involved the provision of $5m additional assistance for structural adjustment for producers. The IAC proposed that import duties remain unchanged but that underwriting be reduced to 80% of the average export returns over the preceding three seasons.

On 11 July 1984 I opened and addressed the Federal Conference of the ADFA in Mildura. I drew attention to the fact that 800,000 tonnes of DVF were available on the world market in 1983-84 compared with an effective demand of 650,000 tonnes (nearly all sultanas) and, like it or not, we had to address this reality. The industry had recognised the situation it faced, but was embracing a market entitlement scheme, which the IAC and government were examining. The facts were that irrigation blocks that once could support a family 30 or 40 years ago no longer could do so, and those who had borrowed heavily to buy out their neighbour were also in a lot of financial trouble. All that I could offer was to lessen the pain of inevitable adjustment. The industry wanted to ban imports but the unfortunate fact was that we, as a trading nation, could not expect to be as two faced about fairer trade as was the EEC (some 1500 tonnes had been imported in the first half of 1984). The growers took my ‘lecture’ somewhat glumly but I was not telling them anything they did not already know.

I waited for the final IAC report, which was subsequently released on 20 December 1984. The recommendations fell into six main areas and seemed sensible enough to me, so we prepared a cabinet submission. There were two recommendations of particular concern to the industry. One was that assistance be reduced each season until the ex-packers return in the 1990 season was 15% above export returns. The second was that the underwriting of sultanas for the 1985 and subsequent seasons be based on average export returns at the cif level (cost, insurance and freight, included in the price), be payable over all sales, and that the underwritten return be 80% of the average of the preceding three seasons’ export returns. The IAC recommended the virtual status quo for other measures of assistance, but that another $5m be put into the Rural Adjustment Scheme (RAS), exclusively for the DVF industry, to facilitate adjustment. Time was being given for the necessary restructuring of the industry, if it could be achieved with a minimum of pain.

In early 1985 I announced the appointment of Ernest Barr to chair the ADFC Board, and two new members, Michael Lucey of the Mildura Fruit Co-operative Company Ltd and Colin Roy, a fruit grower from Renmark, South Australia. Ernest was a very good appointment and by this time I had also got to know Vin Byrnes, one of the other Board members, from Dareton NSW. The industry was still arguing strongly for a market entitlement scheme. The problem
with this proposal was that it could easily provoke the dumping of grapes onto the wine grape market, which was still heavily in surplus.

On 26 March 1985, I announced the Government’s decision on assistance to the industry. The basic approach would be on welfare, adjustment and a vine pull scheme. $5m was to be made available, hopefully matched by concerned State governments, as well as the measures associated with the RAS such as debt restructuring, household support and rehabilitation assistance for those assessed as non-viable in the long term. Additionally, there was to be a considerable emphasis placed on the retraining assistance programmes then generally available. The Government accepted the phasing down of equalisation so that equalised returns would be no more than 15% above average export returns. Not that this would go down well with producers, but it would make them less vulnerable to overseas competition on the domestic market (a 21% ad valorem duty was in place for imports). It was also decided to underwrite sultana returns at the rate of 80% of the average export returns for 1986 to 1990. Research funding was also increased.

I stated that I would take up with the States the question of the negotiability of water rights and the flexibility of water delivery. They quietly supported the measures announced but preferred me to be the deliverer of the bad news. In October, the Commonwealth and Victorian Governments agreed to the terms of the Vine Pull scheme with the Commonwealth putting in $2 to $1 from Victoria. As noted above, Doug McKay, former Secretary of the Departments of Trade and also of Primary Industry, had conducted a comprehensive enquiry into the wine grape industry, which became available to me in 1983. His report advocated a vine pull scheme (VPS) for the wine grape industry. Funds were allocated in the 1985 Budget for vine pulling. South Australia used the funds to pull out wine grape vines and replace them with better, more saleable wine grape varieties, once the arrangement was negotiated with that state.

In September a time-consuming issue arose regarding Michael Lucy’s continued membership of the ADFA board. A local ALP member living in Mildura, Lindsay Leake, was so concerned that he asked the Victorian Labor Agriculture Minister to conduct an enquiry into the ADFA’s activities because of grower dissatisfaction and problems or allegations coming from Canada. I also received some 200 circular petitions from the Ethnic Grape Growers Association (mainly people of Greek, Turkish and Yugoslav background) on the issue and strong representations from the Victorian Farmers and Graziers Association. The file I hold on the issue is comprehensive. The nub of the problem was that Australian Dried Fruits Canada Limited (ADFCCL) was the sole distributor of Australian DVF in Canada. The ADFCL was owned 50% by the Campbell family (Canadian nationals) and the rest by ADFS, which was an Australian firm handling 85-90% of Australia’s DVF. ADFCL had six directors, four of whom were Canadians. Michael Lucy was a director of ADFCL and ADFC as well as the ADFA and was perceived to perhaps have a conflict of interest. I did not see it this way and the problem was more guilt by association when ADFCL and Mr Campbell, were both fined for evasion of tax, 685,000 and 528,000 Canadian dollars respectively in Canada.

The ADFC took independent action. Like me, they were intent on holding onto the Canadian market and renegotiated a better, continuing arrangement for sales. I consulted with the Attorney-General’s Department and the Office of Public Prosecutions and advised the Prime Minister. On 1 October 1983 I met Michael Lucy and he provided me with a statutory declaration stating that he had no knowledge of the ADFCL tax evasion prior to it coming before the Canadian court. It was established that there were no legal grounds for his dismissal from the ADFA Board; he had only attended 2 annual meetings of the ADFCL Board. His membership of ADFS may have been a different matter and very bad publicity and allegations
were rife. The advice from the Attorney’s office was that I should, none the less, urge Mr Lucey to resign from the ADFC Board. He told me that he had legal advice stating that he did not have to resign but said he would reconsider his position. I believe it was the wise council of Ernest Barr that finally convinced him to do so as well as my patient explanation of the situation he was in, whereby allegations would continue to be made that he was either naive or was not telling the truth; not a very comfortable time for all concerned. I did not sack him, but he was no longer an ADFC Board member in early 1988 when I announced its new membership, on the advice of the statutorily based board selection committee, which I, by then, had appointed.

As part of my developing policy, the Dried Fruits Research Council became one of 14 new research councils in April 1986. (A separate chapter deals with agricultural research and development.) In this month I announced that Jim McColl from South Australia would be Chair of the council’s Board and appointed seven other members, three of whom were prominent and innovative growers. In April, my South Australian counterpart wrote to me advising that there had only been limited demand from DVF producers for vine pull assistance because of a short term rise in the international price. It was agreed that the Commonwealth and the three concerned State governments would meet to review the scheme and agree to transfer the VPS funds earmarked for DVF to wine grape vine pull as an addition to funds for vine-pull agreed under the auspices of the McKay Report into the wine industry. In July it was also agreed to set up a committee, chaired by Ernest Barr, to examine proposals to improve our table grape export performance, perhaps again using vine pull funds to plant more marketable varieties, such as red globe.

Entrepreneurial brothers named Hal and Don Hewitt from the Mildura area tried to establish themselves in the table grape export business by exporting Thompson Seedless sultanas to the US and Japan. However they ran into a range of problems, some technical, a time constraint imposed because of the need to get quarantine clearance for their target countries, some in terms of likely market success, but some within DVF local politics at the time. Departmental officials in both the Trade Department and DPI were very active in providing assistance through the usual channels and the firm Mayne Nickless had invested $100,000 in their proposal. I gave approval under the Trade Promotion Visits Fund for a visit of potential importers from the US and Japan. A Mr Pandol and a Mr Kashiki visited Mildura and the Hewitts saw them in both Melbourne and Mildura. Both had doubts about the likely success of the venture but offered the Hewitts an invitation to their countries to see what needed to be done and how it needed to be done. The Hewitts wanted me to advance $50,000 for an on board mini trade fair utilising the Columbus shipping line to carry five tonnes of Thompson Seedless grapes to be a trade display off the US shore. This went far beyond my legal capacity in terms of providing funds for market testing. The Victorian Government and the Table Grape Growers Association in Mildura were also developing proposals to promote exports. Both John Button, Minister for Manufacturing Industry, and I did everything we could to assist them and we were lobbied by Hal Hewitt for at least five years on the issue, which was never satisfactorily resolved. Some people are very persistent; this was one of many issues during my ministerial experience that did not go away. (I still receive letters about issues that arose 30 years ago).

During 1987 my participation in DVF matters was limited to regulatory announcements on equalisation and underwriting and appointments of members to industry organisations. However, it was evident that the industry was only slowly coming to grips with its overall problems and need to adjust more quickly. The Treasurer, Paul Keating, sent another reference to the IAC on my advice, ahead of the usual schedule for references, in July 1988.
Since 1984 there had been a run of favourable world prices and, with the exception of 1989, good seasonal conditions. This was slowing down what was seen as necessary long term adjustment.

To complicate matters, our wine exports were starting to grow strongly, from a low base, thereby enabling some autonomous adjustment, and not just adjustment out of the industry, which was to be welcomed. The ADFA and ADFC were putting a lot of emphasis into ensuring that Australia’s product was of the highest quality and able to command a premium on world markets. However, some observers were wondering if the assistance measures were necessarily facilitating any adjustment or hindering it; the argument for tough love. By this time I was well advanced in establishing the Australian Horticultural Corporation (AHC) and the Horticultural Research and Development Corporation (HRDC) which I discuss below. Suffice to say that it was my aim to have the three industries covered by the statutory marketing corporations to come under the umbrella of the corporations at some stage.

The Government’s May 1988 statement on the reduction of all tariffs had to be taken into account by all industries and industry ministers. Further, the Government’s position on freer agricultural trade and the formation of the Cairns Group of a bloc of countries pursuing freer agricultural trade, along with the end of agricultural subsidies and protection, meant that a more consistent position had to be taken on overall domestic policy. Good government is only possible if cabinet ministers stick with the thrust of sensible overall long term government policy. The other background matter that always had to be kept in mind was the fact of the Australian Democrats in the Senate, who were inclined to listen more than attentively to individuals in industries undergoing stress. I could always understand the personal pain, having been a farmer and once wedded to the farm.

The establishment of the AHC in 1987 was now an intersecting policy factor which, by definition, had to be involved in discussing the future statutory marketing arrangements for the three existing corporations. By this time the apple and pear and citrus industries were members of the AHC and the Australian Nurserymen’s Association has just become a member. On 19 July 1989, Geoff Miller, Secretary of the Department of Primary Industries and Energy (DPIE), was invited to open the Annual Federal Council meeting of the ADFA in Mildura. His speech was firm and he pushed the case for the ADFC to come under the umbrella of the AHC. It was becoming general knowledge that the draft report had clearly indicated what the IAC would announce but the council had a week or so earlier rejected the end of statutory equalisation and any move to join the AHC. Miller stressed that DVF could not survive as a market straggler in the corporate and financial world which agricultural exporters faced. Michael Duffy, Minister for Trade, officials from the Department of Foreign Affairs and Trade, Geoff Miller, his departmental officials and I were fighting hard in international forums to achieve freer agricultural trade, obviously something which would be to the long term benefit of Australian agriculture.

I met with the ADFA in Mildura on 11 August 1989. The IAC reported once again on 1 September 1989 and I released the report on 5 October. This was a report which was exceptionally thorough and deserved close study. Did DVF producers read and absorb IAC reports or simply rely on the ADFA to represent them at executive level? The IAC gave estimates of the effective rates of protection for the industry. While these were high in some years, up to 120% in 1983-84, the consumer transfer was estimated to be only $17.9m. In 1986-87 it was estimated to be down to $11.4m, due to the interaction between fluctuating levels of production and the price on international markets. These estimates, politically, I stress politically, were not matters, to die in a ditch to eliminate, not that I ever expected the ALP
could ever win the constituencies concerned. But, the IAC, with impeccable economic logic, all
departmental advice to me and submissions from the ABARE, had been advocating the same
general group of recommendations since the mid-1970s; hard reality had to be faced. My
economic inclination would not allow me to ignore the IAC’s well argued views about an
industry which had to face change and understand that there could be opportunities for a more
efficient industry. To my mind what was important was to try to ensure that the industry
continued to adjust more quickly into a more profitable state, rather than for me to take
precipitous steps which would impede this and cause disruption to regional towns.

The Commission recommended that statutory equalisation provisions be withdrawn at the
end of the 1994 marketing year and that in the intervening period there be a phase down of
returns to no more than 15% above export returns. This represented in effect a transition of
over 20 years for the wind down. It also recommended that underwriting of sultanas cease in
1990; that the ADFC’s powers to approve sole agents in some markets end; that its structure
be preserved, but operate under the umbrella of the AHC; and that the current tariff provisions
be subject to reductions as outlined in the Government’s May 1988 Economic Statement.
Cabinet agreed with the submission I put forward endorsing the IAC’s recommendations.

The proposal to put the ADFC under the AHC was the most difficult to achieve, simply because
neither the ADFA nor the ADFC could see “any logical, reasonable or compelling argument
why such a move should take preference to a reformed ADFC”, to quote Ernest Barr. There
wasn’t sufficient incentive for the industry to move other than to an arrangement that would
accommodate some aspects of an uncertain future. The Australian Horticultural Corporation
(AHC) had been established by this time and took up negotiations on the IAC’s
recommendations with DPI, acting on the Government’s agreed position. It argued that the
industry could continue autonomously as a Product Group Committee (PGC), but “so what?”
said the ADFC. Negotiations started in the last months of 1989 and continued well into 1990
and will be further discussed below. My personal, but somewhat agonised position, was that if
industries were going to have to survive on their own merits, virtually unprotected, they
needed some form of statutory organisation rather than try to survive by way of a voluntary
arrangement which, given the nature of the industry, was bound to fracture. With great
reluctance, the industry eventually came under the AHC umbrella.

The Deciduous Canned Fruit Industry

I relied very heavily on the BAE’s analyses of the deciduous canned fruit industry’s
predicament. The industry was mainly about the production of peaches and pears with
apricots a minor proportion of what was canned.

The Letona Cannery in Leeton in the Murrumbidgee Irrigation Area (MIA) in NSW and the
Berri Cannery in the Riverland were both facing debts and closure by 1983. A receiver had
been appointed for the Riverland cannery with debts in excess of $30m; it was being offered
for sale at $2.25m, but with no takers. The Riverland was emerging as a special regional case

for adjustment and a Riverland Council for Redevelopment had been set up by the South
Australian Government along the lines recommended by the IAC in 1976. Letona was being
managed by an administrator and had accumulated debts of $2m. Both the Commonwealth
and NSW Governments had advanced financial support to keep the Letona Cannery open;
$6m in the case of the Commonwealth, promised during the 1983 election campaign. The
canneries in the Goulburn Valley in Victoria seemed to be in better shape at the time as did
vegetable canneries in many regional locations such as in Batlow and Cowra in NSW. The
future of growers depended on the cannery they were supplying and the quotas that they had
been allocated. All canneries were cooperatives and faced the problem of capital raising that cooperatives face.

In March 1983 I inherited marketing arrangements which were to prevail until 31 December 1984. The ACFC had the power to acquire the entire canned deciduous fruit pack and control marketing arrangements, including the determination of prices in all markets. Markets were classed as pool or non-pool with returns from pool markets being equalised. The pool market comprised Australia, UK, Ireland, Scandinavia and Japan. Canada was a special case where sales were allocated in percentage shares for each cannery. Returns from the non-pool markets were paid directly to the processors and were about 20% of total canned fruit sales. Processors were allocated production entitlements based on historical sales by canners to countries included in the pool or equalisation markets for the four years, 1974-77, as a percentage of industry sales by variety and size. The entitlements were expressed as a percentage of fresh fruit for the pool markets and there were quota transfer arrangements to cater for shortfalls in production in any one area. In 1982-83 the domestic price was about $18 a carton, wholesale, and export realisations ranged from $9 to $12 per carton. Cannery costs amounted to about $10 to $12 per carton (hardly profitable) and annual sales were in the order of 6-6.5m cartons. Variable costs in canneries were quite high.

The major exporters were Australia, South Africa and the USA, but there was also a large intra-EEC trade. The major importers were Europe, Canada and Japan. The relative pricing of peaches and pears varied within our competitor countries (the US could compete in peaches but not in pears) and the EEC was paying a processor subsidy. The major threat for Australia, again, was the expansion of subsidised production in the EEC. It was exceptionally difficult to analyse what could or could not happen in competitor countries; South Africa’s position was a good example of this, it being our major competitor in canned peaches.

Whichever way one looked at it, and taking into account the elasticities of demand, it was certain that export prices must be reflected back to the grower because grower incomes could only rise if less was exported or the Commonwealth and State governments increased production subsidies. Estimates were made as to how many trees would have to be removed to restore profitability to the industry: 517,000 peach and 209,000 pear trees at a cost ranging from $3.9m to $5.9m spread over the five years 1983-1987, leaving, in the case of peach trees, some 440,000. If a tree pull scheme was introduced, then alternative crops had to be found and by then wine grapes and Valencia oranges for juicing were the most likely option in the long term. But in 1983 and the mid-1980s these did not look promising. The choices seemed to be to deregulate all existing marketing arrangements or keep export returns separate from domestic returns, with existing quota entitlements only to apply to the domestic market and become freely transferrable between growers and canneries. I preferred the second course so as to enable managed change. Tree pull on its own would not be enough to address the underlying cannery problem.

In June 1983, both the South Australian and Commonwealth Governments received a development plan from a Save the Cannery Campaign in an attempt to save the Berri Cannery. The group behind the campaign represented a wide cross-section of people in the Riverland, including the relevant unions, Chambers of Commerce, Commonwealth and State MPs, local government, the Berri District Council, United Farmers and Stockowners and the Greek Riverland Rural and Social Council.

Cabinet’s consideration of the IAC’s final report on DCF in February 1984 resulted in a decision to continue the DCF industry’s marketing arrangements for the time being and that I
be empowered to continue negotiations with the industry on adjustment measures. In the meantime the industry needed to be aware that at some time in the near future, it would have to manage its own affairs without the current controls in place. The Commonwealth also decided in July 1983 that we would advance $1m for tree pull assistance in 1983-84. The economically pure in the government were understandably intent on restructuring the industry, implementing consistency in tax policy and always had a lust for revenue, with three main economic coordinating departments acting as one (Treasury, Finance and Prime Minister and Cabinet). As a member of Cabinet I had to put the industry case and also prosecute an agenda for change and restructuring. And I had to explain the pain that adjustment was causing and impress that time was needed. This was not easy but as long as all the facts were on the table and we came to an evaluated, considered decision, I accepted that I had to implement Cabinet’s decisions. Considerately, the Cabinet gave me time, but I knew ongoing negotiations would be fraught.

In March 1984 I had to determine the water rate for the Loxton Irrigation Area in South Australia. I had not been aware of this; the Commonwealth was only involved because of the War Service Land Settlement Scheme under which the Loxton area was established. Payments from growers were in arrears. The Commonwealth was still meeting the operating and maintenance costs of the area, but the South Australian Government was engaged in assisting producers to improve their irrigation systems. The Loxton Irrigation area was 10,000 ha. Of the 254 War Service holdings only 100 were in the hands of ‘eligible persons’ - perhaps South Australia could decide on the cost of water in the future? The issue became heated and I visited the area in February 1984, met with the Loxton Action Group, heard the growers’ pleas and was given an exhaustive explanation of the costs of production they faced.

The South Australian Minister for Water Resources, Jack Slater, wrote to me on the issue. I assured him that the Commonwealth was committed to full cost recovery for supplying water, but that following a recalculations of costs, we could reduce the charge from 2.93 cents per kilolitre to 2.73 cents per kilolitre, which was the charge that South Australia was applying to other irrigation areas on the Murray. I also advised Jack Slater that the Commonwealth would be looking to full cost recovery in the next year. Irrigators had also advised by petition that they were not going to pay anything until I relented and retained the status quo. The Commonwealth had first been asking for 3.13 cents a kilolitre, the assessed full cost. Neither Government was recovering the cost but the Commonwealth found it hard to discriminate against one group whose problem arose from an historical inheritance. Slater was delighted with my decision. The politics of water are fierce and, strangely, my words that we were sending growers the ‘wrong signals’ and that there was a ‘necessity for adjustment’ never seemed to go down well.

On 12 March 1984 Jack Hallam, NSW Minister for Agriculture and Fisheries, and I announced our pleasure regarding Letona’s financial performance, because it had made a profit of $600,000 for the year ended 1983 compared with an average loss of $1m pa over the past five years. A lot of the credit for the turnaround went to Errol Chant, the administrator. On 17 August I made announcements about the DCF industry advising a clear time scale on the continued marketing arrangements - to end at the end of 1987 and that I would be strengthening the ACFC Board, requiring it to define a longer term strategy and to produce annual operating plans. The appointments of Eve Mahlab and Ron Duprey were announced in March 1985, both with experience in management and manufacturing.

On 26 August, further to the IAC Report’s recommendations, a general rate of duty of 10% ad valorem was applied to all imports of canned fruits except for pineapples, where the duty was
to slide from 15% to 10% over three years. On 6 September 1984 I introduced bills into the House of Representatives to continue existing arrangements for another three years.

The situation in the Riverland became more pressing. John Bannon, Labor Premier of South Australia, was very concerned about the financial underpinning of a very important part of his State’s agriculture. He had first written to the Prime Minister asking for help in financing the Redevelopment Authority in August 1983. The Prime Minister’s response, after a lot of discussion at Commonwealth and South Australian official level, was to the effect that reconstruction was a State matter and that Commonwealth adjustment measures should be used, such as tree pull, rural adjustment, funding under the National Water Resources Program, for improved drainage and filtration etc. We had already rejected an offer from South Australia to be part of the Redevelopment Authority. The South Australian Government had put some $20m into the cannery over the past decade and was prepared to forego the past debts of the Riverland Fruit Products Cannery (RFP).

Premier Bannon again wrote to the Prime Minister in May 1984 pointing out what had been done for Letona, (we had made a rod for our own backs) and deploring the imposts such as the 1983 Budget decision on fortified spirits and speculation about the threat of a wine tax. He stated that citrus did not look like a viable alternative, and emphasised the plight of a community of 30,000 people living in the Riverland who were mainly dependent on agriculture. He made the point that a collapse in employment in the region would involve the Commonwealth in very heavy welfare and unemployment benefit expenditure. He was asking for $6m to give RFP time to adjust. Options were being thoroughly examined including involving the private sector and New Zealand. The BAE had set up a Horticultural Task Force and Commonwealth officials were volunteered to help with what advice and analysis they could provide as options were drawn up. New private investment in fruit juicing came into the region, and as it slowly restructured with a range of small assistance measures, it started to turn around, financially.

**Apples and Pears**

Compared to DVF and DCF, where all the actions of the two statutory marketing authorities (SMAs) and production was based in irrigation areas, which meant that they could exert some form of control on marketing, the apple and pear industry had a different production and marketing structure. I could not see how producers, Australia wide, could be expected to have their returns equalised with dwindling export markets or that producers would understand that the APC needed to be phased out and put under the AHC umbrella. It was only licensed exporters who were covered by Commonwealth underwriting arrangements. Most apple and pear orchardists I knew were producing for the domestic market and autonomous change was rapid as cities expanded and new technologies were embraced. In my case, and those of fellow orchardists in far off Yerrinbool, apples back then were sold by the roadside or sent to the Sydney Wholesale Market.

As Minister I never had time to go into the history of how the marketing arrangements for apples and pears came into being. However, I did have an itemisation of steps taken by the Australian Agricultural Council (AAC) using wartime powers in 1941 and 1942. Minister Scully announced the AAC’s decisions rapidly from November 1941 as follows: apples and pears were compulsorily acquired and the Board reconstituted to three members; Italian prisoners of war would be released to pick fruit and regulations were introduced so that the Board had complete control over the resale of apples and pears. Similar steps were taken with canned fruits and wine grapes, but a levy was imposed on production. The point I make is that control was
absolute and producers were given total security for production. It was perhaps because of the mindset understandably created in consequence which continued in peace time conditions and on account of the guarantees of supply negotiated with Great Britain which continued into the 1950s. I say understandable because prices for apples and pears before the war were exceptionally unstable and often too low for profitable production.

After some consideration I appointed a new APC board on 9 August 1983 with six grower members, one from each of the States under the chairmanship of Bob Swift, a distinguished public servant and former deputy secretary of the Department of Primary Industry (DPI). In September John Button and I sent a reference to the IAC to look into the arrangements for AP. The IAC’s interim report, received in April, 1985, recommended no additional assistance for the 1985 export season and Cabinet agreed.

The final IAC report was published in October 1985 and on 19 December I announced that export underwriting for AP would be extended for another five years, but in a modified form. The scheme, to apply for the seasons 1986-1990, would operate separately for apples and pears but also underwrite separately the returns from forward sale and at risk exports. The level of underwriting was set at 85% of the average returns received from those in the best three of the preceding four seasons. The IAC had recommended that export powers be removed from the APC. In the light of moves by the corporation and the industry, I agreed to the continuation of its powers to approve licences for export with an appeal provision for those excluded. I also required the APC to implement corporate planning procedures and for it to charge fees for administering the export licensing system. On December 1983 I announced that stabilisation payments under the Act would be $288,000 for 474,000 boxes of apples at rates ranging from 36 cents to $1.10 a box. No underwriting as per the Act was necessary and supplementary assistance payments to growers of $6m were to be applied to a four year program funded jointly by the Commonwealth and States.

Each of the three horticultural SMAs was placed in a holding situation to be given time to adjust. However, overall horticultural assistance and reform was a particularly pressing issue for the citrus industry because it was becoming a major horticultural industry. I sent another more general reference to the IAC in August 1986, concentrating on prospects for future growth and exports. There was to be an emphasis on citrus and ‘the rest’, but excluding those arrangements with the three SMAs, which had been put in place. In September I reappointed Bob Swift who had carried out an excellent job, as Chair and three new grower members of the Board’s six. Eddie Jenkins, who I had known from my BAE days, was appointed as government representative. Apropos of nothing, I remember one speech he had made in which he started with a poem quoting the lines ‘Taffy was a Welshman, Taffy was a thief’. Like my wife, Eddie was Welsh - lovely bloke.

The bills setting up the AHC, HRDC and Horticultural Policy Council (HPC) were passed in November 1987. A&P was bundled into the AHC at the outset. The industry did not fight this move with any less vigour than the other two industries which had their own SMAs. I did not seem able to convince the industries that the continuing, but limited, Commonwealth assistance would be considered as if the status quo prevailed and that as with DVF and DCF, time to adjust was being allowed. The citrus industry was very much in favour of my approach even though government decisions in other general areas, for example a consistent excise regime, made my relations with the industry difficult.

The major quarantine issue for apples was the risk of the bacterial disease fire blight from apples imported from New Zealand where the disease was present. Short term transmission
arose from insects and rain splash and it was not certain whether healthy fruit could spread the disease or not. Fire blight is a very serious disease which could affect all apple and pear trees and other species if introduced. New Zealand believed that they could guarantee ‘area freedom’, that is, guarantee fruit grown in a certified disease free area.

The Bureau of Rural Resource’s expert assessment was that the risk of the spread of fire blight was of a low order. ABARE also examined the costs and benefits of the disease’s introduction and assumed that three to seven thousand kilo-tonnes a year may be imported with little risk of introducing the disease. On this basis the gain to Australian consumers was of the order of $0.2m to $2.8m annually by 1995. The weighted loss (between apples and pears) if the disease was imported was estimated to be $44.4m a year. The Bureau performed some sophisticated techniques to estimate the probability of risk. It estimated that establishment of the disease would equate benefits with cost at a ratio of 1 in 1040. That is, if the assessed probability was less than 1 in 1040, the benefits would exceed the costs if imports were permitted. (!)

However, on the basis of the information before me and believing that widespread transmission would be certain if the disease was introduced, I did not sanction imports - in other words, low risk but at a massive cost if introduced. New Zealand scientists also conducted tests but the papers they provided did not convince me, particularly as they found slight variations of the bacteria on the nashi pears they had imported for laboratory purposes from Australia. There was also the belief that fire blight was evident in cotoneaster plants in Australia. I stayed with my decision, which did not please our New Zealand brothers.

The Citrus Industries

I was not aware of any specific challenges facing the citrus industries other than the usual ones about fluctuating supply and demand and some general perspectives of the realities of production in the Murrumbidgee Irrigation Area (MIA). Some of this was partly gathered from conversations with Jack Hallam, who later became NSW Minister for Agriculture, and as a result of being part of the BAE’s Horticultural Survey in the NSW MIA in 1977. I had also gathered a lot of information on the industry and realised that the level of protection with an expanding industry was always going to be a challenge.

I have briefly described one of the issues facing the citrus industries above. As more citrus juice became consumed, imports increased and more ‘recombiners’ came into being, turning imported pulp (frozen concentrated orange juice–FCOJ) into a drinkable product. The citrus growing conditions in Florida and Brazil were a determinant of world supply and demand and of international market prices. Growers here started to pray for frosts in Florida. Brazil dominated the world export trade. The competitive advantage Brazil had over both its main rival, the US, and Australia was that its processing costs, turning fruit into FCOJ, were so much cheaper than Australia’s: estimated to be $A100 per tonne of fresh fruit. A fresh trade between Australia and the US developed, based on seasonality and the timing of navel and valencia oranges maturing between Australia and California. A growing juice trade meant that valencia would be preferred by growers to navel and that for the fresh trade, perhaps experimentation with new varieties of citrus was the way advisable. But all this takes time, given the structure of the industry.

Large scale new investment was taking place in Queensland for the fresh export trade, mainly targeting Japan, whereas the established irrigation areas in southern Australia had problems with old plantations, the difficult and slow restructuring of small farms and thereby poor economies of scale.
In 1982-83 the citrus industry had a gross value of production of about $115m with the Australian citrus juice industry having a retail value of $200m. Citrus plantings had increased by 10% since the 1970s but the number of growers had declined by 30% as farm size increased. Processing, at the time, was about 60% of production. The industry was undergoing slow adjustment. Australia was a net importer of citrus products and export markets were hard to open up, for example because of the need to negotiate quarantine arrangements with Japan. Exports to the US took some negotiation too and in 1983 they were banned due to septoria and some other pests and diseases. Exports to New Zealand were a good prospect.

When I became Minister, the IAC had already examined the industry and reported in June 1982 on the adjustment state of play and the need for assistance. The main issue for growers was import duty on juice concentrate. The IAC recommended that the variable tariff on imports be terminated; that the existing variable tariff be replaced by a composite duty comprising an ad valorem rate of 10% and specific rate of 75 cents per kg of total soluble solids (TSS), but that the rate be reduced by 5 cents per year over a 5 year period. It also recommended that the minimum price determination for fruit delivered for processing and the sales tax exemption granted to fruit juice products containing a minimum of 25% of Australian juice also be discontinued. The IAC said the industry had to become more competitive. The industry’s response was that these recommendations were disastrous. The arithmetic was that for every cent reduction in the import price, grower returns would fall by $5 per tonne.

On 9 December 1982, the Fraser government accepted the first of these recommendations and introduced a new composite tariff of an ad valorem duty of 10%, plus a specific duty of 75 cents per kg of TSS to phase down over five years to 50%, plus an additional duty equal to the amount by which the customs value was less than a floor price initially set at $1.25 of TSS reducing to $1 over five years. The sales tax exemption continued. The Fraser Government had made changes to the duty aimed at a progressive reduction in protection and this had been welcomed by the industry. It made no decision on the two rebates, but advised that there would be another IAC report in five years. Brazilian concentrate at the time was high priced due to a frost in California.

I inherited industry concern about the coming cessation of the minimum pricing arrangements for processing fruit and the expected termination of the domestic sugar rebate and the fruit industry sugar rebate. The last meeting of the Australian Agricultural Council under the previous Government had expected the wind up of the two sugar arrangements following talks between the Commonwealth and the Queensland Governments and that commercial arrangements would be entered into. There was some pressure on me to reverse what was in train and to set a minimum price for citrus, but only the States not the Commonwealth have the power to set prices.

Another issue was the decision of the previous Government to recoup 50% of the cost of export inspection for fresh and processed fruit and vegetables. Export inspection charges were always a constant issue. I addressed the annual conference of the Australian Citrus Growers Federation (ACGF) on 30 May 1983 in Swan Hill, Victoria canvassing these issues, trying to explain the rationale behind the previous Government’s moves, and what the Hawke Government’s policies on likely overall directions in economic management would be - and the implications of these. The ACGF had sought the establishment of a citrus research scheme, but I had to say that I did not think I would be able to advance the proposal quickly. Because the industry had welcomed the changes made by the Fraser Government, I thought that there was a chance that it would quieten down and adjust to the new lower protection regime.
In mid-May 1986 I addressed the annual conference of the ACGF in Terrigal, NSW and discussed the sudden price drop for juice oranges; fostering exports; quarantine negotiations with potential importer countries; plant variety rights; the importation of nursery stock material and food irradiation.

Despite the constant concern about its future being expressed by the industry, between 1978-79 and 1985-86, the production of oranges expanded by 45%. Taking into account non-bearing trees, it was estimated that there would be a further expansion of 17% by 1990-91. The fact of the matter was that we had to import to meet demand, but imports were having a price reducing affect. Two other issues provoked widespread industry concern in 1986. One was the Government’s decision to impose a sales tax of 10% and the other was the alleged dumping by Brazil of FCOJ. International prices had been relatively high but in 1985, Brazil’s minimum export price fell sharply. The industry’s request was to double existing tariff protection to over 60% in ad valorem terms.

In the 1986-87 Budget, the Commonwealth had allocated an extra $1m to negotiate additional quarantine entry issues to increase exports. By this time we had initiated the Cairns Group of free trading agricultural producers, which included Brazil. The ‘free trading’ NFF backed industry demands to stop the 10% sales tax from being imposed on products containing not less than 25% Australian fruit juice and assisted to organise wide scale protests in the regional citrus growing areas. The industry wanted no tax on 100% Australian citrus juice. The Government’s position was insistence on consistent policy on all industries; the 10% tax was a concession as all other drinks were now taxed at 20%. We couldn’t push for freer agricultural trade and for access for our products into export markets by breaking down quarantine barriers, at the same time as prohibiting imports.

On 25 August 1986 a reference was sent to the IAC for a recommendation within 45 days on whether temporary assistance was required and on 10 September 1986 the Australian Customs Service (ACS) received and acted on a complaint of dumping. On 17 November it found prima facie evidence of dumping by Brazil and the Government immediately imposed a dumping duty, raising the fob cost of exports to Australia by 30%. The international price was starting to edge up by then, which also relieved some pressure on the Australian industry. On 18 November I had a full day meeting with the Sunraysia citrus growers in Mildura, chaired by Ron Walker from Coomealla and Kelvin Voullaire from Monak, Kelvin being one of the most consistent and thoughtful members of the industry. The delegation was interested in discussion of longer term issues as well as issues uppermost in their mind.

On 20 November I met with the ACGF. On 16 December, on receiving the IAC’s short term review, the Government reversed the reduction in tariffs, pending the IAC’s long term enquiry, but decided not to increase the already high level of tariff assistance provided. I also agreed to match any funds put forward by the States to assist under Part B of the Rural Adjustment Scheme for carry-on loans, but no State government came forward. It was suggested by the IAC that the industry needed to concentrate more on the fresh trade and for exports.

The politics in the plight of the industry was its unceasing claim that the 10% tax was the cause of all its problems. In September 1987 I responded to the claims yet again conceding that the tax added pressure to the industry, if it could not be passed on, and that I understood that it

99 NFF policy was to slash all tariffs by 20% until a zero level of protection was reached. It was a bit rich for some of their leaders to be organising grower protests in South Australia, so that key principals could have a bet both ways.
needed time to adjust and to put more emphasis into the fresh market as well as on exports of whole fruit. However, I honestly did not think the tax was the root cause of the industry's problems. This was still the fluctuating world price of FCOJ and how this fed into the domestic market. Put simply, prior to 1984, the sales tax exemption protected local growers through its local content requirement. However, after 1984, more than sufficient local product had been available to fulfil the 25% local content requirement. This meant that processors had little incentive to bid up the local price for juice to more than the landed duty paid import price, hence the tax exemption was no longer providing assistance to growers and there was no prospect that this would provide assistance in the future.

The 1986 price slump in response to the international supply situation had resulted in the volume of citrus juice rising and accruing in very high stock levels. Imports then fell but there was a large stock overhang. Citrus production was still rising and another 20% increase was anticipated by 1992. The customs anti dumping decision had resulted in the tariff being 30% higher for the next three years than it had been in 1986. The world price had by this time recovered to 60% above where it was 12 months ago; imports for 1986-87 were down by 40% on the previous year and consumption had risen by 6%. The value of the Australian dollar was presenting an opportunity for the industry to export competitively. By this time the AHC had been established which was hoped to be to the citrus industry's particular advantage and another IAC Report was due in 1988. The citrus industry was keen to be a part of the AHC and Australian Horticultural Research and Development Corporation (AHRDC) but immediately had a problem with levy collection, which I referred to the Treasurer with a request that he meet with the ACGF. The meeting never happened.

I realised full well that the structure of the industry meant that change could not be rapid and that my words were falling on deaf ears. It takes 12 years for citrus trees to come into profitable production. I was also aware that some in the industry were concentrating on producing absolutely top class product for the export market; one instance of this was investment in a
packing shed in Mildura where fruit were specially selected. However, if the industry was in desperate shape, why was production increasing and why were not the other factors I had pointed to been taken into account? I remained convinced that it wasn’t only the 10% tax that was causing all the industry’s problems.

The protests continued. It was not that I was not sympathetic. On 4 March 1988 I met with orange producers in the Riverland. I delivered my usual arguments and then spelled out some of the more relevant statistics. Prices of up to $200 a tonne were being offered as imports slackened but some areas had a low crop. Between 1983-84 and 1987-88 production had risen by 154 kilo-tonnes, the number of bearing trees had risen by nearly 0.5 million, utilisation had risen by 117 kilo-tonnes, imports of TSS were down by 8,817 tonnes (from 11,717 to 2,900) but prices had not increased to growers because of the level of stocks and the power of processors and marketers. Given the nature of the industry it seemed to me that a voluntary stabilisation scheme may be able to be entered into to take out the highs and lows of prices. Coping with the price of FCOJ fluctuating by 275% in two years was an impossibly tough situation for the industry to deal with. The industry had well founded complaints about subsidised production overseas, quarantine barriers being used as trade barriers and unevenness regarding Government tariff reduction policy in the area of manufacturing. On this latter point, the industry plans which John Button, Minister for Secondary Industry, was introducing involved trade-offs between wages and conditions and the investment of capital by the firms involved; tri-partite agreements.

I received a thoughtfully worked submission from Kelvin Voullaire, of the ACGF with input from processors (but on his personal initiation) in May 1988. Given Government policy and the IAC’s predisposition, he concluded that an ad valorem tariff with an underwriting system was the best way to proceed. This was becoming the way I was thinking. But the submission also argued for a differential sales tax with no sales tax to apply to Australian juice, on the basis that it was a food product and that overseas FCOJ was subsidised, particularly by the US. I received a further but only slightly amended submission from Kelvin, which had arisen from a meeting in Loxton, South Australia on 18 August 1988.

I met with the ACGF in early September 1988 after receiving its submission requesting that the Commonwealth introduce a variable tariff, floor price scheme. Hugh Cope, General Secretary of the ACGF, now became one of my regular correspondents. My problem was that my hands were tied; the Government’s policy had to be consistent, otherwise the arguments would be endless for special cases. Submissions had to go to the IAC; the constant protests on the tax were still being presented as the basic cause of the industry’s problem, which I simply could not see. I continued to meet with industry organisations in the vain hope that facts may convince them the 10% sales tax was not the problem, but knew that I would never win. I sometimes wondered if I could persuade the Cabinet to drop the tax, on the basis of regional economic priorities and whether or not all the problems would go away?

Predictably, the IAC recommended in its February 1988 Report that the sales tax be lifted to 20% for all juice products. The Australian Bureau of Agricultural and Resource Economics submission to the IAC was in accord with the IAC’s recommendations. However, ABARE examined a proposal to establish a variable tariff floor price scheme for the citrus industry. The scheme was to set a floor price on the import price (pre-duty) of FCOJ equal to say 80% or 85% of the average of the highest three years’ import prices in the previous four years. This gave a return to growers of $59 to $70 per tonne of fresh fruit, still well below the cost of production. ABARE also provided me with a comprehensive analysis of the problem but could
see no easy way out other than advocating ongoing adjustment and attempts to export fresh fruit.

The Government decided to retain the status quo whereby beverages containing less than 25% fruit juice would be taxed at 20% and at 10%, where a higher juice content was involved. This decision was not announced until September 1990. This meant that the IAC’s recommendation were on the table for so long that they gave plenty more excitement to the industry and grief to me. By 1989 processors were importing ‘pulp wash’ and making it into some kind of drink, which again caused new worries for producers. I met with the ACGF in March, August and December 1989. Apart from the usual arguments and an ongoing updating of price and stock changes, New Zealand’s variable treatment of taxes on beverages raised a new avenue for exploration by the industry.

For an exporting and importing nation the arithmetic of trade is inexorable. Australia’s orange production was 1.26% of world production in 1990. Australia was consuming 40% of its production domestically on the fresh market, but the valencia/navel mix and the influence of the world price for FCOJ also affected our domestic market due to diversion of fruit by growers. Because we still needed some imports, we couldn’t put up a barrier against the world, even if we had inconsistently wanted to. The US had imposed a 35% import duty on Brazilian FCOJ. It had exercised a special waiver under GATT rules for US farm goods, to impose import quotas. These actions were leading to questions of how Australia could compete in a world where the dominant producers ignored the rules.

The world price of FCOJ was basically set by the Orange Futures New York Exchange. The lowest price, during my time, was in 1986 when it dropped to $US870 a tonne, then rose to $US2,100 in 1988, before dropping to under $US1,600 in 1989, rose briefly $US1,800 in 1990 and then dropped steadily to $US1,000 in 1992. Theoretically, a stabilisation scheme would prevent the pain of the large decline to 1992 but pinch off the rise in 1988. The Australian industry was only processing five per cent into fresh juice with 55% going into FCOJ. If our stocks built and because the international price stimulated imports, stockholders were disadvantaged, but they could gain if the world price rose unexpectedly. During 1990-91 the international price was falling fast and dumping by Brazil was again seen as factor in the industry’s distress. The industry was looking to see if it could lodge a complaint. The 1986 anti-dumping decision had wound down and, to complicate matters further, the Australian exchange rate was encouraging imports. Truth in labelling had also become an issue.

Although I never convinced the industry that all their woes were not due to the sales tax, discussions and negotiations during 1990 were more about how to design a stabilisation and, possibly, an underwriting scheme that might work. While the Florida freeze had helped maintain world prices at a profitable level in 1990, the high interest and higher inflation and wage rates at the time, were not helping adjustment. The industry was working on adjustment measures such as replanting by removing old trees, better irrigation techniques, high density plantings, building wind breaks, examining picking technologies and better fertiliser management. As commendable as this was, the fluctuating price made adjustment very difficult for the industry. The general phase down of protection levels as part of overall government policy and Brazil’s status as a developing country were also compounding the problem. The tariff was to be 15% by 1 July 1992, with a five per cent preference for developing countries.

A working group was established with representatives of industry and the Government to look at options, providing me with plenty of factual information. I had advised that I would take a
submission to Cabinet if agreement could be reached on a path that would assist the industry and did not contradict overall government policy. The Department was of the view that continued and enhanced adjustment funding was the best way to proceed. This advice was in keeping with government policy of not inhibiting adjustment to market forces and the effort to achieve a lower regime of tariff protection for all Australian industries. The structure of the industry, my knowledge of what was being carried out in the industry and of the roller coaster ride of international prices all told me that however well advised the Department’s approach and the Government’s policy were, its instruments were too tough and blunt to effect the change required. At the same time I knew I would never reach agreement with the industry. This is the nature of industry politics, if one is silly enough to want to help. By this time, after seven years as Primary Industry Minister, I fully understood the phrase: between a rock and a hard place.

The first meeting of the working group took place on 29 October 1990 and I met with the ACGC on 12 November 1990. The industry wanted an underwriting of $120/tonne as a short term funding proposition. The current FCOJ price meant that processors could not afford to pay more than $70/tonne for fresh fruit. The cost of the request would have been $10m or if borrowed, the interest cost would be $1m per annum. The problem of short term assistance is that it becomes long term. The issues faced were short term, long term and all centred on FCOJ price fluctuations. On the first of these I fell back onto the RAS Part B; on the second issue, I was prepared to try to get government agreement for extra promotion funding and to advance increased sales of fresh juice. The ACGF had put forward an Australian Citrus Industry Stabilisation Plan which would run hard against government policy and meet with strong opposition from the Department of Trade and other departments, with strong arguments to carry their ministers in any cabinet discussion. The alternative to this was a price underwriting scheme but again, this ran up against trade policy. Another idea was to use private banks to advance funds and collect them back when prices rose - a quasi equalisation scheme, as was being practised in the US.

I informed the industry that I would take their position to cabinet colleagues. In the interim the Department began drafting a submission for additional funds for the AHC for promotion; a review of the developing country preference arrangements; an urgent review of the tariff arrangements on pulp wash; and a further review of assistance under Part B of the RAS. I returned the very good brief from the Department for the meeting with the annotation, ‘not liked’. By this time officials understood, even if they did not always share, my attempts at humour. They may even have understood my desperation perhaps coming from a torrid year dealing with wool industry problems? I asked the Department to draw up a cabinet submission covering the matters I had already advised the ACGF I had in train, but to add a request for an 85% underwriting scheme. However there was inter-departmental resistance to the underwriting scheme. The Australian Customs Service had not been notified of a new complaint on dumping and the season was too well advanced for processors to pay growers more. A second cabinet submission was provided and was successful. This strengthened the original one; the Government agreed to lodge the anti-dumping/countervailing complaint.

Stabilisation scheme proposals supplied by the industry tumbled into my office during late 1990. Processing companies, including cooperatives and grower owned plants, were also now writing to my colleague, John Button, advising that they were opposed to any underwriting scheme.

My last throw of the dice in this industry’s plight was to convene a meeting of the three State agricultural ministers concerned in 1991 and proposed that they establish a voluntary
stabilisation scheme to reduce the impact of severe drops in price and domestic processors have more certainty. The States had more power in domestic production policy matters, were involved in steps to make the irrigation citrus industry more viable and knew, as I did at least to some degree, the differing fortunes of specialist and non-specialist citrus growers. I volunteered my people to assist with this and while agreement was reached in principle, State ministers could not agree on the details. So the idea faded away, as I did, in mid-year. The industry became the AHC’s challenge.

**Tobacco**

Tobacco (nicotine) is an addictive narcotic and if it could be banned, it should be banned. I believe that anything that could be done to prevent young people from taking up smoking should be done. Too many of my friends, including one of my then personal staff, have died of lung cancer and one of my electorate staff has the distressing ailment of emphysema. However, as an industry minister, I took the view that if addicts could not give up their habit, they may as well kill themselves with the 57% percentage of Australian tobacco in Australian cigarettes that Australia had negotiated as part of a wider trade negotiation some years before my time.

Tobacco companies deal in death and while they will lie and lie about their murderous product, often supported by the right wing media, they have perfected the politics of denial. Their profit remains assured since millions of people in developing countries, and in India and China, still provide a growing market for them to addict and kill. At least by 1980, it had been unequivocally established beyond doubt that smoking was a major cause of cancer in humans and that it had other debilitating effects on health, heart disease etc. The Cabinet gradually limited tobacco advertising and banned smoking in more and more public places, as we became more aware of the affects of passive smoking.

In politics one quickly becomes aware that scientific facts will be ignored and denied if it suits commercial interests and people with ideologically based causes. Evidence in so many areas does not convince ideologues. People of right wing, and libertarian views are against moves to induce less tobacco consumption. Having made my personal position clear, in terms of industry policy, while ever people smoked, I could not see the sense of the anti-smoking lobby wanting to ban the Australian production of tobacco and limit assistance to the industry. I never opposed the higher and higher levels of tax being applied by Commonwealth and State governments on the industry. As I write (2013) we no longer produce tobacco and while, thankfully, the percentage of people smoking has decreased, this has nothing to do with not smoking our own product. It had a lot to do with economics and the slightly lessened power of the cigarette companies past my time as minister.

Looking at the economics of the industry in 1983, there seemed to be some prospect of it becoming efficient while ever the cost of overseas produced tobacco rose faster than Australian leaf. However, a 57% quota for local content was part and parcel of the Tobacco Stabilisation Plan. It represented a relatively high level of protection, estimated at the time to be worth $26m per annum to the tobacco growing industry. There was a preference by the companies to import the more expensive US Virginia tobacco, but cheaper product was also being imported from developing countries such as Zimbabwe and Malawi and some leaf was imported from New Zealand. To all intents and purposes the Australian industry was a domestic one and therefore the three States where tobacco was grown had the Constitutional power to deal with most aspects of its production and any agreements had to involve them and, in turn, involve negotiation. This was not an industry with large export prospects, which would have involved the Commonwealth, though trade implications were of interest.
In the early 1980s, tobacco was grown predominantly in Queensland (mainly on the Atherton Tablelands but some in the south of the State), in Victoria (mainly near Myrtleford, in its north east) and in NSW on the Northern Tablelands. Of 1,039 farms in 1981-82, 648 were in Queensland 316 in Victoria and only 75 in NSW. There were over 2,000 employees on what were, mainly, specialist tobacco growing farms. Farm numbers were dropping but farm quotas and farm sizes were increasing, as the industry restructured. The set proportion of Australian leaf meant that quotas had to be allocated by farm and the average quota per farm in 1981-82 was 14.5 tonnes. Quotas were allocated by the Australian Tobacco Board (ATB) based in Mareeba, Queensland; the Commonwealth Government set the annual quota on advice from the Australian Agricultural Council. The ATB was chaired by a Commonwealth government representative, firstly in my time by Errol Muir and then by Murray Collins, from November 1985 to 1989.

For the 1982 season the quota was set at 15m kg but there was also a small non-quota market. Each of the three States had a Tobacco Leaf Marketing Board. Sales of the various grades of flue cured tobacco took place in Mareeba, Sydney and Melbourne each year with a minimum price established. There was a Tobacco Growers Council Australia (TGCA) representing growers, which was well organised. There was also a Tobacco Institute of Australia Limited, devoted to advancing the ‘virtues’ of the industry, promoting the value of the industry to the economy, complaining about the levels of taxation and spreading lies about the dangers of smoking. The three major foreign owned cigarette companies never found smoking a health hazard, although they always complained about how disadvantaged they were.

John Gayler, Labor Member for Leichhardt 1983-93, was the first person to introduce me to the industry in 1982 when he was campaigning for the seat in the largest growing area, the Atherton Tablelands with 648 farms, which was part of his constituency. The manager of the North Queensland Tobacco Growers’ Co-operative Association, John Collins, was an open-minded, highly informed person who understood the situation the industry was in and the worrying prospects it faced. Apart from enduring meetings with the ATB, other tobacco organisations and growers in smoke filled rooms, I grew to admire the hard working growers who, in a way, worked more than year round, because they were planting their nursery crop for next year’s harvest at the same time as harvesting the current season’s crop. Tobacco growers were not defensive about the industry from the health point of view. I always made my views on the health implications of their product known, which were accepted.

When I was Opposition Shadow Minister for Primary Industry, the then Government had decided to extend a rebate to imports of manufactured cut tobacco, falling within a sub item in the customs tariff. This was against the recommendation of the IAC. The rationale for the decision was to ensure that all major suppliers of tobacco products to the Australian market were subject to similar arrangements in terms of purchasing Australian leaf. This decision was made in March 1981 and it was also decided to send a reference to the IAC on the tobacco growing industry as the then current Tobacco Stabilisation Plan was due to expire in 1983. A draft report on the industry was issued by the IAC in September 1982 and caused immediate opposition from all players, including the health lobby.

The IAC recommended a phase out of all assistance over seven years and the dismantling of orderly marketing; the introduction of two separate markets, quota and non-quota; no restrictions on quota transfer; a seven year price freeze in the quota market; an increase in the value of the manufacturer’s concessions for imported leaf; abandonment of the local content plan; no stockholding for manufacturers for local leaf; and the ability for manufacturers to opt out of the quota market at will. The quota was to phase down from 13.5m kgs in 1984 to 4.5m kgs in 1990.
kgs in 1990. The assessment of the growing industry was that this represented not a seven year phase down in assistance but the sudden end for any possible economic viability for the industry.

The industry agreed that it should restructure for greater efficiency to meet the import competition. Because the interrelated elements of the recommendations were to occur simultaneously, the package became unworkable in the view of the TGCA. The health lobby maintained that the IAC had missed a chance to do something about the industry, estimating that the cost of nicotine caused illness to the health system was up to $950m annually. Economic commentators were concerned by the level of protection, because in international terms Australian leaf was only worth $3.12kg and not the then $5.04kg actually being paid, due to the protection measures in place. The gross value of the Australian crop was about $62m per annum. The NFF made a moderate submission to the IAC, including arguing that the regional effects of its recommendations be taken into account. The TGCA calculated that the result of the IAC’s recommendations would be to reduce the cost of cigarettes by 1.2 cents for a packet of 20, assuming that the saving from eliminating the industry was handed on by manufacturers. This small amount was because the taxes on cigarettes were so high. Angelo Rigoni (Chair of the Victorian Tobacco Leaf Marketing Board) and Don Hastie, both of the TGCA and ATB, became the main appellants to me on behalf of the growers. Hastie also chaired the Queensland Tobacco Leaf Marketing Board. Other people I grew to know well included Warren Currie, Manager of the Queensland Tobacco Leaf Marketing Board, and Renzi Mulla and George Cibou, who were two prominent growers in Queensland.

The final IAC Report in October 1982 was released and reinforced its recommendations. It advocated a 10% ad valorem duty on imported tobacco leaf as an alternative to the existing specific duty rate of $1.42 per kg. The Fraser Government had not finished its consideration of the IAC’s recommendations prior to the change of government in early March 1983, although a six point plan of adjustment was being discussed and formed the basis for my negotiations with the industry. On 8 November 1982 the TGCA had adopted a rejuvenated stabilisation plan, involving less protection, but adjustment and restructuring within a stabilisation setting. The Council and the States were prepared to agree to the freeing up of quotas.

I had to formulate a policy position prior to the election and circulated a paper from comment. The policy released as part of the ALP’s election campaign was as follows:

Believing that the Australian Tobacco Industry will stand up to any international comparison by 1990, an ALP Government:

(1) will not implement the recommendations of the IAC report on the tobacco industry because the proposals to freeze the quota price and gradually reduce levels of quota would eliminate the tobacco growing industry and specific regional communities within three years,

(2) will not accept and recommendations by the IAC, which will have the effect of eliminating the Australian tobacco growing industry and

(3) will negotiate with the industry a further five year stabilisation plan, involving measures to facilitate industry adjustment and to enhance industry efficiency.

This was a holding position but I honestly believed that the industry could be assisted and encouraged to become more efficient. The six point plan discussions of the previous Government sufficed to give me time for negotiations. If I had agreed to the IAC’s consistent
views regarding industry protection, I may have ensured that John Gayler did not win the seat of Leichhardt. A case of politics before principle? Perhaps, but my decision was not politically driven. Once I became Minister I spent quite some time discussing the industry’s situation with key members of it. The Tobacco Industry Stabilisation Plan (TISP) for 1984-88 was agreed with industry (it also became known as the Six Point Plan, or simply The Plan). It required the ATB to report annually to the AAC through me on progress toward industry rationalisation through quota transfers including information on the price of transfers, reduction in manufacturers’ stocks, progress towards achieving international price comparability, and improvements in the quality of Australian leaf through modifications to the grade and minimum price schedule. Manufacturers had agreed to the arrangements and advised that they would abide by the 57% Australian leaf usage understanding, with the proviso that stocks must be reduced to 13 months usage by 1988 and that if consumption declined, the industry must face up to a reducing percentage of stocks. One way to improve quality was to install better curing barns, which some growers were doing.

I announced the Government’s decision on the IAC report on 23 June 1983. The 1984 tobacco marketing quota was announced on 29 July 1983 as part of the agreed Tobacco Stabilisation Plan for 1984-88. The Plan established that the average minimum price in any year could not drop below, or exceed 4.7%. The guideline used to monitor progress towards international price comparability was the percentage change required in the Australian average minimum price, which would close a 15 to 20% difference between Australian and world prices by 1990.

An international pricing formula based on the US export price was used. I was never able to ascertain to what level the US industry was subsidised. All told, there were 21 provisions in the Plan that the industry committed itself to. I engaged in discussions with the manufacturers on the stock problem and was kept informed of the requirements they were placing on the growers and also growers were placing on themselves. The industry developed a voluntary self-help scheme for farmers who needed to take their properties out of production to address disease and soil problems or address necessary structural improvements. This involved quota transfers. Any growers leaving the industry meant that quota cuts for following years could be lower.

On 11 July 1984 I met growers from the north east valleys of Victoria, (some of the most beautiful country in Australia) to discuss the lower yields they were receiving due to black root rot. The self-help scheme and ability to transfer quotas helped the worst affected growers to spell and rehabilitate their land. Manufacturers also agreed to pay 76c per kg for up to 1m kg of 1985 quota to growers willing to take their farms out of production and pay a further five cents per kg to the Research Trust Account in lieu of grower/manufacturer contributions.

On 7 March 1984, the ATB met to determine the quota for 1985. Consumption had dropped by 2.2% from the previous year and the board’s advice on quota and price was subsequently agreed to be 13.6m kg with allowance for a short sell of 0.38m kg and with the minimum average price for marketing quota leaf to be increased by 4.7% above the 1983 price to 487.5 cents. Varying quality meant that some grades of tobacco took a long time to sell and an Arbitrator was used to determine the price. The ATB and the industry understood that the end of the stabilisation scheme and the next IAC report would require the industry to have an accurate estimation of the progress of restructuring, the price gap with respect to imports and the economic state of the industry, and was prepared to start annual surveys. The BAE was
asked to survey the industry, but it transpired that the BAE didn’t have the funds and personnel to meet the industry’s time requirement.

I met with industry representatives three times in 1985, twice in July and once in November, to discuss progress being made under the Plan. The next IAC Report was due in 1987. It went without saying that, although the industry was making progress under all the requirements in the Plan, uncertainty was starting to affect investment and quota transfer decisions. Quota was transferring from NSW and Southern Queensland to the Atherton Tablelands, but Victoria had not agreed to transfers by November 1985, stocks were only stable but quality was improving and by 1986 the 13 months target of stocks was reached. In terms of price difference with non US imports, the picture was not as encouraging due to devaluations in the currencies of Zimbabwe and Malawi. It was becoming obvious that annual price increases would have to be below 4.7% per annum. However, the international price formula used had been indicating that higher prices be paid due to the rising price of US tobacco. The pressure was on the industry, but a hail storm on the Atherton Tablelands didn’t help.

In 1986 the quota was set at 13m kgs with a minimum short sell of 450,000 kgs. The arrangement to spell Victorian land was taken into account in establishing the quota. On 11 April 1986 I announced the names of the new Tobacco Research Council under the chairmanship of Murray Collins, also Chair of the ATB and by now Special Advisor to the Department. It had two growers, one cigarette manufacturer two scientists and a Queensland government official on it.

An issue arose in mid-1987 in the Closer Economic Relations Agreement with New Zealand and the status of tobacco now that the NZ industry had been deregulated. The issue was whether NZ leaf imports should be counted along with Australia’s minimum 50% requirement or not. It was believed that, due to NZ leaf quality, the issue wouldn't arise, but negotiations and discussions ensued, resulting in a wait and see attitude. We waited and saw little.

The BAE’s submission in July 1987 to the IAC for its 1987 report was by far the most comprehensive analysis I had ever received of the industry. It took the view that the industry was, by and large, meeting its goals under the Plan. The nominal rate of protection was down to 37%; the number of farms and the acreage devoted to tobacco growing was decreasing indicating an improvement in quality; and it was also able to give a picture of the amount of investment being entered into and the levels of debt and income. The number of farms had declined to 576 from 1039. The BAE argued that the industry should, as a longer term objective, achieve full international competitiveness: “While a tariff only approach, involving the dismantling of the current complex assistance arrangements, would enable the size and structure of the tobacco growing industry to move rapidly to reflect market forces more closely, it would be associated with disruption from the immediate dismantling of quotas”. In effect the BAE’s submission argued for further adjustment before moving to a tariff only approach.

The IAC released its draft report on 27 July 1987, recommending the ending of the Plan or any modification of the Plan in favour of marked changes in the form of assistance, namely, either tariff only assistance to the producing industry, or the payment of an input subsidy to tobacco manufacturers. It considered that an appropriate assistance target would be 10% of the current average duty free value of competing imports. It undertook another two days of hearings before releasing its final report. In my note back to the Department’s briefing, I advised that I still was not of the opinion that the $74m tobacco growing industry should be wiped out, nor the regional employment that went with it. I was also conscious of the fact that the light, sandy, impoverished soils where tobacco grew best, and the size of the tobacco growing farms, didn’t
provide many options for alternative crops. What was significant was that the BAE’s submission had not reached the IAC in time to be considered in its draft report.

The IAC’s final report changed somewhat. It recommended the phasing out of the current stabilisation plan in two stages. The first stage until October 1993 would involve a continuation of the Plan including the 57% local content agreement; quotas; marketing and pricing arrangements; a progressive reduction of the non-concessional tariff applying to leaf imports (43% of requirements); abolition of all restrictions on the sale and lease of quotas with manufacturers being permitted to retain any quota they purchase and also being able to reduce their required uptake of domestic leaf by an equivalent amount; increases up to only 3.5% per annum; specified minimum of stocks to be phased out; and the immediate removal of tariffs on some tobacco products, for example cigars and snuff. The second stage would involve the total abolition of the local content scheme and a non-concessional tariff on imported leaf being equal to the current concessional rate ($0.47 per kilo). The IAC’s recommendations could have been a lot tougher but were tough enough in terms of production reality.

The TGCA stressed in its response to the IAC report that they had met the requirements of the Plan; had invested in quality measures; had reduced the assessed level of assistance by over 70%; that the saving to the manufacturers if the industry was wiped out would amount to $10m to $15m annually for an industry that was delivering $1.3b annually in taxes; and that the regional effects would be marked and expensive to government. Their submission to me argued for retention of the status quo on the understanding that they would and could improve productivity and quality further, but that another similar plan be enacted for 10 years with a review in 1995. The Department’s official in charge of tobacco, John Glenn, briefed me in depth arguing that I should take a hard line with the industry to keep producers up to the mark. I met with the TGCA and ATB in early December 1987. They honestly believed that they could not survive under the regime proposed. I had to tell them that I was part of a government that was applying overall consistent policy in gradually reducing all tariffs and protection and that I had to be aware of this when I took a submission to cabinet. I got the idea that the delegations now trusted me or at least believed that I was their best hope for the survival of the industry. Jim Groves, in my office, proposed a compromise position, involving just minor changes, and on this basis I briefed the Caucus Primary Industry Committee on the general approach to be taken and got its support.

The Government’s 25 May 1988 Economic Statement proved to be major for overall industry policy. Murray Collins had written to me on behalf of the ATB on 8 December 1987 following its consideration of my general application of SMA reforms. The ATB was not a marketing body in the sense that the others SMAs were; it was essentially a negotiating forum and the Board could see no sense in adopting the umbrella policy being put forward. Also its membership would have to change because they were representative delegates and had not been chosen for their specialist skills. However, it believed that it needed statutory authority status so that there could be some continuing persuasive weight. Exports were not likely and the reality was that State government legislation complementary to the Tobacco Marketing Act 1965, ceded negotiating powers to the ATB. On advice from the Department, in May 1988 I agreed to the ATB being renamed the Australian Tobacco Marketing Advisory Committee (ATMAC) and a four year extension of the Tobacco Industry Stabilisation Plan (TISP).

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100 One wit wrote to me saying that these recommendations were not to be ‘snuffed at’.
I met with the ATB on 17 June 1988 and again on 1 July with tobacco growers in Cairns, and the ATB again on 20 July, to explain the Government’s overall policies and their implications for their industry, to hear their views and to explore the ideas in their minds and mine on the future of the industry. In keeping with government policy there could no TISP beyond four years when there would be a need for another IAC report. The ATB, and industry generally, wanted a seven year TISP, to 1995, and the retention of a concessional duty rate of 47c kg for the same period. The Uruguay Round of trade negotiations was in progress and to avoid any new GATT binding tariff it would be best to delay negotiations until July 1993; the US was always aggressive in pursuit of its own interests, in the hands of the tobacco lobbies, and bent upon eliminating our industry. The concessional rate of 47 cents could only remain until 1 July 1993. Much discussion ensued and while the 15% tariff in 1992 was non-negotiable from the Government’s point of view (if international parity was to be reached by 1995), perhaps some trade off could be involved such as a three year phase out, a zero 1995 tariff and allowing over-quota sales. The details of the negotiations were laborious, but I was determined to give the industry a chance of survival, anticipating that the success of a cabinet submission was not guaranteed.

On 19 November 1988 I announced the Government’s decision on the future of the industry following the Cabinet’s consideration of the 1987 IAC Report and my submission. We decided to extend the local leaf content scheme until 1 October 1995; concessional tariff rates would automatically terminate on that date, marking the transition to tariff-only assistance, which was to phase down to 15% by 1 July 1992. A further IAC inquiry into the tariff rate after that date would be required and the Uruguay Round of trade negotiations was flagged as perhaps also necessitating its further consideration. The new name was adopted with a new board to be appointed. Concessional rates on certain imported manufactured products were terminated. The quota for 1989 was determined at the same level as for 1988. The industry had adapted well to change but wasn’t out of the woods yet.

Appointments to the renamed ATB were made in February 1989, with Murray Collins continuing as Chair and three growers, three departmental representatives and three manufacturers as members. The minimum price for the 1989 season was set at a 2.87% increase to 573 ckg. For 1990, the quota remained the same and the minimum price edged up to 598 ckg. In February the three State ministers and I agreed to the continuation of the quota at the same level and a price increase to 613 ckg, which remained the price for the 1991 season.

What eventually happened? The phasing down of the tariff, declining per capita consumption and manufacturers’ refusal to use higher costing Australian leaf led to the industry’s demise and, for a period, an illegal trade in ‘chop-chop’ tobacco, which could be used for roll your own cigarettes. The last sales contracts in Northern Queensland were filled in early 2004. ATMAC ceased in 1995 and no more research was carried out after 2003. I guess I could have eliminated the industry earlier, as urged by many, but I tried to give it a chance of survival.

**Honey**

*Bees are essential to the skein of life on the planet.* Bees are absolutely essential for the pollination of crops and many plant and tree species. When I was farming, bee keepers would turn up at various times of the year as they followed native tree or spring orchard blossom. Often hives were placed on land adjacent to the orchards in Yerrinbool, where there were seven orchards, including my own. Apiarists led the lives of nomads and often camped with their bee hives before moving on; chasing the honey flows. We probably saw them as more important to their own industry than to ours, which was a misperception.
I do not know how to put this, but beekeepers are different people. They are not the same as other farmers in either a political or ideological sense. They seem to be captured by their product and can talk about its virtues endlessly. Amateur beekeepers seem to be just as enthusiastic as the commercial operators. Honey is a unique food having some outstanding attributes in the nutrition and health fields. It was also an industry that had organised itself, even though its membership was small and spread all over the continent. Although I was not of much use in helping their industry, the producers seemed to bear no grudges and I met some very fine people.

The threat of diseases and stability of income were the industry’s main concerns. Pollination services were not paid for and a mechanism to obtain income by this means was not organised in my time. One estimate of the value of pollination services in the 1980s was $600,000 per year.

An Australian Honey Board (AHB) had been established in 1963, its main task to give advice to government on the Honey Levy Acts and the Honey Export Charge Act, and for the control of exports. In 1981-82 the domestic levy collected $212,000 and the export charge amounted to $62,000. A Senate committee in 1982 discovered that there was no need for an export inspection charge. The export control power allowed the AHB to operate pools (curiously named repossession pools), set minimum grade values for bulk honey exports and maintain high export standards. Minimum prices in 1982 were from $625 to $830 per tonne depending on grade. The AHB had a government nominee as chair, with five producer and four packers as members. In 1981-82 a record 12,800 tonnes of honey was exported, but stocks were high as were stockholding costs. In 1982-3 the industry was characterised by a large number of beekeepers (some 12,000) with a few hives, with the bulk of the production provided by some 2200 beekeepers with over 40 hives each and two thirds of all production being provided by 400 beekeepers with over 400 hives each. The packaging sector was highly concentrated. The annual value of honey production was in the order of $20m per annum, yet the industry was in the top four of exporters in the world. There was also a trade below commercial production.

The number of beekeepers was stable. When I became Minister, it was assessed that the industry was on an upward trend in production, relatively stable but not keeping pace with overall agricultural production trends. High production years were generally followed by lower production years. The real price of honey had fallen over the decade ending in 1982, which was resulting in a call for a stabilisation plan whereby higher prices would be struck for the domestic market to give a buffer against lower export prices in some years. The argument for stabilisation at the time rested on the notion of tariff compensation or instability of income.

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101 Bill Yates, Liberal MHR for Holt, 1975-80, got permission to install bee hives in the Old Parliament House Garden to pollinate the roses. Bill had been a Conservative Member of the House of Commons and by a contrived point of order, in effect, brought down Prime Minister Anthony Eden. Bill had a keen interest in foreign affairs and correctly said that Britain’s invasion of Egypt during the Suez crisis was an international conspiracy. For his sins, he was ostracised by his Tory party, lost his seat and came to Australia to become the only person to sit in the Parliaments of both Westminster and the Commonwealth of Australia. His interest in foreign affairs was the reason for his friendship with my wife, who in the 1970s specialised in Middle East politics. Bill had lost a leg in the battle of El Alamein in WW2. Thinking he was after another Middle East brief when Bill came to her office one day, he asked, instead, could June drive him to the Lodge because the Commonwealth car drivers refused to do so? June agreed and then learnt that they were to carry the beehives, Bill fully bee-gear kitted out, June not. They were met by Prime Minister Fraser and Tamie and strode the gardens looking for a suitable spot. Bill got a PhD when he was 82 based on correspondence he had with President John F Kennedy about Suez; a great character.
Strong evidence to back either argument was not available and it was generally assumed that the industry was very lightly assisted but there was not enough data available to make a case one way or the other.

The tariff compensation argument as a basis for assistance to primary industries was addressed and explored in the 1970s. On the basis of the figures and analysis available, it appeared that a maximum of 20% of total estimated costs could be attributed to the cost items having tariff protection; about six per cent. However, this cost disadvantage was likely to be significantly offset by government assistance in terms of tariff protection for honey, the investment allowance, research and extension services, access to income equalisation and tax-averaging provisions, finance by the Reserve Bank of the pools, etc. On the instability of income argument, 60% of commercial apiarists were part time producers, who could increase their output of honey in response to adequate profit incentives. It was hard to come to a firm conclusion on income stability in economic efficiency terms. With fluctuations around 10% year on year, the major problem appeared to be the double effect of a downturn in world prices with a downturn in production due to seasonal factors.

If it could be shown that the industry was under investing, there may have been an argument for a stabilisation scheme, but this was hard to do. There is a crucial distinction between government intervention to increase prices above long term open market levels and intervention to increase stability in prices. The problem for me in assessing whether or not the introduction of a stabilisation scheme was that, if marketing arrangements which minimised sharp, off-trend export price movements could be introduced, then the justification for the retention of minimum export prices by the AHB would be weakened. Administrative intervention could result in significant losses. While not of much assurance or happiness for the industry, all the evidence available to me, including from the BAE and the industry, convinced me not to introduce a stabilisation plan. If State governments wanted to do so, there was nothing to stop them.

In April, 1986, I announced the membership of the Honey Research Council, under the Chairmanship of Max Whitten, who had been chief of the Division of Entomology in the CSIRO. The funds available for research were not large due to the small funding base of the industry but which the Government was willing to match up to 0.5% of the gross value of production. I urged the industry to levy itself higher. In 1995, honey research fell under the umbrella of the Rural Industries Research and Development Corporation (RIRDC) which was established in 1990 when I introduced the Research and Development Corporation model, replacing some of the Research Councils, which I discuss in the chapter on agricultural research. The rationale was to save smaller industries some of the overhead expenses involved. There is a Honeybee Research and Development Advisory Council, which advises the RIRDC on projects and directions for research.

In keeping with the Government’s general policy approach to statutory marketing authorities, in July 1988 I announced the appointment of an AHB selection committee and then in January 1989 the new Board. The revamped AHB consisted of an independent chair, Phillip Chandler, two apiarists (both of whom had been on the previous AHB) and four members with special qualifications. The AHB had two clear roles, to maximise export returns and to create greater demand on the domestic market. It was apparent that the industry could not meet the model as proposed by Professor Davis on the form of the SMAs, which I had adopted. The AHB transformed itself into the Australian Honeybee Industry Council in the 1990s and a commercial pollination service was developed. The Council is also a member of Animal Health Australia and it is very conscious of the threat of the introduction of feral bees, such as the
Asian bee and brood diseases. The disease threats are constant and the Varroa mite is the main concern as I write. My last speech to the industry was in April 1991, when I addressed a Honey Industry Workshop. By that time the industry was worth over $400m per annum. My understanding is that the industry has become very professional and self reliant.

**The Australian Horticultural Corporation and the Horticultural Research and Development Corporation**

On 18 November 1986 I addressed a seminar conducted by the Sunraysia Export Development Committee in Mildura and took up horticulture and horticultural issues more generally. At the time over 50,000 people were employed in horticultural in Australia with a production valued at $1.8b, with exports, at $174m, still only a small proportion of production. I was able to tell the gathering what I had in mind on an umbrella Australian Horticultural Corporation. I also referred to the *Economic and Rural Policy Statement* which I had released in April 1986 which included policies of advantage to the industry, such as revamped research and development arrangements; increased predictable levels of funding; and the Innovation in Agricultural Marketing Program.

I eventually all but gave up trying to persuade the three existing horticultural industries covered by SMAs to join the AHC. I could have just let the legislation lapse and then they would have had less influence for ongoing Commonwealth assistance, if any was needed. I believed an AHC could be justified even if only by way of providing a talking shop and a place to coordinate marketing strategies, circulate information and engage in market analysis. On my trips abroad I was often confronted by mistakes being made by fruit exporters, things like cardboard boxes of apples sent to Singapore which could not be stacked in cool rooms without collapsing. But I could see that the arguments weren’t strong if a what-is-in-it-for-us approach by industry segments was taken. My problem was that I believed we needed to put in place institutions whereby the marketing and research for all the horticultural industries could be pragmatically addressed and advanced on the basis of evident benefit, not any ideological approach. When I asked some of the grower organisations, what about the other industries, where there were prospects for increased production and exports, which were just as large as they were, they basically said “too bad”. The relevant State governments had established Horticultural Export Development Councils and could see some sense in what was being proposed, at least at official level.

The arguments that won me were those made in terms of the analysis of the conditions and potential that the industries were likely to face in the future, that new structures had to be found, and that continuing readjustment was going to occur, autonomous or otherwise. However, the existing legislation was expiring, which meant that I had one powerful weapon and therefore the Senate could not block my policy direction. I believe that it was the patient negotiation of key DPIE officers, particularly those acting as departmental representatives on the existing SMAs, who won the argument for me, especially Frances Cassidy, who later represented the Australian Meat and Livestock Corporation in New York and Washington when I chaired the board of that organisation.

The Department prepared briefing papers on the choices we faced in September 1986 and Tony Gleeson, of my staff, prepared a very useful paper setting out our options. The Department also made a public presentation on new commercial structures for the horticultural industries at the National Press Club on 27 November 1986. The industry was being presented with many ideas and options. We decided to proceed with an Australian horticultural corporation and a research organisation along the lines being introduced for
other major commodities. Because I was overseas, on 6 February 1987, my colleague, Peter Morris, announced that the Government was preparing legislation to establish the two corporations and that more consultations would be entered into with the three industries which still had SMAs as a feature of their marketing arrangements\textsuperscript{102}. We were looking to incorporate apples and pears once the AHC was established, to bring the canned fruits industry aboard late in 1987 and for dried vine fruits to be merged by December 1988. The essential point was that the AHC would be structured to enable the participation of all horticultural industries. I knew that the citrus, berry fruit and nursery industries were keen to join. I would be less than honest if I said that I did not have doubts about having so many potential industries involved - and the vegetable industry was a special concern.

I addressed the annual conference of the Australian Nurserymen’s Association for the second time in three years on 25 February 1987. By this time the Government had established Austrade in the Department of Foreign Affairs and Trade and I had established the Innovative Agricultural Marketing Program (IAMP) and allocated additional funds for research into quarantine barriers and called for applications for research funds in this area. The issue of phyto-sanitary trade restrictions was rising. I stressed my concerns regarding uncoordinated export sales, the lack of an appropriate infrastructure and poor performance in the areas of quality control, market research and promotion, all of which the AHC could address. I also raised the need to have a policy council as part of the structure the Government was to introduce. On 1 June 1987 I released an information pamphlet describing details of the Government’s initiatives for horticulture. I addressed the annual conference of the Apple and Pear Growers Association in Shepparton on 28 July 1987, emphasising that the status quo was not an option.

The Bills to establish the two corporations and the council were introduced and passed through the Parliament on 24 November 1987. The Government had allocated $9m over four years to establish the structure for the horticultural industries. In my second reading speech, I stressed that I believed our horticultural industries had a great export opportunity. On 5 April 1988 the selection committee for the AHC and HRDC and Horticultural Policy Council (HPC) was announced under chair of Dr Rhonda McIvor. Following its advice, on April 1988 I announced the appointment of the three chairs of the organisations, Keith Russett for the AHC, Professor Ralph Slatyer for the HRDC and Tony Bardsley for the HPC, three very distinguished people with enormous international experience in marketing, research and manufacturing. The membership of the HPC was announced in July 1988 as was that of the AHC, with the HRDC’s membership being announced two weeks later; Graham Gregory from NSW became the Chair when Professor Slatyer stood down. In 1988 I received two reports, one on \textit{Marketing Education in Horticulture} by Robyn McConchie from Hawkesbury Agricultural College and one on \textit{Horticulture and Horticultural Education} by Professor John Considine of Murdoch University, both of which were invaluable.

In May 1989 I introduced legislation to enable more industries to join the AHC. Under the model a funding base had to be found for new industries so that they could take advantage of government’s funding arrangements for research. It was expected that the nursery and

\textsuperscript{102} By this time the Cairns Group of Free Trading Agricultural Nations had been formed by Trade Minister, John Dawkins, and I had been arguing for freer agricultural trade in cities and places such as Davos (Switzerland) London, Brussels, Rome, Bankok and Kuala Lumpur.
blueberry industries would be able to join after 1 July 1989. In April 1991 John Pendrigh, of wine industry fame, succeeded Tony Bardsley on the HPC.

The three organisations settled into their tasks and my records indicate that Keith Russet was most diligent in keeping me up to date on progress. My last formal address was to the Horticultural Industry Leaders Conference in June 1993, not long before I resigned from the Parliament in December 1993.

Other Horticultural Issues

I haven’t recorded all the many, many issues that arose with the horticultural industries. Export charges and quarantine issues were constants as was import competition, for example from frozen potatoes. There was an IAC report on vegetables, which was provoked by the import of frozen peas; it recommended no further assistance. The IAMP was well used by the horticultural industries and grants went to many bodies and individuals, for example, for avocados, desert peas, and various berries. A new export strategy for mangoes was developed with the Commonwealth providing $200,000 as part of a marketing skills programme. The disease risk with the import of bananas was addressed, as it was with the import of Japanese cherry trees and controls on food imports. Disease worries included potato cyst nematode and white rust in chrysanthemums. Horticultural quarantine research was advanced and the introduction of plant variety rights assisted the introduction of new varieties of plants into the Australian mix. Innovation in experiments with new industries such as tea and coffee culture, and various nuts, involved me in travelling all over the continent. Plant genetic resource centres were established throughout Australia: at Biloela, two in Brisbane, Tamworth, Adelaide, Perth, Canberra and Horsham, as part of a joint Commonwealth/State government initiative with the Commonwealth contributing extra funds. The conservation of plant species
was becoming more of a concern. Surveys by the BAE/ABARE were also regular and helpful as were their analyses of industry problems.

The HRDC became a private company at the instigation of a succeeding government and I refer to this in the later chapter on SMAs. I believe that the Government I was part of did assist our horticultural industries and as I said at the outset, I had some emotional commitment to the industries, knowing full well that to organise them was worse than herding cats. And knowing that, I was sticking my neck out and did.
GLOSSARY

AAC Australian Agricultural Council
AAPC Australian Apple and Pear Corporation
ABARE Australian Bureau of Agricultural and Resource Economics
ACFC Australian Canned Fruits Corporation
ACGF Australian Citrus Growers Federation
ACS Australian Customs Service
ADFA Australian Dried Fruits Association
ADFC Australian Dried Fruits Corporation
ADFCAN Australian Dried Fruits Canada Ltd
AGPA Australian Grape Producers Association
AHB Australian Honey Board
AHC Australian Horticultural Corporation
AHRDC Australian Horticultural Research and Development Corporation
AP Apples and Pears
ATB Australian Tobacco Board
ARA Area Reconstruction Authority
AWBC Australian Wine and Brandy Corporation
AWBPA Australian Wine and Brandy Producers Association
AWF Australian Winemakers Forum
BAE Bureau of Agricultural Economics
CAP Common Agricultural Policy (of the EEC)
CMA Catchment Management Authority
DCF Deciduous Canned Fruit
DPI Department of Primary Industry
DPIE Department of Primary Industries and Energy
EEC European Economic Community
FCOJ Frozen Concentrated Orange Juice
FCOS Farm Cash Operating Surplus
GAATT General Agreement on Tariffs and Trade
GWRC Grape and Wine Research Council
HRDC Horticultural Research and Development Corporation
HPC Horticultural Policy Council
IAC Industry Assistance Commission
IAMP Innovative Agricultural Marketing Programme
MIA Murrumbidgee Irrigation Areas
NFF National Farmers Federation
RIRDC Rural Industries Research and Development Corporation
SMA Statutory Marketing Authority
TSS Total Soluble Solids
VPS Vine Pull Scheme
WGGCA Wine Grape Growers Council of Australia
WIAAC Wine Industry Advisory Council
WGIAC Wine and Grape Industry Advisory Council
Chapter 15: Forestry

‘John, when we started our campaigns, we didn’t know what we had in Tasmania’s forests.’ Honest campaigner for the Wilderness Society, circa 1985.

This chapter has two stories. Firstly, despite my affection for the natural environment and my concern for the resource base to farming and grazing, my preference for objective scientific, economic and legal analysis as the basis for making good decisions was overtaken by politics and faux morality. Secondly, it gives a summary of the way a major issue played out in Tasmania and the tactics of the parties involved.

To emphasise, of all the industries I had to deal with, first as Minister for Primary Industry and then as Minister for Primary Industries and Energy, forestry, particularly forestry in Tasmania, was played in the least rational, most emotional and most political of ways. Facts simply did not count nor could cut through the hype of the purists, the unrealistic and many environmentalists. It was a clash of ideology and politics and pragmatism - and of wilful ignorance versus science. It was a clash of passions between trees and jobs in a parlous employment state and the price was truth, honesty, light - and jobs. There was - and is - enormous ignorance about sustainable forestry, which is not the contradiction in terms many automatically conclude it to be. But up against the Wilderness Society/Greens - Tasmania and its trees were the genesis of the Greens - and the media which loved a brawl and whipped it all up into an unnecessary frenzy, and eventually a minister who played it all for the votes, common sense could not prevail. Jobs and reputations were made, and unmade in the process, seats won and lost. To log or not to log in Tasmania, and the economic fallout, is an issue which determined certain parliamentary seats in Tasmania –then and now.

Much of this was the stuff of Sir Humphrey’s creator’s dreams, though it was too serious to see the funny side of it at the time. One of the things this chapter shows is the nature of process in a politically fraught situation.

Prime Minster Hawke, always very supportive of me in general, was more involved in this issue in the portfolio than in any others, because votes became involved. Graham Richardson as Environment Minister played the game entirely politically, painting me as the redneck in the process.

My Forestry Experience and Background from Working in the Bush

The farm I grew up on was surrounded by bush. I worked in the bush for some four or five years after leaving school in a variety of forest types but mainly in dry sclerophyll eucalypt bush, with species varying with soil types and rainfall. The power of such forest types to recuperate is remarkable and I had observed that the associated wildlife seems to go through a cycle once their habitat is disturbed by human or natural causes.

Because of my experience I will, firstly, state what I consider to be some basic facts about forestry, most of which were sometimes forgotten by the more political Greens and some people in state forest agencies. My views will, no doubt, be debated, qualified or rejected by environmentalists and foresters. I am often wrong but I am always open to be convinced or otherwise, on the basis of well researched scientific facts, a little known characteristic of discourse by some environmental advocates in my time.

Trees grow (most, but not all, people are agreed on this), do not grow forever, and eventually die. Forests can recycle, as well as naturally regenerate during cycles from initiation to climax or within a cycle. All trees species are not the same (by definition). Similarly, all forest types
are not the same and the classification of trees and their taxonomy and of forest types is a continuing quest. We do not have a full picture of what lives in our forests. Many forests have different characteristics in their composition and under-storeys, much of which is related to climate, soil type, topography and moisture. Different types of forest have different levels of resilience after disturbance, natural or human caused. Some very old forests become depauperate and if not re-generated by fire or other means will gradually decline to be replaced by pioneer species and a return of the earlier dominant species, sometimes over a 400 year period, such as our mountain ash (E. regnans) forests. Fire management is essential; the choice is often between planned hazard reduction burning or wildfires.

Trees and forests are the home of many animals and plants, and their total ecology needs to be understood and comprehended. While some old growth forests and stands have more accommodation for bird and animal species as tenants, dependent on them for habitat, many more small and isolated stands of timber, particularly in our farming areas, now provide little, if any, habitat at all. Habitat is a crucial issue for forestry management.

All forests need sensitive management, if being managed for production of timber, food, other goods, or for conservation. The management of forests for timber production does not necessarily mean forest destruction or the elimination of rare species. (I have yet to be told of the loss of a species due to forestry activities in Australia although Leadbeaters Possum may be a first in Victorian forests, particularly those affected by fires.) Natural regeneration after a regime of selective logging is relatively benign.

Note well, forest trees are a source of food for many people, particularly in the developing world. Forests provide pollination services and ‘produce’ water. Rainforest remnants are not ‘wilderness’, no matter how much politically re-invented, but can have their own ecological values. The definition of what is unique depends on the scale being used. Every species threatened may not be unique but only unique to an area. It is important that we retain true wilderness areas and representative samples of all forest and vegetation types and accompanying ecosystems. Rainforests are not necessarily richer in species than other forest types, but generally are, numerically, but there are some notable exceptions.

All seemingly old forests, are not ‘old growth’, many are regrowth following forestry operations or bushfires. Tree species and forest types vary in their capacity and time in sequestering carbon. All trees can both store and recycle carbon. Trees are greenhouse gas friendly and their capacity to absorb carbon dioxide changes through a cycle. Living trees and wood are both carbon sinks; the total carbon stored in Australian forests is estimated to be 12 billion tonnes.

Trees are very important for many types of good agricultural management, for example, erosion control, windbreaks and the provision of wildlife corridors, which can also possibly provide diversified income. Environmentally, it is sensible to preserve say 30% of natural

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103 Lacking in numbers or variety of species, biomass density or biological diversity.

104 When I chaired the board of the NSW State Forests, the Research Division carried out detailed work on carbon in forest types. In a mature blackbutt, E. pilularis, forest in a good growing site on average, very roughly, 64% of the carbon was in the stems and branches, 6% in the foliage and 30% in the roots of the biomass. It was estimated that the total carbon was 200 tonnes per hectare.
vegetation on economically viable farm and grazing areas. Trees and forests affect the microclimate.

Clearing for intensive and broad scale agriculture, infrastructure, housing, mine sites, the building of cities, towns and dams and some recreation activities does destroy forests. Much of the clearing of forests in the pioneer days was vandalism, which still continues. There are still some farmers who believe that they have the right to engage in broad scale land clearing (as endorsed and required by governments, once), but which now bring them into conflict with conservationists and government environmental agencies. While many forests are beautiful and good for the soul, access to them is often near impossible due to their condition, but perhaps just knowing they are there is good enough on the basis of their known scientific and truly unique values. I have found it impossible to walk into some forests in Tasmania because of the mass of moss laden wet timber on the ground and the presence of leeches. In other words, not all forests are accessible for bushwalkers or those people looking for indefinable ethereal values.

The infinite variety of the plant kingdom is one of the earth’s treasures and the source of so much of our wellbeing. The idea of the Australian ‘bush’ and forests - and what is within them - beauty, danger, getting lost, the unknown, the bush as enemy - is part of our inheritance and built into our psyches. For example, it is eerie - and awe inspiring - to walk into a plantation of the now giant, whispering sugar pines (Pinus lambertiana), in the Tumbarumba area in NSW.

It is also worth remembering that State Forestry agencies were the first natural resource oriented agencies to become offshoots of each State’s Lands Departments. Indeed at the time, there were negative comments from farmers against government policy to create State forests that would retain forests and all their values. Farmers of the 1800s contended that this would restrict agricultural development. This was one of Australia’s early land use conflicts.

State forestry agencies in managing forests set aside areas for conservation. In many cases these then became the nucleus of our current national park estate. Indeed most State national parks agencies came about through a restructure and division of forestry agencies and their staff.

**Policy**

The only reference to forestry in the ALP’s primary industry 1983 election policy document was:

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*The ALP in government will:

  develop a National Forest Policy (promoting hardwood and amenity forests) and develop land use principles in co-operation with the States.*

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When I became the ALP’s shadow Primary Industry Minister, John Tanzer, my research officer, and I released a well researched 34 page statement on a National Forest Policy in June 1982. The document addressed ten policy areas and detailed employment, investment and matters such as supply and demand monitoring, the economics of production, research, taxation and reforestation as well as stressing the importance to the environment.

When the policy was written, I did not anticipate I would run into such a contest as I did on forestry conservation and preservation nor have to confront so influential and so politically inclined an environment movement. In 1983, I did not think it would be hard to have a forestry
industry and policy which could sensibly accommodate scientifically based conservation and any essential preservation needs. I was wrong. At the time I also thought that the concept of 'sustainable yield' was of primary value for the conduct of forestry operations and was being practised by state forestry agencies. I knew it was never totally adequate, but it did give a base for negotiation.

Definition of forest types was an indeterminate exercise. I accepted the Australian Heritage Commission’s (AHC) definition of old growth forests being at least 200–300 years old and that some animal species were totally dependent for their continued existence on them. I also accepted that undisturbed old growth forests had very special values for their genetic diversity, and that large contiguous stretches of forest needed to be preserved so that species could survive bushfires and for sufficient habitat for bird and animal species to be provided. If we only had half of the ten per cent of the forested land we had before European settlement in Australia, then there was a need to preserve all forests types, but not every forest. In terms of forest management and the interaction with the environment, most foresters, at industry and agency level, concentrated their argument on species retention, not absolute local species habitat protection or other, less definable values. A balance was needed and this was the battleground for the fight.

The word ‘wilderness’ was variously used by the environmental movement and always lacked agreed definition.

Given what was to come, including the ‘red-neck’ appellation, let me set out my credentials. Having with friends initiated and then established a branch of the National Parks Association on the Southern Highlands of NSW in the late 1960s, I understood the necessity for the declaration of national parks, particularly of highly valued ecosystems and areas of rarity. I had taken part in campaigning in NSW in the 1960s including to expand Morton National Park; to save the Colong Caves and the Kanangra Boyd Plateau and to oppose the Stanwell Park coal loader proposal where environmental values were threatened. In those days the Australian Conservation Foundation (ACF) was about conservation and run by politically conservative people. As I write, I am a member of the Australian Conservation Foundation (ACF) and have been for many years, as well as a member the NSW National Parks Association (on and off, depending on the ideology of the various CEOs), and of the World Wildlife Fund (WWF) having been a governor for many years. I was also a member of the Marine Biological Society and was on the Council of Birds Australia. At the end of the battles to come, when Prime Minister Hawke offered it to me, I was even endorsed as Minister for the Environment by the likes of the ACF’s Phillip Toyne and Peter Garrett, no small claim to environmental credential fame and probably because I actually knew – and cared – a great deal about the issues.

Politically motivated environmentalists seemed to adopt a mindset of wanting the declaration of national parks on the basis of lock-up so as to preserve as much of our natural flora and fauna as possible. This is understandable but is a tactic-cum-strategy, not a sufficient condition for park declaration without an ecological/scientific case, for example, the threat of the possible extinction of a species. I accepted that in some areas, so much damage has been done to some of our forest resource and dependent species, perhaps triage may now be the wisest policy? However there was to be little chance for sensible dialogue on more rational forestry economics with environmental groups during my time. The allegation that our forestry industry is subsidised by State governments has not been laid to rest, though it is clear that native forest production faces competition from imports, alternative products and that plantation timber is being preferred.
Because Australia has a large net trading deficit amounting to between $1b and $2b per annum in wood and wood products, some of the politics of the issue to log or not to log required consideration of the question whether to ban all forestry operations would simply transfer our requirements onto other countries, which have far worse forestry practices than we do. If we do not build pulp mills for our managed forest resource, paper and wood product imports will increase. Locking up areas of forest generally results in remaining forest areas being more heavily exploited by industry and state forestry agencies. The net loss of habitat may be more than having larger areas of managed forests? Australia still has a lot of land and climates suitable for forestry.

Many foresters bemoan the fact that we have or had the chance to create a sustainable industry. They feel this way because the use of wood in building is more greenhouse gas friendly than the use of other products such as cement, steel, aluminium, plastic and bricks. The challenge for me, once the environment movement became strident about forestry, was to see if a bottom line or a balance could ever be achieved between the position that ‘no tree shall fall’ and the view that is it essential to have a well-managed, sustainable forestry industry. ‘Manage’ and ‘multiple use forests’ were not words in common usage by most politically motivated environmentalists in my time. If preservation of forests is essential to store carbon, then one matter I never understood is why our vast semi arid and savannah areas - some 70% of the continent - were never credited with probably retaining a bigger store of carbon than our rain forests. I also never heard of our vast semi arid zone ever being referred to as ‘wilderness’; not pretty enough?

I always believed that Australia could have a forestry industry and a well-cared for environment. As I write (2013), I have learnt that the world has an estimated 385 b cubic metres of wood in the world’s forests and that this increases by 17b cubic metres a year, from which 3.4b is harvested. Is this so? If so, I submit where it is harvested is critical. But it means that we still have the potential both to maintain the world’s forests and enjoy its products.

**The Policy Challenge**

The central problem I faced in forests policy was to try to balance competing demands and there were many. The Hawke Government was intent on reforming industry policy. I was an industry minister and the forestry industries were major and important regional industries and employers. The ALP’s policy was to deliver an agreed National Forest Strategy. The ALP also had what I considered to be an adequate environment policy concerning forestry operations. But I had to balance this with not having Commonwealth control over most elements of forestry operations and an environment movement that was running a political campaign, not based on absolute facts and evidence. Yet I was sympathetic to the environmental cause, if the arguments were valid and strong enough.

As it turned out, however, politics overwhelmed policy and indefinable values overcame an approach based on scientific objectivity.

**The Forest Estate**

I always found it hard to firmly establish the extent of Australia’s forestry resource, how much was being sensibly managed or not, how much remained, spatially, or of what quality, how much was a following generation and how much was being exploited or under threat. In 1987 the Australian Forestry Council (AFC) estimated that Australia had about 34m ha of native forests and 160m ha of woodlands. Less than 30% of publicly declared forests were used for commercial forestry and 1% of this was harvested in any one year and regenerated naturally
or replanted. There were more preserved forests than those left for other uses, including sustainable wood production, and then there were the plantations to take into account.

The definition of a forest and description of a forest were debatable or subject to various definitions, such as crown cover and height rather than tree types. Scientists were developing new systems of classification and nomenclature of species. Counter to the AFC’s estimate was the statement by the Australian Heritage Commission (AHC) that half of Australia’s native forest had been cleared since 1788, that only 5% of Australia was covered with native forest (41m ha) and that only 12% was conserved in parks and reserves. Both statements could be right. The problem was with the accuracy of the data and assumptions being used, and whether or not it was possible ever to get comparable figures. Given that most of Australia is desert or semi arid, some percentages quoted by some proponents meant little.

The latest figures to hand as I write, from the Commonwealth Department of Agriculture Fisheries and Forestry, are that the total native forest area of Australia is 147.4 million hectares, with two million hectares of forestry plantations, together covering 19% of the continent. Of this 9.4m hectares are available for timber production and 23.0m hectares are in reserves. Australia has 4% of the world’s forests on 5% of the world’s land area. It is estimated that 86.6% of Australia’s tall open eucalypt forests remain from what existed prior to European settlement.

Our net trade deficit in wood and wood products is at least $1.9b per annum. The industry currently employs approximately 66,000 people and was worth $22.3b in 2009-10. It employed more in my time as Minister.

**Forestry Issues Leading into 1983**

On 28 November 1974 the Senate resolved that there be referred to the Standing Committee on the Environment an inquiry into *The Impact on the Australian Environment of the Current Wood Chip Industry Program*. It came to a halt with the dismissal of the Whitlam Government on 11 November 1975, but was resumed in March 1976 by the newly formed Standing Committee on Science and the Environment. Its report with 109 conclusions, 21 recommendations and 27 proposals and was tabled on 24 May 1977. The Committee then wrote to all who had made submissions seeking their views on the recommendations and proposals. On 25 May 1978 Prime Minister Malcolm Fraser made a statement in the House of Representatives that the relevant minister would address the Committee’s findings. State forestry ministers and the CSIRO also responded to what was a very thorough report. Among its recommendations was that the Prime Minister set up a framework for land use planning. The Report represented progress and was a guide for more sensitive forestry management, if adopted by State authorities, though it did not go far enough and would certainly not satisfy concerned scientists and environmentalists, even at that relatively quiet time. However, nothing much by way of action at the Commonwealth level followed.

My experience as a member of the House of Representatives Conservation and Environment Committee in the Whitlam Government had given me a good idea of the dimensions, credibility and criticality of environmental issues. I have referred elsewhere to the Whitlam Government’s initiatives in environmental management and the legislation it introduced. One of the references to our Committee was on the Commonwealth-States Softwoods Agreement whereby the Commonwealth was expending funds to ensure that large scale softwood plantations were established.
Australia has always been a net importer of wood and wood products (paper pulp) and the exotic Pinus radiata grew well in Australia. At the time there was community concern about native forest being cleared for pine plantations - the alleged creation of ‘ecological deserts’. By 1983 there were 600,000 hectares of land under pine, and the plantation estate was increasing at the rate of 30,000 hectares a year. Some environmentalists were then strenuously opposed to pine plantations or any plantations. The Committee visited most large plantations in Australia and also New Zealand at a time when well researched findings were being used to attack inadequate forestry management practices and were becoming more common; many publications and studies were from a concerned environmental perspective, many not politically motivated. Moreover, forestry education in our universities was now taking ecological factors more into account. Forestry was no longer being regarded in production engineering terms.

The centre of most political concern from the 1970s was the export of wood chips, particularly from Tasmania. The concept of selective logging had been replaced by integrated logging by the industry and its forestry agency. The export was of low value but large volume wood in chip form. The problem for the Tasmanian Forestry Commission (TFC) was that forest wastes were not being utilised and that unless clear felling and regenerating or replanting of forests was carried out, it did not have enough saw logs to service the timber milling industry. Western Australia also had a similar problem but there was a particular need to clear fell and burn after forestry operations to prevent widespread root rot in the succeeding generation of trees. Chips were being exported from Queensland (mainly from private property and mill wastes) NSW, Victoria and Western Australia as well as Tasmania.

Until chip exports commenced there was no market for the lesser grade wood. Tasmania saw the woodchip market as the solution to what had been the problem caused by previous, excessive sawlog harvesting. It saw the exporting of chips and the technique of clear felling and burning as a way to address sustainable forestry practices from the late 1960s. The coupes being clear felled and then burnt, could never make a pretty picture, and wildlife habitat was an issue of major concern. To my mind, the TFC was using a fire lighting technique to create tornado type fires to get a very clean burn to facilitate natural regrowth or enable planting. Research had shown that the hotter the fire, the better regeneration can be, but it was not good for fauna.

When I first visited forests in Tasmania in the Whitlam years, I came away with the conclusion that mills were utilising logs for domestic paper production which would be classified as first class mill logs in other States. Further, that the clear fell coupes were too large, and that mosaic patterns of smaller forestry operations needed to be adopted. Later, when I saw beautiful pictures of 400 year old forest giants in wilderness areas that environmentalists said were under threat, I could not see how these trees could either be milled or processed for chips. This did not mean that I thought at the time that they should be burnt so that regeneration or replanting could take place. The areas in Tasmania where these forest giants were found were allegedly well known and recognised. A further complication was that much of the timber in Tasmania was being harvested on private land and private forestry was being encouraged.

105 The typical cycle in Tasmania for E.regnans and E.obliqua was 400 years after fire initiated it. At first there are 10-20,000 seedlings per hectare, intense competition reduces this to 2,000 seedlings per hectare after 20-30 years and by 400 years there are about 3-4 giant trees. I never discovered at what stage ecosystem values are maximised. After 200 years the value of such a forest declines for wood production and 50-100 year rotations were used for production forestry in Tasmania. The problem
The first time I chaired the AFC I realised that the States were more than aware of environmental issues, if not hostile to them, but that a ‘forest engineering’ attitude remained in some of the senior ranks of the various state forestry commissions. Memorably, three of the commissioners had the family names of Quick, Sharp and Gentle - I had to be on my toes. The rapid growth of non-monolithic environmental organisations beyond the established mainstream ones such as the Australian Conservation Foundation (ACF), and the escalation of their concerns, meant that I had to deal with forestry issues in all the States. The conservation movement was becoming adept at exciting city populations on a range of issues but the main area of ongoing activity in my time was in Tasmania. The issue and responsibility for me was the Commonwealth allocation of licences for the export of woodchips. This also expanded into other areas due to the implications of the Whitlam Government’s environmental legislation (discussed in the chapter on land and water), which had not been repealed by the Fraser Government.

**The Rise of Political Forestry Awareness**

Routley and Plumwood’s *The Fight for the Forests* published in 1975 had criticised forestry practices on the far south coast of south east NSW where a large, close to totally wood-chipping driven operation was in place. This was the one example in Australia where the export of wood chips and the concomitant forestry practices could be said to be chip-driven, though sawlogs were also being recovered for local saw mills. In this area the predominant forest species being harvested, in a very fire prone landscape of poor soils, were shining top ash (*E.siberii*) and monkey gum, also known as mountain grey gum (*E.cypellocarpa*). There were at least 13 other species of eucalypts being harvested, such as brown barrel (*E.fastigata*) and stringy barks. Richard Routley was a philosopher/environmentalist and had views beyond my intellectual capacity, but I was aware of the impact the book had when I was re-elected to the Commonwealth Parliament in 1978. The authors were particularly concerned about the takeover of native forests, in general, to be replaced with pine plantations (‘ecological deserts’), for wood chips and intensive forestry. On the far south coast of NSW the tree species being harvested came back quickly and after a fire grew from seed extremely thickly, at first.

My touchstone on all forestry issues was the ecological sciences, conservation biology and related disciplines, the findings of professional university educated foresters, not political campaigns based on undergraduate tactics, protests and ideology. It was the scientists and researchers in these areas of academic study who had also armed the environmentalists. The problem for me was when ideology and politics took over in environmental organisations and lies were told or, more forgivably, when they did not know what they were talking about during their campaigns. The simplicity of myths has never captured my attention. Absolutist views and the belief that the ends justify the means, also did not win my support.

I regarded myself as pro-conservation and pro-environment, but knew that compromise would have to be arrived at in many circumstances; but was there ever a bottom line in this area? If the view was that wood products could only come from plantations, why were some environmental organisations vehemently opposed to plantations? Why did some environmentalists think that it was acceptable if catastrophic bushfires destroyed areas of supreme beauty because it was natural? One of my senior cabinet colleagues accused me of being too close to the greenies. But as the various campaigns unfolded, I was perceived by, or

Tasmania had was that their forest operations were not utilising all available material until wood chipping became commercial, which then led to the unsightly burning of coupes and concern for habitat.
was being presented to the city populations by the lazy, sensationalist media, as a red-neck. Having worked in the bush, having swung an axe in various timber getting pursuits, the label easily stuck.

In 1982-83, Australia was in recession and unemployment was rising. 1982 was The Year of the Tree, but the polity was a little less concerned with the plight of the forests than it had been. However, the first protests to get national attention, and set the pattern for the future, came earlier in the rainforests of northern NSW and into Queensland along the Border Ranges. While at one of the University of New England’s summer schools in 1968-9 I had learnt from the work of a fellow Bachelor of Letters student that only 2% of the ‘Big Scrub’ from Lismore in northern NSW remained uncleared. He had clearly shown how quickly soil fertility declined after the clearing of rainforests and how this had diminished the carrying capacity of small dairy farms and impoverished their owners. This made a big impact on me in terms of the effects of rainforest clearing, quite apart from possible species loss.

From about 1974, people seeking a different lifestyle had gravitated to Nimbin, north of Lismore. In the vernacular of the day, they were ‘hippies’ and part of the Vietnam War protest generation. A young woman in Minister Rex Connor’s office resigned to go there, which I found amazing at the time. I could never imagine living on love and pot. The locals and Lismore community regarded the people in the settlement as marihuana smoking dropouts and flower people. Some of these ‘immigrants’ became very concerned about the environment and the northern NSW rainforests. Academics and the general populace at the time were also becoming more aware of environmental degradation and the uniqueness of some northern NSW rainforests. The established political forces on the North Coast, the stronghold of the NSW Country Party, found it easy to stylise the people in the early protests in 1975 as no-good dole bludgers, marihuana smoking drop-outs and welfare cheats, who were not interested in work and didn’t understand one of the main bases of the local economy and the crucial importance of the jobs of forestry workers.

The protest about the logging of the Terania Creek area, of what was variously described as part of the Border Ranges, the Nightcap and Washpool areas, or Wiangarie, Roseberry and Mt Lindesay State Forests, came to a head in August and September 1979, with a blockade being mounted by environmentalists.

The Forestry Commission of NSW (FCNSW) had been engaged in selective logging below 1,000m elevation in the area since 1916 and declared that, because brush box (*Lophostemon confertus*), one of the target species, was a hardwood, it was not logging rainforests. Environmentalists discovered 2,000 year old Antarctic beech trees being cleared for roads to gain access to hitherto remote forestry resources, where harvesting techniques were being increasingly mechanised. Outrage started to be expressed in the media and in non-local areas. Organisations such as the Colong Committee and the Total Environment Centre became very active and were submitting proposals to limit or ban logging to the NSW government.

The Wran Labor Government was, remarkably, elected in May 1976 (remarkable since this was just six months after the rout of the Whitlam Labor Government) and came to grips with the issue. In 1978 the NSW Government supported the logging of the Grady’s Creek area as a compromise between the protesters and the local sawmills and plywood manufacturers and their employees. However, the State Pollution Control Committee, the forerunner of the State Environment Protection Authority, rejected the application by FCNSW and an impasse was reached. In August 1979 Premier Neville Wran, Opposition Leader Bill Hayden and Bob Hawke, President of the Australian Council of Trade Unions (ACTU), addressed a public
meeting of all concerned in the region to try to give find a compromise. Premier Wran appointed Justice Simon Isaacs to conduct an inquiry; it proved to be the first of many forestry inquiries! The FCNSW, as a statutory authority, refused to revoke state forest areas, while ever Grady’s Creek was not available to it.

The story is long and harrowing, but logging was halted by the Wran Government in September 1979 and then permanently halted in 1982 in the disputed areas. In 1983 the Wran Government declared the Nightcap area of the border forests a National Park. At one rally of about 1,000 people supporting continued logging, protesters turned up with signs reading ‘Wran is a hippie’! In 1986 the Sub-tropical and Temperate Rainforest Parks of Eastern Australia, including an area known as the Lost World Wilderness, were given World Heritage listing.

The fight had been worth it from an environmental perspective but, more significantly, it had now been absolutely proven that sustained, direct, protest action could save forests and stop forestry operations.

An Aside

My first action as Minister was to take a submission to Cabinet for funds to be advanced to the South Australian Government to save pine logs. South Australia had been subject to the same devastating bush fires as had Victoria during Ash Wednesday in February 1983, when so many lives, homes and stock were lost. The pine plantation in the south east of South Australia had been burnt and a salvage operation was under way. Because pine logs which have been burnt acquire a purple stain unless soaked in water, the funds enabled the South Australian Government to place the salvaged logs in Lake Bonney. Prime Minister Hawke was happy to present the cheque to John Bannon, South Australia’s ALP Premier.

Woodchips

Tasmania had long been pivotal in environmental cause celebres regarding water issues, but in my time as Minister, the baton passed to forestry issues and the export of woodchips. The Tasmanian Government had allocated timber concessions in large geographical areas to four companies. The company that produced most of Australia’s newsprint, Australian Newsprint Mills Ltd, had a large mill at Boyer on the Derwent River upstream from Hobart and utilised wood to produce pulp and paper from chips. Three companies had export woodchip licences and Tasmanian forestry practices involved integrated operations. These companies never considered that sometimes self-interest needs to be tempered by competition. The firms had become part of the architecture of Tasmanian politics. I found that my dealings with the relevant unions were more productive in informing me on forest and mill practices.

The wood chipping industry in Tasmania and the use of massive coupes for the burning of forest litter after the harvest of large areas of country was causing national concern, which I shared at the time. The damming of Tasmania’s Lake Pedder for hydro electricity production and the destruction of its pristine white and pink quartz sand beaches was an issue, which I particularly had opposed, as did many in the Whitlam Government. The Tasmanian ALP Government went ahead and dammed it and brought out pretty pictures of the ‘new Lake Pedder’, now one of our largest, if not largest, fresh water lakes.

The world’s first, self-styled, ecological political party, the United Tasmania Group, the forerunner of the Greens, formed as a result of the unsuccessful battle to save Lake Pedder. The conservative ACF turned to the Sierra Club in the US to be advised on campaigning
techniques, as a result of the same issue. Tasmania’s Hydro-Electric Authority (the ‘Hydro’) had great political power because unemployment in Tasmania was always high. Tasmania has true wilderness, water, trees, mineral resources and land suitable for grazing and temperate agriculture, but has generally had, and has, the highest level of unemployment in Australia and the highest level of Commonwealth Grants Commission funds per capita. It exports its young, educated people, as well as other workers, to the mainland. We live in a democracy and if this is the will of the people, it has to be respected. Tasmania has often worn the opprobrium of being a ‘client state’, but it does face some peculiar disadvantages on account of its small population, transport and other high infrastructure costs. Much of Tasmania is a beautiful place to live in, with very innovative farmers and an appreciation of the arts generally shared. Its people have a vastly different political ethos to those of Queensland and Western Australia.

Prior to the 1983 election the issue of the damming of the Franklin River below its junction with the Gordon River was proving to be of great concern throughout Australia. To me, it seemed to be another act of vandalism by the Tasmanian Government following on from the Lake Pedder travesty. The two dam issues had informed many Australians of how different much of Tasmania is to the rest of Australia, particularly in its geomorphology, vegetation and fauna. The Tasmanian Liberal Premier, Robin Gray, began preparations for the building of the dam, saying it was ‘the will of the people’. Campaigners against its construction formed a blockade on 14 December 1982; 417 were arrested and 167 imprisoned. Protests continued into January 1983, as did work on the dam. There was a swing to the ALP in the March 1983 national election, but a swing away from it in Tasmania. An official poll conducted in Tasmania showed that 47% of Tasmanians supported the damming but 45% of the voting population had written ‘No Dams’ on their voting papers. The State was divided down the middle on the issue.

Prior to the 1983 election, a prominent businessman said he would give $1m to any political party which would stop the building of the dam. The Hawke Government and Resources Minister, Gareth Evans, did, after having the issue settled in the High Court. I do not know if the ALP received the money or if it took it (I hope not). To my mind, it was the Gordon below Franklin issue that became the catalyst for a more concerted, but non-monolithic, Australian environmental movement. I stress the term ‘non-monolithic’ because different groups had different priorities and conflicting priorities, which I subsequently had to address, mainly in Tasmania.

The dam issue certainly gave the impetus to the most prominent campaigner, Dr Bob Brown, to achieve national status culminating in the formation of the Greens political party, which he went on to lead nationally. Greens were subsequently elected at all three levels of government. The movement, as such, did broaden out and take a wider perspective, but retained its single issue zeal. At the time the existing mainstream environmental organisations, such as the ACF, were seen by many concerned environmentalists and more politically motivated greens to be lacking in teeth; ‘gum-leaf conservatives’?

In 1982 the Liberal Party had been elected to government in Tasmania for the first time since 1972, Tasmania usually having had long term ALP governments. Premier Robin Gray was in favour of the Gordon Dam and strongly in favour of continuing forestry operations. Michael Field, ALP, later formed a government with the Greens Party in 1989, called the Labor Green Accord. But for most of the time I was dealing with forestry issues in Tasmania, there was a Liberal Government, which was stridently opposed to deals with the Greens. However, the Rundle Liberal Government, (1996-98), later entered into an agreement with them to attain power.
Tasmania had had a formidable history in the declaration of national parks and the World Heritage Commission was aware of much of its uniqueness. In 1983 the Hawke Government enacted the World Heritage Properties Conservation Act, arising from its campaign to prevent the building of the Gordon Dam, to make clear that the Tasmanian Wilderness World Heritage Area (TWWHA) was a matter for Commonwealth sovereignty. This was challenged by the Tasmanian Liberal Government but dismissed by the High Court on 1 July 1983. When I became Minister I only had a vague idea of the legalities surrounding forestry issues in Tasmania but knew that its Government was strongly in favour of continued logging. Early on I sought the advice of the Attorney General on what powers I had and where and how State governments may legally counter Commonwealth legislation. I also knew that technology in the logging and timber industry was changing rapidly and that the collapse of the apple industry in the mid-1970s had shut down small timber mills making fruit boxes. Both were causing an ongoing lack of employment. Employment in Tasmanian forest product industries had dropped by 1962 people between 1969-70 and 1978-79, down to 9,468 employees.

In 1969, the Commonwealth Coalition Government had granted an export licence to a company in Launceston to export nine million tonnes of woodchips per annum to Japan. Exports commenced in 1972. However, the first chip mill was built in Eden in NSW in 1969 with, at first, the name of Harris Daishowa. The ‘Harris’ was Ron Harris who, co-incidentally, lived opposite me when I lived in Campbelltown, NSW, before I became the relevant Minister. The firm became the Daishowa Paper Manufacturing Company when Ron Harris was bought or sold out and became totally overseas owned and exported woodchips to its paper making plants in Hokkaido, Japan. It was mainly harvesting the two main species of eucalypts, identified above, in a very fire prone area of NSW, which I got to know very well. The NSW Forestry Commission was not using fire as a management tool because the species regenerated adequately following logging without fire. One wild fire in the Timbillicca/Nadgee forest area in November 1980 resulted in a moonscape in which nothing lived, and in which nothing survived, even as stumps, it was so hot. The fire burnt out 46,000 ha of State forest and nature reserves. The regrowth in the 2000s was later termed ‘old-growth’ by environmentalists.
The Tasmanian Forestry Experience - A Précis

I will only relate one detailed story on the Tasmanian experience with the export of woodchips and one other issue and then only briefly, because if I took all that happened into account and the tonnes of documentation on the issues, it would need a book in itself. I will also only briefly outline the decisions and issues that arose on the issue in Australia’s other States.

In 1983 I inherited the existing export agreements granted by the previous government, which were due to expire on 31 December 1988. Three companies had licences to export 2,824,000 tonnes of woodchips per annum. They were Australian Pulp and Paper Mills (APPM), and Tasman Pulp and Forest Holdings (TPFH), both owned by North Broken Hill Pty Ltd which together had a licence to export 1,877,000 tonnes, and Forest Resources (FR) which had a licence to export 947,000 tonnes.

The first issue to come before my colleague Barry Cohen, Minister for the Arts, Heritage and the Environment, and me was on the Lemonthyme area in Tasmania, which had been put on the Interim National Estate Register in September 1983. The Tasmanian Liberal Government under Premier Gray, and later under Forestry Minister Ray Groom, was opposed to the listing, as was the forestry industry. I thought the 1982 inscription and the 1983 decision on the TWWHA had made the Commonwealth’s position and powers clear. Minister Cohen and I used our export powers to ban pulpwood for chips in the area from being exported in December 1983 and for saw logs being taken, other than for domestic use from 1984. We were told by campaigners in the Wilderness Society (WS) that Tasmanian ‘oak’ or alpine ash, (E. delegatensis), the species being harvested, was rare and endangered. I later learnt that there were widespread provenances of the species in southern NSW, at Delegate in NSW, in Victoria and other parts of Tasmania. Like Cohen and me, the environmentalists were on a steep learning curve.

The Lemonthyme referred to an area of Tasmanian State Forest which adjoined the Cradle Mountain National Park, to the east of the Forth River, but which had been regularly logged for a number of years and which contained a wolfram mine and road access to the park for bushwalkers. A lot of the area had been replanted to forest in 1975. The actual concern by the environmental campaigners was one of visual amenity for bushwalkers who walked off the main Cradle Mountain to Lake St Clair track and looked from Pine Forest Moor back towards the Lemonthyme area. The TFC maintained that it could easily retain the visual amenity. In factual terms I agreed with it, after flying to the area by helicopter. The WS was opposed to any logging in any National Estate (NE) area, regardless of the fact that logging could take place under the law, subject to an environmental impact statement (EIS) and evaluation to ensure that the registered NE values could be retained. The EIS was to be carried out by the Tasmanian Government as proponent, which in practice meant by the Tasmanian Forestry Commission (TFC).

106 The three species of most concern to the environmental movement in Tasmania were E. regnans, generally known as mountain ash; E.obliqua, generally known as Australian oak but any one of five other common names; and E. ovata, generally known as swamp gum. E. regnans was the tallest with the other two in descending order. None of these species was in danger of extinction. There were known to be 16 thriving regnans above 90 metres tall. I never learned how many giant stumps there were, but such tall trees and forests had iconic value and made great pictures for publicity purposes. In Victoria stands of regnans were important in terms of animal species such as Leadbeaters possum, wedge-tailed eagles and lyre birds.
The thunder clouds were gathering: no Tasmanian government thought it could live with increased unemployment, particularly a newly elected one. It was claimed that one in seven jobs in Tasmania were dependent on forestry operations and downstream activities. The environmental claim was that tourism would easily replace jobs lost. Quite apart from the fact that with sensible management based on ecology and relevant science it is possible to have both, we are still waiting for a tourism/bushwalker led recovery to save Tasmania’s economy.

While it was one thing for the WS and others to glibly argue that forestry jobs would be easily replaced in the tourist industry and while it was impossible to calculate exactly what job losses would be with each and every proposal, bid or claim, what always seemed to be forgotten in the public debate was that the Tasmanian Government depended on the forestry industry for revenue from the royalties it charged for the resource. While job seekers could move interstate, the loss of a large proportion of the forestry industry would also affect small business, the viability of many small towns and the relatively small Tasmanian economy, dramatically. Most of the area under dispute was not in the more unique west of the State.

As Patron of the Axeman’s Hall of Fame, I thought I should see if I could still swing an axe. By now, I could have earned the nickname of ‘Lightning’—couldn’t strike in the same place twice.

It was very evident that environmentalists in Tasmania, mainly the Wilderness Society, were intent on expanding existing national parks and, later, the World Heritage Areas. I had no doubts that some parts of the World Heritage areas should be expanded. I had no opposition to this on the basis of scientific and ecological facts. Even if I personally thought all of Tasmania should be declared a World Heritage area, as a minister in a national government I had to abide by the law, due process and my political party’s policies. On 12 September 1984 Minister Cohen stated, “the World Heritage List ought not be simply an extension of the
National Estate”. In other words it should remain an “exclusive list of the world’s natural and cultural treasures”. This, too, was my understanding. The environmentalists were using pictures of the giant majestic mountain ash (*E. regnans*) to convince city populations that rape and pillage in Tasmanian forests was taking place by rednecks. In their defence, I too had seen pictures of exceptionally large logs being carted out of Tasmania’s forests in the 1960s and 1970s. Then there is the perverse problem of ‘hot fire paradox’, which has to be taken into account. To explain: in terms of succession in the Tasmanian forests *E. regnans* is a sub-climax species which must be subjected to, or killed, by fire if it is to survive (the heat of the fire being needed to burst seed pods). Otherwise the two dominant species of beech and sassafras take over and becomes the climax forest. In other words if the forest is untouched it would take a so called holocaust fire to restore a proportion of the forest as mountain ash.

In April 1985 I received a comprehensive study as a result of a brief provided to consultants by APPM, FR, TPFH and the TFC, which had been provided to the AHC, as part of the draft EIS. This document provided an enormous amount of detailed information but came to the conclusion that there were no significantly less sensitive areas which may be used as an alternative to the areas on the Register of the National Estate. A surplus of saw logs was starting to arise, meaning more forest material was being left on the forest floor. I also received from the same group an environmental impact statement on Tasmanian woodchip exports beyond 1988. The supplement to this document amounted to 262 pages: I was not going to run short of reading on the issue. This comprehensively addressed many of the claims of the Forest Action Network (FAN). The document stressed, with regard to the Lemonthyme, that there were no unique features to the area, that its proximity to the Cradle Mountain-Lake St. Clair National Park was the real basis of environmental claims, that the WS was intent on National Park expansion and was using the Lemonthyme as a means of getting it.

On 17 April 1985, Premier Gray introduced a *Forest Practices Bill* into the Tasmanian Parliament which set out requirements for forestry management practices in general and which was most specific about private forestry reserves.

Six members of the Tasmanian Legislative Council, composed of the same members of a select committee of inquiry into Forestry, 1981-1984, wrote to me on 18 April 1985 regarding the upcoming EIS for exports from Tasmania after the end of 1988. There had previously been reports by Tasmanian select committees on forestry in 1958 and 1972. They concentrated their study on the then four most contested areas, their view on the National Estate Register, and provided me with their evaluations. Believe it or not, I felt obliged to take reports and views by other members of parliaments seriously. On the Lemonthyme, they deplored the decision not to harvest the 100,000 cubic metres of available sawlog without the utilisation of the resulting pulp/chip residue. There had been a special management plan, which had been studied in detail by the 1981 Committee and they believed the sensitivity of the area had been well accommodated by the landscape architects. In general the committee members had reached qualified views. They regarded the woodchip issue as fundamentally being about land use; that land use was a State matter; that the TFC was able to manage forests in a balanced way; and that if the Commonwealth was to interfere, it should provide evidence for any actions and provide for such interference, if forest operations were to be limited, by way of compensation.

They objected to the AHC registering areas in the full knowledge that they had been previously dedicated to timber production (by virtue of necessary forward planning by the TFC) and that it did not seek information from State authorities regarding forest management practices. The Tasmanian Legislative Council was and is reputed to be composed of more independent
members than in the other State upper houses. Regardless of any party political affiliation, I had little doubt that it represented the views of both major political parties at the time.

There was considerable interaction at the officer level between relevant government departments while the EIS was being prepared. It was being prepared by the TFC for the Tasmanian Government as the proponent, which did not strike me as being very independent, but it was the usual method used throughout Australia. The TFC was well resourced and professional. With all its knowledge and available information it took nearly two years to prepare the EIS. I had intensive discussions with officers of my Forestry Branch from April 1985 on. Department of Primary Industry (DPI) officials took a pro industry management approach, acknowledging that I had to take the law and NE values into account and that the Commonwealth was cognisant of its world heritage commitment. They knew that I was intent on achieving balance on the basis of facts and in keeping with both the ALP’s industrial and environmental policies. Significant was the fact that Tasmania had valid existing export licences until 31 December 1988 unless the Commonwealth intervened. The TFC and Tasmanian Government, correctly, did not think they had to vacate areas where logging was in progress from day one because they were suddenly placed on the NE register. This was particularly so if they thought that they could successfully protect the NE value or values concerned. Further, if areas were to be subsequently locked up, and if planned timber operations took place first, the area would quickly grow back to what it was, once locked up, because trees and under-storey grow. They knew of the growth rates from replanting in the Lemonthyme in 1975 and generally throughout the State. As far as I knew, the Lemonthyme area had not been subject to large coupe burning, it being more an area of open logging with some grazing.

Again, figures on the forest resource never matched the estimates and assessments of all relevant bodies. With respect to availability, there was some consensus that 47% of Tasmanian eucalypt forest would never be logged and that over 20% of Tasmanian rainforests with trees over 15 metres tall were within reserve systems. Apart from Western Australia, Tasmania had the largest land area in nature conservation reserves at 4.53m ha. If the NE areas were added, this would amount to 33% of Tasmania. Of the then 53 areas of concern to the AHC, it was estimated that 15% of Crown sawlog and 22% of Crown pulpwood were in areas of sustainable yield.

I met twice with John Button, Industry Minister, in April 1985 to discuss the FAN’s forest industry strategy (the manufacture of wood products was within John’s portfolio responsibility). There were two major problems with it. One was the proposition that the Commonwealth had to use its export powers to coerce companies to change their operations at micro level. The second was that there were real doubts about the availability of the materials being suggested for use in industrial boilers, further processing etc. Also, the FAN sought to have the Tasmanian issues treated in the national context so that the Commonwealth would, in effect, take over all Australian forestry operations and thereby land use. FAN’s case was not without merit, but, to my mind, was ‘aspirational’, if not naive. The strategy was not absolutist but the proponents did not seem to think that the possible 4,000 job losses were a problem. I was never sure whether FAN represented all national environment organisations or only those in Tasmania or if the WS was, in effect, running it.

In early May 1985, Minister Cohen announced that he had reached agreement with the Tasmanian Government regarding the management of the World Heritage area (basically, in part of the Southwest Forests, Hartz Mountains, Wild Rivers and Cradle Mountain-Lake St Clair, National Parks). A Tasmanian World Heritage Area Council had been established and
the Commonwealth had committed $4m over two years for its management. The eastern forest extremity of this was a vast area was all then in State forests. It was here that much of the following argument and protests took place - and continue to this day.

On 10 May 1985 I released a National Draft Forestry Strategy for public comment. This had been drawn up by the standing committee of the Australian Forestry Council (AFC) and was an attempt to see if all competing interests could agree a common strategy for forest management. The key concept was multiple, sustainable use. It went as far as the States would agree in terms of conservation and management, habitat protection but not preservation. While strong on the conservation of species, it did not project a philosophy of absolute protection per se for every area possibly affected by forestry operations. Decisions on the declaration of national parks and other areas requiring protection was outside the AFC’s ambit, this being a matter for State governments, except for World Heritage declarations.

The Commonwealth was also involved in annual negotiations on the price of wood chips with Japanese buyers. I was moving to ensure that the Japanese agree to a price for all Australia suppliers, rather than allow Japan to play one off against the other at different times. Prices for internal supplies in Japan were set, sometimes quarterly, at a lot higher price than Australia was receiving, even taking shipment costs into account.

By this time, Minister Cohen and his Department had been studying the environmental issues to be taken into account before woodchip licence export approval or renewal could be sanctioned. We were working to make announcements by the end of 1986 for licences to be issued or otherwise from 1 January 1989. We had decided that, fairly, we should give the industry as much warning as possible of any changes to the woodchip export regime. The industry was also spending up to two years in negotiation with buyers on contract quality specifications, but mainly price, which I was abetting. As the responsible minister for the actual allocation of the licences, I had to balance Barry Cohen’s advice on the EIS provided to him by the TFC, my own Department’s advice and that of Senator Button’s industry needs, and to weigh up social, economic and employment factors. Regardless of the administrative arrangements, Barry and I were, essentially, working together, knowing full well that we had different constituencies to placate, appease - or cave in to.

To be objective, there were several flaws in the process underway and a policy deficiency. The ALP’s policy was for there to be an EIS for woodchip exports. The TFC, which had prepared the EIS as the proponent without Commonwealth involvement, was to a large extent ‘captured’ by the industry and by the Tasmanian Government. The EIS gave insufficient information about the TFC’s proposed actions, how NE values would be taken into account, and there were no details of operations proposed in advance. We were never given all the information needed for Barry Cohen and me to be able to give as much assurance to our Cabinet as we would have liked. The Environment Department at the time had very little horse power on forestry matters. This also made life difficult for Cohen.

In the event, we were both happy to allow the Cabinet process to take over if we could not come to a common view, given that I was an industry minister and Cohen was an environment minister not only concerned with forestry matters. Governments have cabinets to decide issues when they become complex and, to my mind, one of the key roles of a Prime Minister is to be aware of the politics of any issue and the impact of associated decisions on electoral support. Not that I believed every decision had to be made on the basis of politics and popularity alone. But, then again, one would be silly to be in politics, in a democracy, no matter how flawed, if governments were not aware of the need to retain support and win votes.
My departmental officers met with the Forest Pulp Woodchip Employees Action Group in Melbourne on 31 July 1985. All were shift workers and were intent on not losing any more of their jobs. The group believed that some aspects of FAN’s industry strategy were naive but that others made sense. They had visited 57 companies in Tasmania (mainly small tourism enterprises) to assess alternative avenues for employment and had also spoken with the Tasmanian Premier and the large forest companies. On the basis of their research, they did not think small scale tourism was going to provide alternative employment in dispersed areas of the State.

They were also concerned that good size tree thinnings from regrowth areas were left on the ground to go to waste and, that on occasion, good sawlogs on the ground had been burnt on the APM concession, because the TFC had been in a hurry to regenerate logging coupes. They were concerned about the volume of ‘chemical pulpwood’ left on the ground in the APM concession and suggested that a mobile chipper could be used to salvage valuable material, but at higher cost (APM did not have an export licence, so I had little power to influence their operations). They believed that many environmentalist claims were excessive and that many of the big trees pictorially nominated by environmentalists were of no interest to industry due to rot, age and size - sawmills were not designed to handle huge logs and the splitters at processing sites for chips found them nearly impossible to handle. They said that they could see no problem with the proposed logging regime in the Douglas Apsley region in the east of Tasmania. The unions were constructive and, as I have said, provided detailed, honest information on the pros and cons of the issue. I arranged to meet with the unions again. The ACTU was becoming concerned and involved, and unions were reminding the Government that, at the ALP’s most recent Federal Conference, it had been resolved to establish a balanced advisory committee to investigate Tasmanian forestry issues.

Minister Cohen’s objective advice to me, once it became known, was immediately rejected by Premier Gray, stating that jobs would be lost and that there would now be no logging in National Estate (NE) areas. This was simply untrue. I had to again explain to the Tasmanian Liberal Government that if a NE area had been declared, for example because a particular species or feature was endangered, then as long as this could be satisfactorily protected, forestry operations may proceed in the general area. Some of the described logging areas, coincident to NE areas, were very large. I also had to remind the Tasmanian Government that I had statutory responsibilities under the AHC Act, that the AHC would be providing me with advice and that it would help if the Tasmanian Government provided all the information sought by the Commonwealth on NE areas. Similarly, the environment movement constantly, deliberately, misinterpreted the status of NE areas. It would have been handy if State governments and environmentalists had read the Act and been prepared to act on and honestly publicly retail what its requirements were.

This was the start of years of negotiation and protests with me in the middle.

On 29 October 1985, I publically announced that I had received recommendations from Minister Cohen on environmental issues that needed to be taken into consideration in the forthcoming decision by the Government on licences for the export of woodchips from Tasmania. Twelve of his 18 recommendations required Tasmanian Government co-operation. I was required to balance these against the economic and social perspectives of the Government, our policies and their relationship with international trade, and Commonwealth/State relations. The forest industry’s importance in the Tasmanian economy, where wood-chipping provided over 4,000 jobs and $120m export income and royalty revenue could not be ignored. Once I had carried this out, and once I had consulted with Tasmanian
parties, I was obliged to put forward a proposal to Cabinet. I said that I hoped to reach a
decision by 16 December 1985 and welcomed the balance in Cohen's recommendations.
Somewhat optimistically, I said that I thought that the Tasmanian Government would
welcome the recommendations and that the TFC recognised the need for concentration on the
most crucially sensitive environmental areas and issues that, for example, the FAN had raised.

On 8 November I had to again issue a media release refuting the claim by Premier Gray who
had put full page advertisements in Tasmanian newspapers stating that Barry Cohen's
recommendation to me were that there would be no logging in NE areas. While I knew that
the Premier was on a sure thing, politically, I had yet again to state that Minister Cohen’s
recommendations were only one matter I had to take into account, that I had responsibilities
under the AHC Act and that I had previously advised that the Commonwealth Government
was working to a no jobs lost solution. At the time I was still waiting for some information on
forestry operations in the NE areas, promised by Gray.

In Tasmania, both sides of the debate were hardening and it was obvious that the Tasmanian
Government basically believed that the environmental movement in their State, principally
the WS and the FAN, would never be satisfied unless all timber and forestry operations
stopped. My negotiations/conversations with Forestry Minister, Ray Groom, were frank and
reasoned but it was quite clear that I was between a rock and a hard place. The environmental
movement Australia wide was escalating and not fortifying the Tasmanian Government’s
position, not least on account of its extravagant, exaggerated and often factually wrong claims.

I met with Premier Gray on 20 November 1985. He reminded me of Clause 17 in the draft
MOU which related to the Commonwealth’s position being ‘in accordance with State Acts
enacted from time to time’ etc, and reinforced his understanding that the Commonwealth
would not get involved in land use decision making or intervene in domestic operations. I
reassured him on this was as it was given my then understanding of the Commonwealth’s position.
The Tasmanian Government had the idea that the AHC was making cavalier decisions and was
convinced that the WS would never be happy with ‘99% of the loaf’. At the time, it was being
mooted in Canberra that there be an EIS for every NE area, rather than accept the EIS for the
whole State, which had taken nearly two years to complete. On this, I could understand the
Premier’s concern.

The Decision

On 16 December 1985, I announced the Government’s decision for a new woodchip export
agreement. It is important to understand that other export chip industries were also operating,
principally in NSW and Western Australia, with export licences due to expire. I reassured him
on this as it was my understanding of the Commonwealth’s position. For Tasmania I
announced that, in general, export wood-chipping would be banned in Tasmanian Crown
rainforests (0.5m ha in unallocated land); wilderness areas would be given maximum possible
protection; NE values recognising flora and fauna habitat would be preserved; and no jobs
would be lost. Cabinet had decided on the basis of my submission that the export licences
would be renewed for a further 15 years, subject to compliance with additional environmental
controls. The export volume for Tasmania would initially be 2.889m tonnes a year but would
be subject to variation on the basis of reviews of sustainable yield. It was also decided that
pulpwood/chip operations would be subject to vigorous review by the Commonwealth at five
yearly intervals and that a public accounting process would allow the community to judge
progress on a yearly basis. This represented a balanced approach. By this time the Tasmanian
Government, at some levels, and the TFC, had agreed to recognise NE values and that forestry
operations in relevant areas would be allowed where adequate management plans, reflecting the accommodation of all NE values, were in place.

By this time, too, the Commonwealth and its agencies, and bodies such as the AHC, had identified 37 areas of concern. We decided that in eight of these, forestry operation would not affect wood-chipping operations (21,415 ha), twelve would be completely excluded from export licences (250,400 ha), and seventeen divided into three categories, where logging may proceed providing we were convinced NE values were protected or where management plans were underway and yet to be tested (1,723,260 ha). The largest portion of the latter was in the remaining Southern Forests, which abutted the South West National Park/World Heritage area to the east of a line running from Southport in the south, to Ouse in the central north of the State, but also excluding some small national parks, such as Mt Field. Some specific areas for exclusion were nominated, these being the Weld and Cracroft areas abutting the South West National Park and the Upper Picton and Farmhouse Creek catchments. In effect these were buffer zones to protect areas of high environmental or wilderness values.

The Tasmanian Government still had large areas of State forest not subject to any Commonwealth export restrictions but, at last, a scientific process was in place to assess environmental values to qualify areas identified for the NE. I was to try to secure a formal agreement with the Tasmanian Government, in the naive belief that this may limit ongoing forestry operational areas from endless debate and protest, and so that NE values in NE areas could be examined in the context of the development of logging plans and the satisfactory recognition of those values. The AHC was firmly of the view that the Commonwealth Minister should have final responsibility for any decision. All of this was set out in the AHC Act in terms of when I sought their advice and being subject to Section 30 of the Act etc.

However, the identification of 37 areas also specifically opened up the prospect of endless argument about every area. Jackey’s Marsh/Quamby Bluff, the Great Western Tiers, the Lemonthyme (ongoing) and the Southern Forests became the main areas of contention, with both sides to the argument endeavouring to portray the Commonwealth Government and AHC as wrong. As I write (2013), the Tarkine is the area in most dispute. In my time, the Tarkine as such did not exist. It was part of the North West Forests where I had put 83,500ha off limits from wood chipping exports.

Today, I would not have a clue about the environmental values of the Tarkine and if in any way responsible as a Commonwealth minister, I would seek expert advice. Even if skilled and knowledgeable, ministers do not have time to examine every forest and pursue every claim, valid or otherwise, or bend to the views of vested interests, minority protests or focus groups. At one meeting I was told by environmentalists that the eminent academic, Dr Jamie Kirkpatrick, who my Department had consulted, knew nothing about eucalypt forests. I checked and found that he was a highly qualified geographer and ecologist, an expert on Tasmanian forests and in plant identification. Later, Dr Kirkpatrick was one of the few people to give unreserved support to the claims for world heritage status to tall eucalypt forests. Perhaps the environmentalists then changed their mind about him? I was also told that the Australian National University and the University of Melbourne did not teach ecology in their forestry degrees. I checked on the claim; it, too, was specious.

I was adopting a path of trying to find a balance between all the parties involved, but it was becoming very apparent that any resolution would be about politics not policy, nor necessarily about what I regarded as provable and incontrovertible facts. I suspected that at some stage the Prime Minister would become involved because discussions between staffers showed that
the power of the environmental lobby and the increasingly sensational publicity being given to it by the uncritical media was going to be an increasing problem for the Government. On many occasions, the media seemed more than willing to print any outrageous claim by either side to the debate, but increasingly from a political green perspective. A media feeding frenzy had started.

**The Battle Begins (or Continues?)**

The response by the Wilderness Society (WS) was immediate, with Dr Bob Brown, by now a Tasmanian MP[^107], its leader, stating that the Government had given the go ahead for “massive wood chipping in Tasmania’s forests until the end of the century... ringbarking of public opinion...chainsaws for Christmas...”. And that “the onslaught would flow on from the Daintree to Eden to Albany... and that Australia was every bit as bad as Borneo and Brazil...” etc - the usual alarmist, exaggerated predictions now so loved by the uncritical media. Our predominantly city based media is easy prey for newsworthy ‘grabs’ it seems, given that their readership is programmed to believe that all governments are wrong, cynical and misguided, if not corrupt, and that responsible ministers are dolts and idiots.

The continuing misrepresentations by Dr Brown and various environmental organisations were so numerous it was impossible to reply to them all and I will not even try to record them here. He once told a Sydney audience that I was going to log the Western Tiers. Given that they are rock I found this hard to believe. The forest at the foot of the mountains was among the identified 37 areas of concern and thereby subject to Commonwealth scrutiny and possible AHC advice, should any logging plans be developed by the TFC. Once more I also had to rebut allegations being made by the Tasmanian Premier, issuing a comprehensive media statement. Premier Gray and Dr Brown were well matched, with Dr Brown well ahead on points, politically.

On 26 November 1985 the ACTU and relevant forestry unions met with Minister Cohen and me. They were about to launch a paper on a balanced approach to conservation and development. Their approach was fair, balanced and honest, and their interpretation of the state of play was similar to mine: that it was still possible to preserve NE values and that the TFC was a professional organisation, well able to accommodate AHC findings. By this time I was in the process of establishing the Bureau of Rural Science (BRS) and from the Department I was mobilising a lot of intellectual horsepower on forestry and ecological information on forest types. The BRS came into being on 1 June 1988 with a National Resource Information Centre (NRIC) as part of it, which was directed to assessing as much information as possible about Australian forests. Noel Fitzpatrick, George Mackey, Robin Bryant, Charles Willoughby and many others in the Department, including foresters and scientists who were to be employed in the BRS, were near fully engaged with the issue, associated negotiations and discussions.

The BRS went on to estimate that, quantity wise, 47% of Tasmania’s land mass (6.3m ha) was forested and, of this, nearly 40% was eucalypt (2.4m ha), two thirds of eucalypt forest was

[^107]: Dr Bob Brown became a Director of the Tasmanian Wilderness Society in 1978 and entered the Tasmanian Parliament in 1983. Five of his supporters, out of 25 members of the Tasmanian Legislative Assembly, were elected in 1989 and formed an alliance with the Field ALP Government, which broke down in 1992. In 1992 Dr Brown formed the Greens Party and stood unsuccessfully for the House of Representatives in 1993. He was elected as a Senator from Tasmania in 1996. The party built its vote to about 10% in the early 2000s, peaking at 13.9% in the September 2010 Federal election.
under TFC control (1.5m ha but of this only 0.5m ha was of forest product value), 12% of eucalypt forests were in national parks and there was 0.6m ha in private forests. The National Estate (NE) of forestry significance covered 2m ha or 32% of Tasmania. This latter statistic exhibited the scale of the issue in the island State. You could make many calculations on the basis of area and resource availability. You could bewilder any audience with statistics. However, I thought it was the NE values that were important, not the forest resource per se contained within the NE areas.

The AHC took issue with some of the detail of the decision(s) of 16 December and gave me considered advice by Dr Bruce Davis, Commission Chair. I assumed that we had two years to fine tune the decisions reached and that this period would give the AHC time to carry out further assessments and conduct more research. The AHC also advised that no decision be taken on the Lemonthyme and that it be made a priority for consideration under the consultative arrangements and that no forestry operations in the area take place past Declaration Creek - which I could not find on any map. Once the formal agreement or Memorandum of Understanding (MOU) was reached I would be relying on the AHC’s advice. The AHC subsequently listed the Lemonthyme on the NE on 21 October 1986.

The minutiae of claims and counterclaims would fill a book. I best remember a claim that *Glycine latrobiana* could only be found at Jackey’s Marsh and that this was the southern-most occurrence of it in the Southern Hemisphere. Jackeys Marsh was allegedly old growth forest but the AHC advised me that it was regrowth. Then *Glycine latrobiana* was found further south in an area known as Lagoon of Islands. The three main eucalyptus species of interest to the TFC in this area of some 6,000 hectares were the ‘rare’ *E. delegatensis*, *E. obliqua* and *E. viminalis*. *E. viminalis* was intrinsically linked as habitat for the truly rare forty-spotted pardalote\(^{108}\). What was significant about Jackeys Marsh was that many activists lived in the vicinity. There was also a fish species, *galaxias*, which required research. Whereas *galaxias maculata* were common throughout Australia, the species *galaxias fontanus* was not. And so it went. If any species was indeed threatened, then I had no hesitation in proscribing forestry operations in that area. Some such specific matters only required the setting of an example, which were, or always should be, part of conventional forestry operations, such as stream reserves.

Rather than relate the dispute about every issue I will only detail one, the eastern margin of the World Heritage South West, which became one of the most contested areas. The debate was not about threatened species but about extensions to the area or the size of appropriate buffers. Premier Gray wrote to me on 6 March 1986. The issue he raised was the usual one of the Commonwealth not becoming involved in domestic logging and land use issues. He said that I was misrepresenting our previous discussions and drew my attention to various items in the draft MOU (which I had received on 9 January), pointing out, in one case, where there was no disagreement at official level. He also reminded me that when I phoned him on 16 December 1985, I had said “we cannot stop you going in after domestic sawlogs”. I thought he was referring to worries I was beginning to have about Farmhouse Creek forestry operations.

\(^{108}\) In answer to a question without notice in the Parliament, I took up the case of the forty spotted pardalote. The way I phrased my answer gave much mirth to some who thought I had implied that there were only forty birds of the species left. Birds are an excellent indicator of species loss and environmental condition.
While still negotiating with the Tasmanian Government for a formal agreement, and to ensure that the Government’s decision and the advice of Minister Cohen would be followed, the issue of Farmhouse Creek/Picton River junction intensified in March 1986 when road construction for forestry operations began. The Commonwealth’s 16 December 1985 decision declared that it was the intention to have areas in the upper Picton and Farmhouse Creek area excluded from export licences. The problem was twofold. The Tasmanian Government wanted to conduct non export forestry operations in the area adjacent to the South West National Park-cum-World Heritage area, and the environmentalists wanted the Commonwealth to make an arbitrary decision on one side of the creek. The Premier said I was backtracking on an understanding previously reached, that is, the Commonwealth would not interfere in domestic logging in Tasmanian State forest areas.

On 10 March 1986 I sought advice from the Attorney General and my Department on what options I had to stop domestic logging in NE areas and the building of access roads for forestry operations in the Farmhouse Creek area. The TFC had crossed the creek in accordance with its 1983-88 management plan but was in conflict with environmentalists. The work involved 2.7 km of road and a bridge. It was part of forest operations supplying 33% of the sawlogs to seven mills over the next 10-15 years. The registered NE values were old growth forests habitat, plus the Mt Picton alpine area and the Hartz Mountains National Park view fields. The environmentalists were interested in it being a buffer to the South West National Park/World Heritage area.

The Commonwealth decision on 16 December did not preclude logging or roading in this area and we only had a formal commitment to one company (APPM). The original decision was to allow logging subject to a buffer being achieved. The four options I was given by my Department either required the coercion of companies, pressure on the Tasmanian Government by the withdrawal of other benefits, the threat of legislation or take the case to the High Court or pay compensation. Legal action would require recourse to the Corporations, Aboriginal and External Affairs powers as used in the High Court case on the Gordon below Franklin Dam. However, if successful, this ran the risk of setting a precedent so that all NE areas throughout Australia became national parks, which meant we would be exerting powers over land at the behest of the AHC, not necessarily in keeping with the AHC Act. If such legislation was overturned, we would be back to square one. I decided to continue negotiations before I went back to Cabinet. Another option was simply to ignore the fight between conservationists/preservationists and the Tasmanian Government and private companies, but, again, I did not think the issue would go away.

I was examining the area for the need for a buffer to preserve wilderness and NE values and I could not see how such values in this area varied for domestic or export forestry operations (they were broad and not species specific). The legal advice I had sought from the Attorney General was about what powers I had and what options both Governments had to counter legal constraints. While there was a formal commitment to APPM regarding the existing woodchip licence, two other firms, TPFH and Petersville/Sleigh, were also seeking export licences. It was suggested that I could use the threat of legislation as a weapon by bolstering the case with APPM by stating no more licences would be issued. In layman’s terms the Attorney General’s advice was that we had powers and could amend acts to make the situation clear but that this would have to apply to all States and may be contested in the High Court. The Tasmanian Government could get around requirements I placed on them but then the Commonwealth had powers to make life increasingly difficult for them. I did not want to press
this matter to the courts but at least the advice made clear that I could not carry out all the
wishes of the more naive or agitated in the environment movement.

The buffer had been under discussion in finalising the Memorandum of Understanding with
the Tasmanian Government. The Weld and Cracroft areas were also under negotiation so as
to also give a buffer to wilderness in another part of the South West National Park. For every
kilometre pushed south or west of Farmhouse Creek, one km of wilderness would be lost. The
opening position previously put to Tasmania was for a zone two km from Farmhouse
Creek/Picton River junction and up to the 320m contour in Farmhouse Creek and Picton River
catchments. The Tasmanians had proposed up to the 520m contour and three km from the
Picton River, which simply ensured all commercial forests were included. It also had logging
plans for two areas west of the Mt Hartz National Park. The Tasmanian Conservation Trust
and the Australian Conservation Foundation (ACF) had put forward positive suggestions to
the Tasmanian Government endorsing limited forestry activity as long as it did not proceed
“too far”? They had advised that logging two km up Farmhouse Creek and along a one km
corridor either side of the Picton River was acceptable. There was no difference in the quality
of the forest between one side of the creek or the other but both sides were registered NE areas.
The environment movement based its claim on a study by Hawes and Wheatley, Wilderness
Assessment and Management, published by the WS in 1985, which favoured a buffer zone
eight km wide with a minimum of five km but settled for eight km on the basis that this
represented half a day’s walk.

The Tasmanian Government recognised wilderness as being within the South West National
Park but the results of its wilderness study and attempt at a definition were not to hand. No
one seemed to be able to define ‘visual amenity’. As with so many aspects of environmental
issues, it was in the eyes of the beholder. Once we could not quite agree on ‘visual amenity’,
the next phrase adopted was ‘venerable majesty’, something I am still grappling with. I
eventually decided on a six km buffer and a ban on export of any woodchips from the area.
Then the demand from environmentalists became one of wanting buffers on buffers. There
was some sense in joining the Mt Hartz National Park to the South West National Park and
that was what eventually happened. I flew by helicopter over the whole area and landed at
Farmhouse Creek. In this general area it is clearly in my mind that I proscribed any export of
woodchips from the Weld, Picton, Styx and Florentine Valleys, because it was an area of such
beauty and adjacent to the World Heritage area. Both sides to the argument were unhappy
with my decision. Note: the arguments continue to this day in these areas. Ces’t la guerre!
Perhaps there has been a backtracking from what I thought had been agreed in my time? If so,
today I would be on the side of the environmentalists.

Consultations and Politics

Consultations with many parties were taking place leading up to the MOU to being, hopefully,
signed by the two Governments. The ACTU and the forestry unions were also trying to find a
middle ground to retain employment in the industry. The ACTU was in favour of the signing
of the MOU. I had the heretical idea that workers, organised or otherwise, were of interest to
the ALP, but always believed that in government, you govern for everyone.

The ACTU had set up a State Forest Industries Development Committee, which was supported
by the 13 industry unions involved. Forest pulp and worker action groups were lobbying the
Tasmanian Government to save their jobs. Mainstream environmental organisations, such as
the ACF were becoming involved, but not stridently and on only one occasion wilfully
misrepresented me (about an issue in Victoria). The WS was the main opponent to the
Government’s decision making and was making ambit claims about hectarage, not necessarily conservation or environmental objectives. To accede to these demands implied that the Commonwealth would be determining land use, over which it had no Constitutional power. Dr Brown said that signing an MOU with the Tasmanian Government would “make no difference”. A move was afoot to create a Western Tasmania National Park to the west of the existing World Heritage Area. This was purely a State matter and rejected by the Tasmanian Government. It certainly was not another issue that the Commonwealth wanted to get into at the time, if an MOU was to be signed.

WS members were joining the ALP and pressure was growing within the Tasmanian Branch of the party. One Tasmanian senator, John Devereux, eventually resigned from the ALP over the issue, stating on one occasion that we were heading for paperless offices and that there would be less need for paper. It was not the Commonwealth Government’s policy to act in such a way that votes would be lost for the Tasmanian ALP. From 1982 to 1986 it was led by the Senator Ken Wriedt, the greatly respected former Commonwealth Primary Industry Minister 1972-75. He told me that the Tasmanian ALP was starting to become more conservation minded.

At some stage Labor Senator Graham Richardson, formerly a vehement and excoriating critic of ‘Greenies’, became recruited to the Green cause and was lobbying the Prime Minister’s office on the Tasmanian battle on behalf of the WS if not the more broadly described environment movement. He had apparently changed his mind following a tour of some of the most beautiful forests with Dr Brown. Pretty pictures look good on TV and in photographs as did the new Lake Pedder, which had been published by the ‘Hydro’. I agreed with Graham, thinking that as a city slicker he had not had much acquaintance with the bush and that many forests in Tasmania are truly beautiful if not unique in parts. However, it was their ecological and habitat values, any aspect of true uniqueness and the facts about forest types, habitat and dependent species that were at the core of the issue for me.

Importantly, it was more complex than appreciating forest beauty because I was required to obey the law, acknowledge (or perhaps test) the Constitution and follow the ALP Government’s overall policies and Cabinet’s agreed processes. Senator Richardson’s strong suit was low grade politics. I always believed that the best policy was the best politics and had no wish to embrace his ‘whatever it takes’ political philosophy. I had not yet learnt that perception, intuition and sentiment plays such a large role in voting behaviour, not facts, evidence, logic, reason or the requirements of legal and accepted parliamentary process. I am still learning.

Graham received a compromise proposal from environmentalists in consultation with the WS on 14 May 1986. This was analysed by my Department and the figures simply did not stack up; if adopted, all hope of an MOU would have disappeared. I did not see how I could compel firms to spend $‘x’ millions to agree with the compromise, for example, convince Australian Newsprint Mills to spend $50m on a chemical pulping process or, to encourage artists to develop artisanal wood products; many were already doing this with Huon Pine remnants. The rescheduling suggested implied far less sensitive forestry operations on remaining State forests and departmental estimates of job losses were up to 1500.

The ACF was exploring the pros and cons of the Commonwealth signing an MOU with the Tasmanian Government. My office, mainly Geoff Gilmore, Ray Walker and Tony Gleeson, were the linkmen with the Department and the PM’s office where Dr Craig Emerson had the
running of the issue at political level\textsuperscript{109}. We briefed Craig on all the relevant information before us and met with the PM to discuss progress, given that we were close to signing the MOU with the Tasmanian Government. I made the strong case that if we departed from the path we were on, then I would have to put a new package before Cabinet embracing legislation, a heavy administrative load for the Commonwealth and inevitable compensation. This would be viewed by the other States as a precedent. High Court challenges were bound to occur if we directly involved the Commonwealth in land management issues, or we would end up paying out a lot of money. I believed that the EIS/NE/AHC process, in keeping with our international World Heritage obligations, guaranteed that all environmental values, if not claims, could be addressed and that we should take some notice of the ACTU and the employment situation in Tasmania, rather than adding to what was already the highest level of unemployment in the Commonwealth.

Subsequently, a meeting was held in the Prime Minister’s office, which was attended by Dr Brown and Senator Richardson. I simply made the point that issues being put forward by the WS had been considered by Barry Cohen, the Cabinet and me - and consequent decisions had been announced. Compromises in response to claims of the Wilderness Society would be seen as the Commonwealth determining land use. Further, while we could legislate to try to protect NE areas, this could easily be circumvented within the existing agreement and as it was, there would be no way that any State would agree to an MOU or any formal agreement on forestry matters, without Court challenges. By this time, the WS had completely moved away from the notion of a rational process, depending more on the growing support they could achieve by protests, glib phrases, stunts, media grabs etc. No decision as such was reached at the meeting, but I thought that the Prime Minister better understood the complexities I was faced with and which he was now committed to resolving. I also sincerely believed that the Bob Hawke was committed to the protection of the environment as was Cabinet as a whole, but that processes had to be followed, legality complied with and consistency adopted. If not, the Commonwealth would be involved in every issue concerning forestry and land use throughout Australia.

An MOU was signed with the Tasmanian Government on 12 June 1986, after long negotiations with the Forestry Minister, Ray Groom. Given the attitude of his Government, he deserves a lot of credit. It became evident that Premier Gray was intent on pushing the MOU to its limit. Interpreting what it meant on behalf of industry and the Lemonthyme seemed to be where the test would take place.

Because of the AHC’s advice on the Lemonthyme, industry’s ongoing desire to take what logs it could sell domestically, and the fact that the WS and others were making this the centre of their activities, I set up a Tasmanian Forestry Operations Advisory Committee. It was composed of three members from each side of the argument (environmentalist and industry) and an independent chair, Professor Dr Henry Nix, an eminent academic and practical ecologist and environmentalist from the Australian National University, to advise me on the Lemonthyme, the Southern Forests and the Douglas-Apsley. The committee was to take into account the overall resource and conservation issues in relation to the MOU with the Tasmanian Government. The AHC put Jackeys Marsh on its interim NE list on 21 October.

\textsuperscript{109} Dr Craig Emerson later became Director General of the Environment Department in Queensland’s Goss Government and a Minister in the Rudd and Gillard Governments, becoming Minister for Trade in September 2010.
1986. The Lemonthyme was also put on the Committee’s list after having taken the decision in July.

The political debate became intense from early November on.

On 4 November 1986, Minister Groom expressed his dismay on hearing that I was “personally pushing for the Tasmanian Freight Equalisation Scheme to be used as a weapon against Tasmania”. I was not. The rumour mill was in full flight. The same day, the Prime Minister received a telex from Premier Gray, to which he responded, stating that he, essentially, was waiting for the committee I had established to report. He also wrote to the Premier calling on him to withdraw approval for logging in Jackeys Marsh. This resulted in each side accusing the other of breaching the MOU.

On 6 November I issued a media release stating that I had not agreed to forestry operations in the Jackeys Marsh/Quamby Bluff area of Tasmania to refute the claims by Premier Gray, which he had made on radio. I stated that Clause 27 of the MOU required the Tasmanian Forestry Commission to advise both Governments on ways in which registered NE values had been taken into account in the planning of forestry operations. Such advice had not been received. Clause 30 required Minister Groom and I to meet to resolve the matter. There was now also a heightened dispute in the Lemonthyme. I was overseas at the time and my colleague, Peter Morris, Minister for Transport and Communications, stood in for me. The Prime Minister backed me and in a media release, incorporating the transcripts of two interviews, restated that the Commonwealth was intent only on protecting NE values and that the AHC’s listing and the MOU had to be utilised to resolve the issues concerned.

On 7 November, the Leader of the Opposition, John Howard, issued a media release attacking the Prime Minister for his “blundering hypocritical intervention in the Tasmanian logging issue” that “threatens the jobs of hundreds of Australians and was a gross violation of the MOU”.

On 12 November I issued a media release following discussions with Minister Groom in Canberra. I repeated the Commonwealth’s unequivocal position that logging should stop in the Jackeys Marsh area pending the consultation process, the provision of more research, and called for more sensitivity by the Tasmanian Government in dealing with particular aspects of the MOU. We stuck with the MOU but agreed talks at official level were to proceed to ensure the smooth working of Clause 27 and to establish agreed protocols.

On 16 November 1986, the Prime Minister asked me why my Department had not taken action to gather physical evidence to support a ‘licence in breach’ action being invoked with respect to forestry operations in the Jackeys Marsh area. I informed him that following consultation with Attorney General’s, Prime Minister and Cabinet, Arts Heritage and Environment, my Department had determined that our only cause for action was a technical breach of the licence. I sought more legal advice and it proved I could take action if I had several grounds requiring interpretation of the MOU. It transpired that we would have to follow and document trucks engaged in timber operations and get photographic records, to get enough evidence for a court case. I did not think sending my officials to engage in such a task would be wise, given that Minister Gareth Evans, when Attorney General, had earlier run into trouble when he had asked the RAAF to photograph activities in the Gordon below Franklin Dam matter. The firm, APPM, could argue that it had sufficient authority under the licence, which would go to court for resolution. However, Minister Cohen had effectively authorised the management practices applying which, APPM would argue, suggested the level of minimal damage was acceptable on
environmental grounds. I could revoke the licence and then reissue it on the basis that Jackeys Marsh be excluded from export pulp operations. While I could perhaps stand over APPM, I was not so sure of standing over Premier Gray.

This incident revealed that complaints from whatever environmental organisation were now going straight to the PM’s office. I was told that Senator Richardson was heavily involved as a conduit for the WS. Knowing Graham, I could not imagine in my wildest dreams this would be so! I comprehensively briefed the Prime Minster on the whole question of Tasmanian forests providing an extensive written document. I wrote to Minister Groom recording my concerns about the possibly invalid allegations the Commonwealth was receiving from the various parties to the ongoing dispute. In my letter I also advised that I had received a report from my Advisory Committee on the Lemonthyme and Jackeys Marsh forestry operations regarding NE values and that I was going to publically release it. I advised that once I had absorbed the report, my Department would contact the TFC with comments to take into account Clause 27 consultations. One of the problems I faced was that I did not have a large core of professional foresters, nor did Minister Cohen. We had to rely on the cooperation of the TFC which had at least 186 foresters, technical and cartographic staff. They had the capacity to scrutinise (‘ground truth’) the logging plans in detail; we did not.

On 18 November 1986 the AHC released details of its report on the vegetation survey of forests in the Great Western Tiers region and Jackeys Marsh/Quamby Bluff area. The survey had been carried out by Dr Jamie Kirkpatrick and Tony Moscal of the University of Tasmania, both acknowledged experts. The AHC said the findings reinforced the earlier listing. Their view on the forests at the foot of the Great Western Tiers was about the risk of incursions of introduced species, increased fire risk for the plateau and the longer term elimination of rainforest elements in mixed forests. Species at risk was not an issue. With respect to Jackeys Marsh/Quamby Bluff, where there were three existing forest reserves, it was held that in terms of the species at risk, a nature conservation reserve covering the entire Jackeys Marsh Basin and the Meander River valley between Warners and Archers Sugarloafs would protect these species and localities.

On 19 November I received more advice on my obligations as minister responsible for wood chip export licences under Section 30 of the AHC Act:

> to ensure no action was taken that would adversely affect, as part of the NE, a place on the Register of the NE, unless I was satisfied that no prudent and feasible alternatives exist to the taking of that action and that all measures to minimise adverse effects will be taken.

This advice seemed plain enough. However, there was a timing issue involved. The assumption in the EIS was that there was to be an 85 year cycle for forestry operations. The bulk of the old growth resource was in NE areas and these would have to be cut over a shorter cycle in order to guarantee sawlog requirements. So, allowing no logging in NE areas at all could be seen as feasible but not prudent. If no logging was to take place in any part of all NE areas, this was estimated to cost 30% of projected annual local sawlog supplies (100,000 cubic metres per annum), 4,900 jobs and $75m annually. The argument to ban pulpwood harvesting in NE areas as being not prudent was less persuasive, once individual areas were examined.

In mid-November 1986, Senator Norm Sanders (Democrat Tasmania), accused the Commonwealth Government of running “an anti-conservationist smear campaign”. The campaign in question was being run by the companies involved in the issue. It was a bit rich
for such a claim to be made when environmental organisations were receiving Commonwealth funding. The Democrats had a small membership in Tasmania (49 members at the time) compared to the WS and other environmental groups.

Minister Groom wrote to me on 21 November 1986 referring to my correspondence of 8 and 18 November. He expressed his disappointment at the way the issues under examination had been blown out of all proportion and particularly that Clause 27 of the MOU stated that forestry operations, particularly in the Lemonthyme, had to be concluded “to our mutual satisfaction”. He did not read this as meaning that all forestry operations in the immediate area should cease immediately while expert inquiries were under way – “Clause 27 was designed for the transitional arrangements and excluded Clauses 23-26”. Groom had specific complaints in three areas. These were the position of the AHC in consultative arrangements; my Department’s obligation to coordinate the flow of information and not just send AHC views to him; and that the Advisory Committee I had set up had no standing with the Tasmanian Government. He also attached to his letter Tasmania’s scientific analysis of NE values regarding the Jackeys Marsh/Quamby Bluff NE listing, which, after informed examination, I personally found convincing with respect to the status of species. It was an excellent piece of work as far as I could see, not that the WS was interested in such detail or facts anymore. Three species were not rare, threatened, endangered or endemic to Tasmania, as stated by the AHC, some species were in areas impossible to log and some were misnamed. The AHC was now relying on Dr Jamie Kirkpatrick and a publication on *Tasmania’s Endemic Flora* by Brown, Kirkpatrick and Moscal, 1983, which the Forestry Commission was in a better situation to ‘ground-truth’, that is walk over the whole area to assess.

A meeting with the Prime Minister was held with Geoff Gilmore from my office representing me in early December. Also present were Dr Brown, Dr Emerson, Jonathon West, director of the WS and Rod Sims, Deputy Secretary of the Department of Prime Minister and Cabinet. The NE areas involving the Lemonthyme, Jackeys Marsh and Douglas-Apsley were the areas specifically discussed with the Lemonthyme now assuming World Heritage status in the eyes of some. Jonathon West agreed that the Douglas-Apsley did not have ‘universal values’. At some stage he had acted as a consultant for Minister Cohen and had some qualified views - an insider/outside? For the Commonwealth to take a ‘universal values’ approach required that, not only would evidence need to be amassed, but that an injunction from the High Court would have to be sought. The record of the meeting states that the PM began by saying that I still had environmental concerns but didn’t agree with the WS in some areas, but that he was trying to find a way through, especially taking into account economic considerations, noting the powers of the Commonwealth and what the implications were for Commonwealth/State relations. Hawke said that the Commonwealth’s use of the corporations’ power under the Constitution would not be used (as it had been in the Dams case). Dr Brown upped the ante by stating all the south west forest/southern forest areas had World Heritage values. The phrase ‘universal values’ was now constantly being used. By now, Neil Batt, Tasmanian Parliamentary ALP Leader, had moved to a stronger pro-industry position.

The PM said that he could accept another review process and canvassed the names of eminent people to chair it. When asked by the PM, Dr Brown said that if any review did not agree with the WS position, he would maintain his stance in opposition to forestry operations. West spoke more constructively wanting to focus on sustainability and industry issues such as sawlogs, supposedly, being in glut. It was agreed that I was to investigate both points, which I subsequently did. Both Dr Brown and West wanted NE areas to be dealt with last for any forestry operations. The PM advised that terms of reference for an inquiry into the specific
areas would be drawn up by him in the next week in consultation with me. From the notes, it is clear that the PM was playing the issue honestly and fairly and rebutting some of the wilder claims by Brown and West. He was trying to find a way through. I subsequently faxed my written understanding of where I stood from Manila in the Philippines, which I was visiting on trade and agricultural matters.

On 20 November I received a submission from the NSW Forest Products Association (NFPA) taking issue with Senator Richardson’s comments that the ALP’s “traditional supporters had an environmentalist flavour”. The NFPA’s Director had studied the ALP Platform and believed that the ALP professed a strong connection with workers who were traditional supporters and of whom there were over 100,000 Australians employed in forest industries, producing over $3.7b worth of goods per year. It also advised that although in NSW the industry had assisted in some NE nominations, it would fight claims by environmentalists acting out of ignorance. Tantawanglo and Coolangubra State Forests in south east NSW had been put on the NE register without any consultation with industry. This was also to be a fight for me, but on another day (note, I only had minor problems with the two listings).

On 26 November I met with the Timber Workers Union. They had some rather furious questions for me and were more than well across the issues. Jobs were already being lost. They were bringing out a colour brochure and together with the National Association of Forest Industries (NAFI) were going to launch a TV campaign. They reminded me of the ALP resolution at the most recent ALP Federal Conference and asked why the PM had picked on Jackeys Marsh, when it was part of ongoing logging in a previously logged area. Despite their anger they were trying to adopt a balanced approach.

Forestry operations have become increasingly mechanised.
On 28 November I released the report of the Advisory Committee. It had split, three all, but the Chair, Professor Nix, had used his casting vote to agree that logging in Jackeys Marsh could proceed, subject to operational plans and the MOU being observed and, in addition, for pre-logging surveys of coupes being undertaken to protect NE values. I was prepared to recommend that strict controls apply to logging in Jackeys Marsh/Quamby Bluff area. The minority dissented. On the Lemonthyme, the majority concluded that the impact on visual values from the Cradle Mountain Lake St Clair national Park, a World Heritage area, that no further operations should take place. The minority dissented. The committee also said that its advice would not create a precedent for other NE areas.

While this could be portrayed as nil progress, it was a good compromise based on what the committee saw as facts and which I could work with. I also released a report by Mr A. Court, my Department's consultant from the National Botanical Gardens, into the botanical aspects of the current logging coupe in Jackeys Marsh/Quamby Bluff. Court found that none of the rare/threatened species or plants identified by the AHC was being adversely affected by the current or proposed forestry operations, because the individual plants were mainly in riparian reserves. However, he confirmed the TFC's discovery of Glycine latrobiana within a logging coupe, but noted that operations had been suspended there and a 2.5 hectare reserve had been put around the plants. There was no finding in Dr Kirkpatrick’s Report to the AHC indicating that he had confirmed the site, nor estimated the population, nor provided any evidence for his view that it may be “one of the best sites in Tasmania for its preservation” as he had stated. However, he had found a plant in one quadrat and recorded it on the map supplied. During the time he spent on the ground, he recorded some 260 plant species. The CSIRO concluded that the species is adequately reserved in Australia but poorly reserved in Tasmania. Scientists can disagree and the task of finding every plant in 6,000 hectares is impossible.

But politics took over in light of the protests building and the media in excited feeding frenzy mode. In terms of opinion polling, the environmentalists were saying that polls showed 70% of Australians wanted wood chipping to stop. The forest industry’s polling showed that the figure was 30%. It all depended on how the questions were framed. If you tell people we are exporting pristine rainforests to Japan to make toilet paper the answer is predictable. Similarly, if you advise that one of our biggest industries is under threat and that thousands of people will lose their jobs, the answer is also predictable. As far as the Commonwealth Government was concerned we had to make up our mind if we were going to bring on a brawl only with Tasmania or with all States and Territories, involve ourselves in land use planning - and give the courts a lot more work.

Three days later the ABC program, The World Today, broadcast comments by Jonathon West of the WS essentially saying the ball was in my court and promoting the “outstanding values” of the Jackeys Marsh area. On the same programme, the Premier said road building operations would be underway before Christmas and that the Commonwealth Government was using Tasmania to win votes in Sydney and Melbourne. There was to be a Federal election in July 1987.

Andy Skuja, a senior officer in the TFC, sent me photographs of the whole Lemonthyme area including the land that had already been cleared for grazing years before; the replanted forests were growing well. There were also photographs of forest operations on private property (all on the flatter country, or plateau, above the valley) and other man-made interferences with the bush in the area. It was an area neither pristine nor unique.
Early in December allegations about leaks from ministerial offices began to fly and the media was promoting a brawl between Barry Cohen and me. The fact was that there was a lot of material in the public domain. I suspected a journalist may have been given material, supplied by my office as background, to the WS, but so what? Cohen and I believed in Cabinet process and the Prime Minister was now heavily involved. Also early in December, there was much media comment on the Tasmanian situation. The PM visited Kakadu in the Northern Territory and made statements on the issue. This was greeted by non Labor States taking up the cudgels, alleging ‘green gimmickry’. Neil Batt was also critical of Hawke’s statements.

The Prime Minister called me to his office on 9 December to advise me of private talks he had had with Dr Brown, Jonathon West and Neil Batt. He was looking for an acceptable compromise. He told me that Brown and West had been holding to the position that there was no need to log Jackeys Marsh, any of the Southern Forests, the Lemonthyme or the Douglas Apsley because feasible alternatives were available. Current operations could be finished in two weeks and that Dr Brown would not want to go on and on (?). Batt was of the view that cessation in the Lemonthyme was feasible only for the current year. The PM said it would be best to set up an independent inquiry with people whose credentials could not be challenged to review all information. This was because Brown and West said that they did not have all the required, relevant information, that the WS would continue to protest the truth but that they were not conscious of the economic arguments. Neil Batt had said he could live with this for the year of an inquiry.

The PM then canvassed other options with me and noted how hard it may be to gain World Heritage status. He was well aware that Gray was in a strong position. I advised that Brown could never be locked in, that the role of West was atrocious, and that I seriously questioned their idea of totally excluding the main areas of contention on the basis of the work I had undertaken and the enormous amount of information now before me. I also told the PM that I resented two things: firstly that we were contemplating a reversal of two years’ solid work to defer to the WS knowing that they would never give up, and that to do so would cost hundreds of jobs and the taxpayers a lot of money. Secondly, I resented the interference by non-accountable, non-ministerial colleagues who did not have the guts to speak to me personally. As the responsible Minister, and in light of the decision by Cabinet in late 1985, the ALP’s policy and platform, and now Professor Henry Nix’s committee’s report, I told the Prime Minister that I was hardly in a position to do a back flip. However, I also said I would accept any further Cabinet decision as long as we fully understood the ramifications and implications, including the paying of possibly massive compensation. I also said that I honestly believed that if we threw away the MOU and ignored the ACTU and union movement and the jobs at risk, we would be doing long term damage to the ALP and our supporters in Tasmania (we didn’t hold a federal seat at the time).

I telexed Minister Groom on 10 December 1986 requesting more information on TFC’s visual management system. His reply was comprehensive and advised that the TFC had hired Phil Horning, an eminent landscape architect from the USA Forest Service some time back. He reminded me that the MOU said “forest operations in the Lemonthyme will be in accordance with the extant Management Plan for the Lemonthyme State Forest 1983-1988”.

I met Dr Brown on 12 December 1986 when he again stated that the Southern Forests and Lemonthyme should be World Heritage listed and that Jackeys Marsh and Douglas Apsley with or without Western Tiers were outstanding and of ‘universal value’. He said he wanted all the Douglas Apsley - and that any NE areas must be logged last. I asked if the PM’s mooted inquiry rejected the WS’s claims what would be the WS’s and his position? He said neither the
Wilderness Society nor he would ever give up. Another meeting was held with Dr Brown, Jonathon West, Joan Staples, Craig Emerson, Tony Gleeson, Robin Bryant, Jeff Gilmore and me. Not much new came forward but at least we established a few areas for any upcoming inquiry where the WS and others would not immediately attack it as flawed.

On 12 December, Cabinet members were heavily lobbied by industry and the ACTU to take a balanced position. Bill Kelty, Secretary of the ACTU, said that the December 1985 cabinet decision was made after two years of intensive study, had cost one and a half million dollars, and had imposed balanced controls on NE areas and guaranteed NE values. Bill continued: “we believe that meetings with Bob Brown and Jonathon West must not be the basis of Labor Party policy. Industry unions are most concerned that at the same time the PM had refused to meet with them”. The Forest Industries Association of Tasmania advised that there was an alternative to the “careful management of NE forests. That is, the immediate loss of 5,000 direct and indirect jobs”. The battle lines were drawn but it was clear what the decision would be.

The issue was to go Cabinet and I was well prepared. It decided the issue over 13-15 December after nine hours of discussion over three days. In terms of the contribution of other Cabinet members, I believed I had the numbers by nine votes to seven, but a PM always, effectively, has more than one vote. Briefly, and in essence, on the Lemonthyme, we accepted the Nix report. I was to continue negotiations with the Tasmanian Minister under Clause 27 of the MOU, and if we could not agree, I was then to seek a further review. If this was not possible the Commonwealth would initiate a review, with terms of reference drawn up by the PM and its composition settled between the PM and Minister Cohen. I was to continue to negotiate with the Tasmanian Government on the Southern Forests, Douglas River, Jackeys Marsh/Quamby Bluff and Western Tiers. During the course of the negotiations and review, logging could continue in Jackeys Marsh, no operations were to take place in the Lemonthyme, and only areas currently being logged in the Southern Forests and Douglas River could proceed. If domestic operations continued in the Lemonthyme, or areas outside the current Southern Forests area, the Commonwealth would seek protection of these areas under the ‘universal heritage’ provisions of the World Heritage Properties Conservation Act. And lastly, Minister Cohen and I were to continue to liaise and agree on areas in the Southern Forests.

Because I was being portrayed as the Government’s resident red-neck, there was some sense in not having my departmental officers or me involved in drawing up the terms of reference (TOR) for the inquiry, which was now inevitable. I still had plenty of involvement by way of negotiations and the woodchip licences were also under negotiation with the other States, where protests were also mounting. Tasmania was digging in on the basis of states’ rights and perhaps also on the basis of pay back for the Commonwealth’s victory on the Dams case.

As an aside, dealing with the National Party in Queensland was nearly as difficult, but there I was intent on protecting unique tropical rainforests which the evidence suggested were more than well worth preserving and where there were no integrated logging operations being conducted. I totally supported the Wet Tropics World Heritage Listing even though some country was not wet tropical rain forest; there was sense in acknowledging connectivity and contiguity and the avoidance of ‘islandisation’ for the sake of species retention and habitat. The Queensland Premier, Sir Johannes Bjelke-Petersen, thought that there were votes for him in antagonising ‘greenies’. Queensland is a different State to Tasmania.

On the same day as the latest cabinet decision, 400 people gathered in the Cradle Mountain Lake St Clair National Park at Dove Lake in protest, in total ignorance of what the decision
may be - unless they had been told of the recommendations in the cabinet submissions. Barry Cohen and I were being portrayed as being at loggerheads. The fact was that we well respected each other’s submissions in terms of our separate responsibilities. Cabinets need all the analyses and arguments before them. PM Hawke and Premier Gray were also portrayed at the meeting as being at war with each other. Rock singer Peter Garrett, president of the ACF, said it was now all up to the PM to take overall responsibility. Dr Brown described the decision as being, “one of the most critical and monumental in the nation’s history”. I was glad WW3 had not been declared. The Tasmanian Premier and Tasmanian Government labelled it as a declaration of war once it knew of the decision, and said that it would ignore “Hawke’s logging ban”. The decision and protest provoked huge media coverage and I still retain an inch thick file of press cuttings of 16 December 1986. Some editorials were more measured, referring to Constitutional issues and the possibility of High Court involvement. Younger journalists lapped up everything the environmentalists were saying. It was certain that relationships between the two Governments were acrimonious.

I spoke with Minister Groom on 23 December to discuss the decision. He said there was no sense meeting as there was nothing to discuss. He said that it was his Government’s firm view that the WS and environment movement will agree to nothing unless it accords with their demands. When I pressed, he advised that we could no longer agree on Section 30 of the MOU and that the Tasmanian Government would not recognise any further review. He also said that the Commonwealth, from the legal opinion his Government had received, was now acting outside of its powers.

I also wrote to the PM on 23 December 1986 advising that as a result of the cabinet decision, it would be necessary to amend all export licenses to place a prohibition on logging for export purposes of NE areas without my consent. Licences in other States were all due to expire on 31 December 1988. Meanwhile, I asked Robin Bryant of my Department to extend the licenses to the end of January, as my delegate. (The West Australian Chip and Pulp Co Ltd (WACAP) and the WA Department of Conservation and Land Management were pushing for a decision.) The WA Premier had already written to the PM expressing his government’s extreme concern at the “misuse of the NE principle”. John Cain, the ALP Premier of Victoria, also intended raising this with the PM for discussion at a meeting programmed for 16 January. The Department and I had drawn up draft Tasmanian Woodchip Export licenses, but I did not know if I could issue them.

I met or spoke to Minister Groom in early January 1987 to see if there was any movement. Heat had diminished, resolve not.

The WS and the ACF wrote to the PM, stating that the Commonwealth “appears to be backing away from protecting all the areas we spoke about, in particular the major four: the Douglas/Apsley region and Jackey’s Marsh/Western Tiers”. The Department of Prime Minister and Cabinet (PM&C) invited officials from my Department to a meeting ably chaired by Rod Sims with Dr Brown, Jonathon West, Joan Staples and Phillip Toyne (ACF) so that PM&C officials could learn of the views of environmentalists on Tasmanian wood chipping. The ACF also wished to raise the possible mining of Stage 3 of Kakadu National Park. The record of meeting indicated that Dr Brown et al were conceptually opposed to the Cabinet position. We were not looking to restructuring the industry as the WS wished and were concerned to investigate areas of possible World Heritage significance, though not every area. Dr Brown wanted the corporations power pushed to the limit and would not back off when it was explained that the Commonwealth had no power on unincorporated bodies. Dr Brown said the media were unanimously against the forestry industry, that we should be “beware”,

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that the “inquiry was stacked and that a lot of flak would arise if the State (Tasmania) got round the corporations power”; and the enquiry was “out of kilter with what we expected”.

On 4 January 1987, Dr Brown speaking now as an Independent member of the Tasmanian House of Assembly, issued a statement entitled Rescue Mission for Planet Earth: “in 1987 more than in any year in history Australia’s trees would be chain-sawed down”. It was published in the Tasmania’s Sunday Observer. He was also critical of the fact that “two million tonnes of forest waste was left on the forest floor” after forestry operations. The industry thought these could be chipped, but environmentalists in Victoria were insistent that forest wastes be left where they fell to be incorporated into the soil profile.

Cabinet met on 12 January to discuss the form of any review and the various details of it. Industry meetings had not yet occurred because companies wanted separate meetings. World Heritage Act regulations might or would have to be sought for the Lemonthyme or an injunction could be served to stop operations. An interim injunction would cost $150,000 and provisions would have to be made for compensation if the injunction was unsuccessful. The Attorney General’s Department (AGs) advised that we had to gazette regulations under the National Parks Act to hold an inquiry into the range of natural and cultural values in the Lemonthyme and Southern Forests. Pending the inquiry, regulations would make logging unlawful. AGs was confident the regulations were valid, provided a time limit, and that compensation was covered, but logging could not be stopped once the inquiry had reported. This would require the Commonwealth to say that it did not know what the World Heritage values were, that we only suspected - and had to look further. We would then have to hold the inquiry and possibly a Royal Commission simultaneously to assess the availability of long term alternatives.

AGs had earlier advised that the information was not sufficient to sustain a legal challenge on the basis of ‘universal values’ as per Cohen’s submission. Professor Derek Ovington, Head of our National Parks and Wildlife Service (ANPWS), as well as many other experts, believed that he could not support the case on these grounds. The claim by the WS was on the view-field from the adjoining National Park. Perhaps we could lock up the Queensland coast on the basis of the view-field of islands on the Great Barrier Reef? AGs preferred approach was the use of ANPWS regulations. Were we prepared to cheapen the criteria ‘outstanding universal value’? If one looked down from Forest Moor, all you could see was forest, except for the mine. I had been briefed on all the options but it was apparent that I was out of the debate. The various forms of a review were also discussed as were the probable actions the Tasmanian Government would take in response. Draft Terms of Reference were presented. Ministers decided to make a final decision once the PM returned from an upcoming overseas commitment following consideration by the Legislative Committee of Cabinet.

The ACTU sent a further comprehensive submission to the Prime Minister on 15 January setting out employment ramifications and stressing the need for balance. They were still seeking to speak with the PM. Cabinet met again on 19 January. I pointed out that the pending action was only about the Lemonthyme and the Southern Forests whereas the WS also wanted Jackeys Marsh, Quamby Bluff, Western Tiers and the Douglas Apsley forestry operations stopped. I also pointed out that there was a presumption in clause 8 (1) (b) of what was being prepared that there was an automatic protection of NE areas regardless of values for which the area is registered, that is, a presumption of protection before assessment. By this time the TOR had been drawn up by the PM. Neither Barry Cohen nor I had warning of what was in them before we saw them.
Not long after, the firm Petersville Sleigh, gave clause 23 notice under the MOU of their wish to build a road into a NE area of the Western Tiers of some 4,000 hectares. The land was freehold and if it was locked up for export forestry operations it could be locked up for other activities. Cohen's Department and the TFC did not know how to handle this but it was now more their problem. Out of courtesy, I rang Minister Groom to inform him that we had come to a decision regarding the form of the review.

I met the principals of the three exporters, Brian Gibson, David Bills and Des King, on 21 January who were asked to strongly back the Government’s decision (they had been in telephone contact before). Brian Gibson was the chair of the National Association of Forest Industries (NAFI). They had sought detailed legal advice and were fully aware of the relationship between the AHC, the NE areas and the role of the Commonwealth Government as well as the process the Government was expected, if not required, to take. They also strongly held to the view that the WS's strategy was about the expansion of National Parks and World Heritage Areas, not about species or alleged wilderness. They said that it was inevitable that the taxpayer would have to pay compensation.

On the same day I also met Arthur and Anthony Risby whose firm, Risby Forest Industries, was receiving 48,510 cubic metres of sawlog per annum from the TFC. They were in a consortium to value-add to the material they were using. They said that they were sick of "abuse from Canberra", that the process being engaged in was unprofessional and so far had cost them over $1m. They said that they could not invest for the future in the current situation, that they did not know how there could ever be a national forest policy - and that compensation does not work because markets are lost or taken by others. The Tasmanian Government had approved their capital investment of $30m, which was estimated to produce $30m worth of exports, 600 direct long term jobs and a further 1200 jobs during construction. The firm was to be thwarted.

The Legislative Committee of Cabinet met on 16 February. I still had problems with clause 8 (1) (b). PM&C argued that that the inquiry merely identified alternatives and that the provision could not be used as a precedent to argue automatic protection of NE areas. Many words in the draft proposal were loaded; for example 'exploitation' was always used rather than 'utilisation'. A view was growing that all we had to do was to come to a deal (whatever it took?). At one stage my staff and I had to ask for West not to be involved in the inter-departmental committee set up to draft the TORs.

On 21 February the Tasmanian Government decided to send its Attorney General, John Bennett, to gather information on the NE by speaking with key people in the International Union for Conservation of Nature (IUCN). Mr Bennett was also to visit UNESCO.

On 23 February I met with Minister Groom once more seeking co-operation with the review and a cessation of logging activity including road building at least in the contentious areas. Minister Groom informed me the Tasmanian Government was prepared to cooperate if the Commonwealth agreed that it would make no attempt to stop planned forestry operations in any NE areas for the current calendar year and it expedited the issue of export licences. In these circumstances Tasmania, although opposed to any review, would provide specific technical advice and information. He stated that the Tasmanian Government's actions would not affect any of the values that the Commonwealth was concerned about. He further said that if the Commonwealth attempted to lock up any areas of State forest by legislation, Tasmania would conclude that the MOU no longer applied and would oppose politically and legally any
action by the Commonwealth in every possible way. This would deny any input by the Commonwealth on forestry operations in Tasmania.

On 23 February, too, the environment movement/WS, approached the Commonwealth to include the forests of the Upper Mersey Valley to conserve *E.obliqua* (for forty spotted pardalotes?). The IUCN had reported to the Commonwealth on 9 February that new information on areas adjacent to the World Heritage Areas should also be considered. The Nix Committee had brought this to our attention in one of its dissenting reports, but at that time we had no precise information. It would also open up the prospect of adding additional claims to the inquiry in a piece meal fashion. The Walls of Jerusalem were looming as the next cab off the rank - I had never heard of them. Before taking further action, I thought it may be best to wait for the pending inquiry’s recommendations and then examine further claims on the basis of evidence.

**Helsham and Wesley Vale**

Once all details were settled, on 24 February 1987 Minister Cohen and I jointly announced that the Commonwealth had decided to introduce the foreshadowed legislation on the Lemonthyme and Southern Forests as set out in the Cabinet decision. (Why the Prime Minister did not make the announcement, I have never understood). This would establish a commission of inquiry into the areas concerned and protect them during its 12 month duration. The inquiry would also examine whether there were prudent and feasible alternatives to logging in areas “found to have or to contribute to World Heritage values”.

The Bill went through the Parliament and was proclaimed on 30 April. The presiding member for the commission was Michael Helsham AO, DFC, RFD, QC, former Judge in Equity, Supreme Court of NSW, Air Marshall (rtd) and former Judge Advocate General, Royal Australian Air Force. The other two members were Peter Hitchcock, BSc (forestry) Manager Policy and Planning, National Parks and Wildlife Service of NSW, and Robert Wallace, BCom(hons), B Phil, FASSA, Reader in Economics at the Flinders University of South Australia. The commissioners were eminent and the TORs were fair and transparent. It was to issue an interim report in November 1987. Pro-industry people alleged that Justice Helsham was a “bushwalking Judge”. If this was so, so what? Many forestry workers and contractors in Tasmania were avid bushwalkers and I can name the Padgett family. Andy Padgett had walked the Cradle Mountain to Lake St Clair track many times in company with his children and grandchildren.

At no stage did I ever speak with Justice Helsham or his commissioners. All went quiet on the southern sector.

In late August 1987, the High Court decided to grant an interim injunction preventing forestry operations from proceeding as planned in an area of 284,000 hectares. This decision merely related to what should happen while larger questions were being resolved in the High Court on matters not referred by the Commonwealth or me.

The IAC had investigated *The Pulp, Paper and Paper Products Industry*, recommending a tariff on imports to be dropped to 15%, stating that it would cost few jobs. The industry thought it could cost 400 jobs. The IAC later looked at value adding for the forest and wood products industry.

A general election was held on 11 July 1987 and the ALP Government returned. The environmental lobby claimed it delivered the record third term by swinging the crucial two per
cent of votes to the ALP. NAFI conducted its own analysis, employing consultants, disputing this and one of my politically astute staffers who, unlike me, understood numbers and statistics, analysed voting figures in detail in the eleven seats the ACF and WS had targeted and concluded that the ACF, the WS, et al did not have a convincing case. NAFI had by now made the case that the forest industries were Australia’s fifth largest industry, employing 100,000 people, twice that of the car industry\textsuperscript{110}. Regardless, the perception grew that the ALP had been returned because of the green vote, due to the media being in thrall to the environmental movement. I always took the view that genuine, concerned environmentalists were not likely to vote for the Coalition.

Following the election, Barry Cohen lost the support of the right wing faction, run by Graham Richardson, and Graham Richardson, confidante of PM Hawke, became the new Minister for the Environment. Cohen had been undercut from within. It was amazing that I continued in my portfolio rather being moved to a less contentious portfolio. I was also lucky to escape being dropped from the Ministry but managed to hold votes across the factions to some degree. I became Minister for Primary Industries and Energy (DPIE), which now had Resources and Energy and parts of commodity trade policy added to it. It was a ‘super ministry’ and Peter Morris became my co-Minister. Because I knew of his strong environmental credentials from our days together on the House of Representatives Conservation and Environment committee during the Whitlam years, it was decided that he would take on land, water and forests as one part of the expanded portfolio, but as the portfolio Minister I still had to have overview across it.

On 1 October, Bob Richardson, industrial officer of the ACTU, but totally knowledgeable about the Tasmanian forests situation, informed my office and me of plans being made by North Broken Hill Ltd to replace the existing pulp mill at Wesley Vale with a world scale, export oriented mill involving an investment of $936m at start up (1991). Operating jobs would be 350 but estimated to be 1000 during construction. The trade balance improvement was estimated to be $280m per annum and the investment decision was needed by March 1988, with first production to be in March 1991. This was the first I had heard of this (more below).

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The ACTU sought, and secured, a meeting with the PM on this proposal. In November, the Forestry and Forest Products Industry Council (FAFPIC) forwarded a major piece of work to John Button and me on a plan stating that the potential existed for the industry to make major investments totalling $11b (constant 1987-88 $). The submission had been prepared by the tripartite organisation which was established by the Government under the Australian Manufacturing Council in John Button’s portfolio. John was engaged in major policy work on industry plans. We were both opposed to the Treasury line that there was no need for any industry policy – the market will provide – economists do not make value judgments, and so forth. In May 1986 FAFPIC had received ministerial approval to embark on investigation and possible implementation of the plan. The proponents stated that the forestry industries were Australia’s second largest manufacturing industry. All that was holding them back was access to adequate natural resources, which could be developed with more emphasis on hardwood plantations. John and I were given the presentation they hoped to make to the Prime Minister. My Department and personal staff had also been working on a feasible, more

\textsuperscript{110} NAFI’s Director was Dr Rob Bain, formerly of the BAE and DPI, where he had been a first class natural resources manager in charge of the Fisheries Division.
intellectually sound, National Forest Policy. We were prepared to put a case to the structural adjustment committee of Cabinet on 12 February 1988.

However, by now it was clear that votes, not jobs, were the priority. Not only did I have doubts as to the implications of what were very aspirational proposals, I had doubts that they would ever get off the ground. It was easy to foresee that the strategy of the environment movement would be to oppose all plans for investment in pulp mills, further processing and plantation establishment in the forestry industry, to ensure that existing trees, let alone plantations, were not harvested.

On 20 November the Helsham Commission delivered its interim report which identified two areas in the Lemonthyme and two in the Southern Forests in which proposed forestry activities may take place. It was examining areas included in its TOR to assess whether they qualified for World Heritage recognition. In the case of three of the coupes, operations were well advanced and the TFC could proceed with regeneration. In the fourth area, trees were over-mature and of no conservation value. The finding was challenged in the Federal Court by conservationists, but the validity of the report was upheld.

On 2 February, Minister Richardson wrote to me disputing an earlier letter to him by Minister Morris. Richardson now wanted the Douglas Apsley NE area to be subject to our export licensing powers, because it was, “particularly beautiful and on view from a well-travelled tourist route”. He wanted us to use our Constitutional corporations’ power by drafting legislation to regulate forestry activities in Tasmania and suggested we meet with the Prime Minister and other relevant ministers. He wanted all decisions to be taken jointly with him. Peter Morris and I went through the letter paragraph by paragraph and picked it to pieces in terms of fact and errors, for example, the road he nominated was inland and we were using the MOU to ensure NE values were being protected in the area concerned. The phrasing was redolent of WS claims. By this time Senator Peter Cook had become my co-minister and he had carriage of the areas Peter Morris had covered, he having been moved by the PM to another ministry in a reshuffle.

Peter Cook was far more experienced in the real world of ALP politics than I ever had been due to his experience as Secretary of the Trades and Labour Council in Western Australia, Vice President of the ACTU and a member of the ALP’s National Executive. Peter quickly experienced the loneliness I had felt before the formation of the ‘super ministry’. He was a better negotiator than I was and being in the Senate gave him a better chance to negotiate with Richardson. Peter wrote to his fellow senator on 18 February rejecting his suggestions, reminding Graham of all that had transpired in Cabinet before his elevation to the Ministry. He pointed out where the PM and Cabinet had already addressed many of his bids and allegations, such as when the PM had rejected use of the corporations power in the Constitution on every environmental claim. There was to be an election in NSW on 19 March and Senator Richardson was upping the ante on the environment to assist his State colleagues111.

111 NSW Premier Barry Unsworth had declared a further national park in the southern coastal part of NSW. Bob Carr, NSW Minister for the Environment, had criticised the Liberal Party for accepting funds from Harris Daishowa to find that they had also given funds to the ALP. The ALP lost the election and four rural seats, allegedly on the gun issue. But it was more complex than that issue alone. The conservation movement did not support the ALP despite its environmental record. The National Party now had 20 seats in rural NSW, so I assume environmentalists were perversely happier with this.
Richardson next made a foray into banning the export of mineral sands from a lease in Central Queensland. We were not going to contest every issue he wanted to get into even though it impinged on our portfolio area. He was also moving on a wet tropics listing as a World Heritage Area in far north Queensland, which I touch on again below.

I never once spoke to Senator Richardson, one-on-one, other than in Cabinet or in joint meetings in the PM’s office or with delegations. I once went to his parliamentary office but was only able to speak to staff. I wished to suggest that, given the resources of both our Departments, we ought to work jointly on an environment policy that we could all live with. I was told by one of his senior staffers that, “Democracy is about giving people what they want. The people want the environment to be preserved and we are going to give it to them”. I ventured that if democracy was only about giving people what they wanted, John Button and I would never change or reform anything in industry policy. And perhaps the Government should use focus groups on every issue or poll old age pensioners to see if they wanted a pension increase?

I never fully worked out what Graham Richardson’s honest view or strategy on environmental matters was. Was it just a chase for votes (whatever it takes)? Was he truly committed to every environmental issue raised and to acting as a channel for his friend Dr Brown? Was it purely an emotional response since he became aware of the beauty of forests? Or was he working to limit the damage the Greens could do to the ALP vote in the inner city electorates? His activities post-government have not demonstrated any environmental activism, as far as I understand.

The Helsham Commission submitted its final report to Senator Richardson on 6 May 1988. Under the Act, the prohibition on logging within the entire protected area remained in force for up to 42 days after receipt of the report. Volume One was 450 pages long and with appendices, not including maps, was 611 pages in all. It represented the most thorough inquiry ever conducted in Australia into a natural resource/environmental issue.

The Commission was divided two to one over the extent of areas not qualifying with commissioner Hitchcock dissenting. It was unanimous in finding four areas were qualifying areas, and there was a majority decision on a fifth area. The Inquiry unanimously concluded that for the five qualifying areas the loss of resource would cause detriment to the industry, but the loss would be minor on a State wide basis and that ample alternatives existed to avoid detriment. The loss was estimated to be 119,500 cubic metres of sawlogs and 373,900 cubic metres of pulpwood of standing resource within the Inquiry area. Commissioner Hitchcock's dissent provided a problem not easily resolvable by the Commonwealth. If agreed to it would exclude approximately 10% of the Crown sawlog and pulpwood resource in Tasmania. This would have to be resolved by Cabinet. From an industry perspective, the majority recommendation would be viewed favourably.

This comprehensive Report required extensive, detailed, consideration. Immediately it became publicly available, Dr Bob Brown labelled it as an attack on “the world’s tallest flowering plants” – and so it was dismissed by the environment movement. In terms of media coverage there was thereafter no analysis in depth of its findings. The Government then had to decide what was to be done: it was not a case of back to square one but to continue negotiations, knowing that perceptions were being taken over from facts and process. Personally, Peter Cook and I were happy enough with the Helsham Report as it stood. However, the umpire’s decision was never accepted by Dr Brown and the WS.
Senator Richardson was attracting publicity by announcing his views on various environmental issues many of which concerned DPIE's area of responsibility. As well, he was canvassing future World Heritage nominations. He had started to build a case backing the media to the effect that I had been doing nothing about soil conservation and had told various people that he was going to take soil conservation from me after he let me “have a few wins”, whatever that meant. By this time it was well agreed that land degradation at landscape scale and issues such as salinity were far more pressing than soil conservation only. As far as I was concerned, if he could get tens of millions of dollars for additional soil conservation and land degradation, I would back him every inch of the way. However, I still believed that official responsibilities portfolio by portfolio should stand unless altered by cabinet process or, most usually, by the Prime Minister, not Senator Richardson on the basis of a deal.

Peter Cook and I were concerned that there be some process put in place, or protocols or working guidelines agreed, so that the two Departments and Ministers were not always at odds. On 2 June 1988, Peter Cook met Senator Richardson, staffers and officials to see what could be agreed. Peter and I thought it would be best to seek any compromise by way of cabinet discussions and that key issues coming up for decision should first be discussed in the Structural Adjustment Committee of Cabinet. But Richardson did not want to go to a cabinet committee. Cook suggested that the two Departments develop a broad land use policy and expedite a national conservation strategy for Australia and that a joint Cabinet submission go forward. As I understand it, the meeting did not come to any clear cut decisions but it was clear that Richardson preferred a more purely political approach and that it was unlikely that a joint submission would be possible.

Meanwhile, I was working with a small departmental workforce headed by John Kerr to try to come to grips with the issue of public resource use. Farmers, fishers, foresters and miners all seemed to think that they had unchallenged claim to such resources. Peter Cook was working on the concept of a Forests Accord, which had been supported at the 1988 ALP National Conference in Hobart.

The Tasmanian Trades and Labor Council had prepared a booklet on the implications of Helsham, which had been the basis of their submission to the Helsham Inquiry and had been presented to Conference. If all forest areas were withdrawn, as demanded by the WS and now ACF, at least 4,282 jobs were at risk. The Council pointed out that people living in the cities could make a vote cost free; they could not. The National Resource Information Centre (NRIC) which I had established was quickly amassing factual data on natural resources and also estimating job losses. An independent poll in Tasmania showed that 56.4% in Tasmania favoured Helsham and that the 18-26 year old cohort supported Helsham by 53.4%. Overall 24.2% were in favour of the minority recommendation.

The issues being broadly discussed also involved consideration of royalty and taxation matters, as evidenced by the years of debate and negotiation leading to the Petroleum Resource Rent Tax, which had eventually been introduced after eight or nine years’ consideration and negotiation. Resource rents are a far more economically efficient way to deal with the taxation of resources but the states can only levy royalties and, given their Constitutional powers, this is what they do.

On 3 June Peter Cook met with John Button and David Bills, General Manager of APPM, to discuss a pulp mill proposal at Wesley Vale in northern Tasmania, on the site of the existing old, polluting mill. Peter Wade, Managing Director of North Broken Hill, had written to the PM and Premier Gray on 19 May seeking undertakings and guarantees from both
Governments on wood resource, infrastructure needs, royalty rates, parallel controls of chip and export sales and Commonwealth fiscal measures. Noranda Forest Inc, a Canadian equity partner, was the third party in the proposal. The firms would not commit to a $1b investment without some assurances.

The President of the ACTU, Simon Crean, wrote to me on 15 June strongly backing the Forest Accord concept and setting forward four, sound basic principles for attaining such a policy solution. The ACF was moving to support a plantations only approach to forestry activities (bio-diverse ‘deserts’?).

Peter Cook engaged in four negotiating sessions with Tasmanian ministers and wrote to the PM on 16 June outlining the 11 points on which agreement had been reached. He had won cooperation on some industry restructuring, which had at first been rejected by industry. He also advised that in terms of the negotiations and the issue in general, that there would be a need for compensation, funds for restructuring and that tall trees in some areas would still need to be protected. Peter was confident that he had a package that met the Government’s conservation, economic and political objectives.

On the same day the WS and the ACF wrote to the PM stating that the Helsham Inquiry had misconstrued the appropriate test of world heritage criteria, that is was fatally flawed, that they had initiated an Administrative Decisions Judicial Review of the Commission’s findings and that, pending further legal advice, they would “proceed (sic) in the Federal Court”.

On seeking legal advice, the Solicitor General and the senior Constitutional lawyer in the Attorney General’s Department had some interpretive comments to make. They concluded that the fault, if any, may not have been of the majority of the commissioners but in the drafting of the Act. At the last moment, and as the two cabinet submissions were sent to the PM’s office, Richardson claimed more of the area for World Heritage nomination in the Helsham Inquiry area, stating that it would remove 24% of the forest resource. We checked: it would remove 36% and the last minute bid, if accepted, would mean that Cook’s negotiation with the Tasmanian Government would be null and void.

The two submissions were discussed by Cabinet in mid-June. Senator Cook’s submission, which I backed strongly, reflected the compromise package which he had negotiated with the Tasmanian Government, the compensation cost estimated to be only $450,000. He made the basic point that even if the majority erred in its interpretation of the Act, it did not necessarily follow that its conclusions about the qualifying areas were in error.

Richardson’s submission had a last minute change with a page of additional recommendations added. He now recommended as per the minority report plus additional areas; that the MOU be renegotiated; that we pursue restructuring of the Tasmanian industry; agree to provide funds for Gunns Kilndried Ltd; note the extent to which use of the corporations power may support NE protection; delay arrangements until restructuring and finalisation of boundaries until October 1988; - and so it went.

Cabinet could not agree to either proposal. The direct loss of jobs with the Richardson proposal was estimated to be 442 directly and indirectly between 1,600 and 2,800. Both Ministers were asked to continue negotiations with Tasmania and to report back to Cabinet on a negotiated settlement. Meanwhile, the Opposition in Canberra was starting to move to a slighter shade of green and Premier Gray had recently planted some trees to assure voters of his green credentials.
Meanwhile, the North Broken Hill and the Wesley Vale consortium were accusing Premier Gray of jeopardising the mill by considering the proposal as a prospective source of revenue with demands for royalties beyond “both reason and logic - designed to excite public opinion”. There was evidence that the Tasmanian Government was delaying consideration of the EIS for the project, though it may have been the case that Tasmania simply lacked the resources to deal with the matter. We were hearing through the Australian Public Service (APS) grape vine that Senator Richardson was drawing new lines on maps. On 22 June ALP Senator John Devereux advised that he favoured industry restructuring and that the ALP should give up “following Premier Gray on the issue”. My staff was examining ways we could avoid a cabinet split and avoid creating a precedent so that we could deal effectively with forest proposals coming from the other States, for example, a proposal in East Gippsland for a pulp mill. Carriage of forest issues now resided with Peter Cook. There was a limit to how much I could or should get involved; the reality was that as Cook conducted the day to day negotiations he would and should be the one in the hot seat.

We were responding to the continuous demands of Dr Brown, the WS and ACF. On 17 June 1988 Michael Field, as Acting Tasmanian Labor Leader, wrote to us drawing our attention to polling on the issue in Tasmania. We were no longer taking notice of fellow Labor Tasmanian MPs who, by now, basically just wanted the brawl to go away. It was interesting that a poll conclusively showed that Duncan Kerr, ALP, had not won the national seat of Dennison on the votes of environmentalists. Duncan’s win in defeating Michael Hodgman at the 1987 election gave him the first seat the ALP had won in Tasmania at the national level since 1975. The swing to him had been greatest in the predominantly working class part of his electorate where jobs were the main concern. The problem for the electorate was to understand what was happening when there was continual blurring of the respective roles of individuals and agencies - and issues - with claims and counter claims and all the associated political and press hype.

To summarise the debate thus far: the Wilderness Society had moved from bushwalkers rights, to wilderness, to tall trees, to never giving the MOU a chance, to work in National Estate areas according to Commonwealth legislation, to ignoring Helsham, to wanting all NE areas classified as World Heritage and for all other areas of forest in Tasmania to be put into National Parks, pending World Heritage status. Dr Brown, the WS and the ACF to a lesser degree would not be happy until they had stopped all forest operations in Tasmania or at least until all of Western Tasmania was preserved. Senator Richardson, from whatever motivation, was now their handmaiden, as long as the PM supported him. Prime Ministers prefer ministers who can deliver votes, but at what cost to innocent individuals when negotiations had shown both sides of the argument could be reconciled? Surely by now, we knew that Dr Brown and the WS would accept nothing other than their absolute and escalating demands?

I found the whole debate stupefying. If a NE area was of 6,000 hectares, which had been a managed forest production area for generations but only a very small part of it had a NE value, say ten hectares which could be properly and absolutely protected, why then rule that the whole 6,000 hectares had to be agreed to be protected? Logic never stood in the way of the assumed winning of votes.

One of the difficulties for Peter Cook and me was that ongoing proposals emerging from Richardson’s office or his Department illustrated enormous ignorance of forestry operations and the reality of the resources in the areas he wanted, or those few areas where he was willing to allow operations to continue. Propositions being put forward were riddled with errors; the WS must have been running the agenda. Peter, DPIE and me had the dispiriting task of
responding to each and every claim and producing briefing, knowing full well that facts did not matter. Richardson (and his Department?) seemed not to understand that sustained forest yield had been in practice in Europe for 200 years and that it was not just “a theory” as he claimed. He also claimed that forests would be “cut out”; he still did not accept that trees grow or that selective logging was different from clear fell, or that logging for veneer material required different quality trees and was different to logging for saw logs (age classes and quality of various stands was totally misunderstood). He did not understand or did not want to understand, either, that the Tasmanian Government had already reduced sawlog production by 50%, and so on.

As Richardson’s various proposals emerged, we busily prepared new tables and calculations. It would be pointless for me to detail them all here. Peter Cook and I had no idea how other Ministers could possibly follow the debate, but then the whole exercise was only about politics and perceived, winnable votes, not the environment. There was not an ounce of integrity in a process if it was not fundamentally concerned with valid environmental values, the existing laws and need for some consistency. Richardson was telling us that we had to force restructuring of the Tasmanian industry without compensation. We calculated that if a claim for compensation went to court the Commonwealth could be exposed to a bill of over $200m for compensation. An analysis by NAFI and the TFC in July indicated a potential loss of 1,801 jobs if the Richardson/Brown proposal was accepted. The direct loss in timber sales per annum would be $13.2m, Tasmanian Government revenue losses would be $80m, $96.9m would be required to replace the job losses and the loss of private business would be $52m: total cost $230m. We had no quick way of checking the validity of this but even if halved, it gave an idea of the compensation bill we might receive.

Following further negotiations between Peter Cook and Minister Groom, Peter received a without prejudice submission from Groom on 29 June which, in essence, was a claim for $28.5m to be paid on the basis of a detailed list of some further adjustments in certain areas (exclusion of tall trees), a new MOU being negotiated and acceptance of 23 conditions.

On 7 July, NAFI forwarded documentation on what the industry was prepared to do in terms of restructuring; entering into a tri-partite agreement; accelerating the establishment of plantations; addressing value adding; ensuring saw logs were not chipped; the financing of a training package for sacked workers; offering no resistance to the retention of tall eucalypts; and that, among other things, the industry stood ready to invest $1.6bn in new processing plants.

On 8 July 1988 our most eminent forestry academics, the CSIRO and professional foresters from all States backed the scientific management of native hardwood forests. On the same day the WS and ACF released their analysis of what they termed “a package on Helsham”. The claim was that if the Helsham recommendations were followed, 90% of very tall old growth forests in high quality wilderness areas would be lost, that nearly two thirds of high quality wilderness in the Southern Forests would be destroyed and that the World Heritage nomination proposed was scientifically unacceptable. No documentation was provided to

\[112\] If anyone wishes to challenge the facts on all this, I have most of the original documentation, departmental briefings, analyses by my staff, voluminous correspondence, hand-written notes made in Cabinet and at numerous other meetings and the notes I made for my statements in Cabinet and some cabinet submissions.
support their analysis. There were also various other claims on various plans but no one knew which of the plans Richardson was proposing was being referred to.

A supposedly joint submission was considered by Cabinet on 3 August 1988[^113]. It was ‘joint’ to the extent that there were two sets of recommendations for decision, Cook’s and Richardson’s. The divergence between them was on the extent of WH nominations and subsequent action. Cook’s were based on his negotiated agreement with the Tasmanian Government (he had now conducted eight rounds of negotiations), Richardson’s on his latest list of bids, including a large area between the Southern Forests and the two large National Parks to the north (Cradle Mountain, Lake St Clair National Park and the Franklin Lower Gordon Wild Rivers National Park). This was known as the ‘hole in the doughnut’. In terms of an east of logging line, basically agreed for the sake of calculations of impact (a line which conceded an exceptionally large part of the eastern edge of the Southern Forests), Richardson’s latest plan involved the loss of nearly five million cubic metres of recoverable volume, Cook’s one and a half million cubic metres.

The value of the resource plus loss of state royalties was $600m and $188m respectively. In terms of the draft letters provided for the PM to advise the Tasmanian Premier, Cook’s offered $33m, Richardson’s nothing but it indicated several areas where the Commonwealth would involve itself in State decisions. Richardson’s proposal included a vast area to be proposed for World Heritage listing, Cook’s a lot less but a large area where no logging was to take place, including the ‘hole in the doughnut’. Cabinet was not unanimously agreed but it was decided that the Prime Minister and Commonwealth ministers would be involved in negotiations with the Tasmanian Premier and his ministers.

After two long sessions of negotiations between the PM, Senator Richardson, Senator Cook and Premier Gray, Ministers Groom and Evers, a ‘conclusive’ and comprehensive package was agreed on Tasmanian forestry on 28 November 1988. The Agreement covered 13 points and was to cost the Commonwealth $50m in compensation and an undertaking not to propose any further areas of Tasmania for World Heritage listing unless with the concurrence of the Tasmanian Government. Senator Cook and Minister Groom were to implement the broad agreement in terms of another 18 agreed paragraphs. This they did. Tasmania will always take the money but to my mind $50m was inadequate and it eventually cost the Commonwealth much more. The total, as I write in 2013, flowing from other decisions since 2007, is estimated to be $250m for an “ongoing vibrant forestry industry in Tasmania”. I have no idea of how the money was spent.

In terms of my understanding of what I believed to be sound policy and portfolio management, we were back into ‘McEwenism’, differing only in as much we were now carrying out what a vociferous minority, not farmers, wanted. I could not exert, or failed to exert, total control of the portfolio following the decision to split it between two ministers when it became a super ministry. If I had, and had been in full control of forestry issues, I doubt I could have changed

[^113]: The notes from the Cabinet meeting I have kept make interesting reading. Richardson conceded that Brown would never accept a decision based on values. Button argued vigorously on the economic benefits of the construction of two pulp mills. Who had the best scientists on side was selectively debated and there were still disputes about minor areas for exclusion. To his credit, Richardson was now arguing in terms of ecosystems not species or habitat exclusively. Cook stated that there had to be a better way to convince green voters and our blue collar supporters that we could deliver on both an economic and an environmental policy. In terms of the numbers in Cabinet, I am sure Cook led by eight to six but with the PM and Treasurer Keating backing Richardson.
the result and believe that the now late Senator Peter Cook was far more assiduous and effective in negotiations than I could have been.

One would like to think the issue was settled once and for all. In a speech I gave in 1995 I noted that, on the latest set of environmental claims, 17 forestry coupes had been excluded on environmental grounds in 1994 and that 1300 were suggested by the WS for exclusion in 1995. As I write, 2013, we have a hung Commonwealth Parliament with an ALP Government dependent on Green Party support in the Senate and one Green Party member in the House of Representatives, for the passage of legislation. Environment Minister Tony Burke signed a Tasmanian Forests Agreement Bill with the Labor led Tasmanian Government of Premier Lara Giddings in late 2012, which is also in alliance with the Greens. It is now being pulled apart in Tasmania’s Upper House and private forestry has been excluded from the deal. Hundreds of private property owners who had contracts with the sawmilling firm, Gunns, are now not sure of their legal position or if their investment is worthless or not. Tasmania now has a large estate of eucalyptus plantations (mainly *E. nitens* and *E. globulus*). The proposal to establish a pulp mill by Gunns, a large forestry firm, has been stymied by the environmental movement at every turn, including dissuading overseas investors from participation.

In Tasmania environmentalists have moved from trying to stop the export of woodchips to trying to stop integrated forestry operations and to encourage the import of more pulp, paper and wood products. Eucalypts grow very well in southern South America (like asparagus, I am told) so no doubt we will be able to help the balance of payments for Brazil, Argentina and Chile. In early 2013 Minister Tony Burke was accused of ‘selling out to the miners’ regarding the area to be locked up in the Tarkine in north western Tasmania. The debate continues. The Commonwealth’s latest settlement (2013) in the Tarkine region is for up to $350m to be paid in compensation, but with the Greens wanting more and some environmental groups pledging to upset the latest attempt to bring peace to Tasmania’s forests. Burke excised 1950 hectares from the 430,000 hectares placed in protection due to legal contracts in play. Dr Brown accused the Gillard Government of a “breach of honour” for this action.

On 13 September 2013 Australia elected a Coalition Government. The ALP was decimated (nothing to do with environmental matters apart from the so-called ‘Carbon Tax’). Later the Tasmanian Government became a Liberal one with a strong majority. In purely political terms, the rewarding of, or doing deals, with the Greens has only strengthened the Liberal Party at the cost of voter support for the ALP.

And so it goes. Watch this space, as they say.

**Wesley Vale Pulp Mill**

I was familiar with paper making. There had been a paper making factory in my first electorate of Macarthur (the mill was then known then as Wiggins Teape, an English firm), which pumped its waste into the Shoalhaven River at a point where the water was salt to brackish. It made high quality paper from imported pulp. I became fully familiar with the Wesley Vale proposal and had been approached by and had spoken many times with both its proponents and opponents. If Australia did not succeed in replacing our ageing pulp mills, the import bill would be even higher. The current leader of the Greens, Senator Christine Milne, (2012- ) led the charge against the new mill, when she was a local school teacher. The issue used was the possibility of the effects of the release of dioxin, a cancer causing chemical, possibly the result of a more modern paper making process, and the effect of this on the highly productive vegetable growing areas in the region. Vegetable growers in north west Tasmania such as Les
Richardson, and others I knew, grew onions for export to Europe and were very concerned. The process to be used was ‘kraft’. Dioxin is a chemical associated with many processes, for example, there is always a measurable amount in the air due to tires wearing out, wood fires and barbecues etc. Dioxin was a component of the defoliant Agent Orange used during the Vietnam War to devastate forests which had such horrendous effects on the population, including ongoing genetic effects in children. Dioxin was and is without doubt an extremely dangerous chemical. The scientific issue was to determine what level was critically harmful.

The Tasmanian Government, for some reason, was not diligent in preparing the EIS but was saying it supported the proposal wholeheartedly. The EIS was completed in October 1988. I had told the two proponents that I could not see the proposal being accepted by Cabinet. When the proposal went to Cabinet, the PM asked me if my advisers had told me whether the EIS was completely satisfactory or not? I honestly replied, “I have been told that in terms of sea water and air quality it is still not wholly satisfactory, but that a pre-operational phase agreement could be entered into”. The proponents had already raised $45m and were hoping for permission to start and get assurances about wood supply. The additional information could have been acquired easily. Cabinet decided against the proposal. In the post decision media conference, Senator Richardson was alleged to have said that, “Once Kerin said the EIS was rat shit, the game was over”. So much for the confidentiality of cabinet deliberations and cabinet solidarity: I had always assumed that Cabinet ministers were not allowed to brief the media on discussions in Cabinet, beyond the decision. Some people follow the rules, some do not.

Not long after I was on a visit to Sweden where I spoke with the principals and chemical engineers involved in the running of some of their many pulp mills. I raised the issue of dioxin because their waste water was also being pumped into the sea as it was and had been proposed at Wesley Vale. Among other things they said that dioxin was not a problem, that they measured the effect on sea life constantly and that eucalyptus pulp breaks down far more quickly than the pine pulp they were using and would be less of a problem.

Many years later, in August 2000, I attended the opening of the pulp mill built inland in Tumut for our largest cardboard manufacturer, Visy. The pulp was being made from pines supplied by the NSW State Forests, the Board of which I was chairing at the time. The NSW Premier Bob Carr somehow failed to note the presence of his Forestry Minister, Kim Yeadon, in the audience, or the work put in by State Forests to guarantee the supply of wood to the mill. Carr hated forestry in any form, but I have no doubts about his environmental views, which are deep. The forest resource to be used amounted to 800,000 tonnes per annum as well as the reprocessing of waste paper. The process being used was ‘unbleached kraft’, meaning that the paper and cardboard being produced was brown not white. I asked the chemical engineers present how they were handling the dioxin problem? They explained that technology had solved the problem, such as it was, and that it could have easily been applied in the case of Wesley Vale. Don Henry, CEO of the ACF, spoke at the opening, praising in glowing terms the company for its environmental credentials and the use of plantation pine timber and re-cycled paper. The old, heavily polluting, existing Wesley Vale plant continued for many years until 2009. Onions continued to be grown. C’est la vie.

Other Woodchip Export Licences

The woodchip exporting companies in the other States were pressing for advice on continuation of woodchip export licences and were alternatively disgusted and enthralled by the ongoing debate and antics in Tasmania. Most licences had been extended until 31 January
1987 to enable consultation on National Estate objectives. Three companies were pressing hard and the AHC had not responded to letters from my Department seeking advice on NE values. The Western Australia Government had bluntly informed the Commonwealth that a ban on logging in NE areas would put the entire industry at risk and assured that NE values would be upheld and catered for. Cabinet Decision No 8925 had stated that there was “no need to vary licence conditions in the way earlier suggested”. On 30 January 1987 I had authorised exports by Harris Daishowa (HDA), WA Chip and Pulp, Sawmillers Exports and Midway Wood Products until December 1989. The latter two of these were only exporting mill waste. I did not know how I stood if Cabinet was minded to be involved after the environmental protest fracas in Tasmania. Perhaps only photogenic forests were of concern?

A major political/environmental issue arose in south east NSW for HDA. The founding agreement with the firm intended that a pulp mill be eventually built, but availability of water and the willingness of any NSW government to facilitate or invest in infrastructure for a mill was lacking. The firm Margules and Partners Pty Ltd had submitted a comprehensive EIS on behalf of HDA on 6 January 1986. It wanted an export licence to export 850,000 tonnes of woodchips per annum from 1989 to 2009.

The forestry area of south eastern NSW was wholly within the national seat of Eden Monaro, which had been won by Jim Snow for the ALP. Jim was a pharmacist, who loved people and worked his electorate assiduously. I had campaigned with him before we won government in 1983 and had come to know a lot about the region and many people in the area. I was sympathetic with Eden Monaro’s forestry employees because there were no alternative sources of employment and the fishing industry was diminishing due to the reduced availability of southern blue fin tuna. Logging and carting contractors had no security of work, yet had to put up large sums of money to equip themselves - trucks, dozers, skidders etc. In terms of environmental hotspots and NE declarations, it was easy to see that a compromise was possible, that more national parks could be declared and that sensitive areas could be preserved, with no impediment to the forestry industry in the region.

The Government of NSW was a Coalition one at the time and the relevant minister was Ian Causley, National Party, who stood firmly by the NSW State Forests agency. Causley was easier to deal with than Premier Gray. It was Minister Causley’s Government’s policy to continue the operation. Saw millers in the area, who took about 10% of the timber logged, were keen for the integrated operation to continue because it was too expensive for them to engage in the necessary selective logging to get enough resource to keep their mills running. Of the 336,000 ha of forested land in Crown ownership, 152,000 were not affected by logging. Logs suitable for sawmills were being managed on an 80-150 year rotation. The Deua and Wadbilliga National Parks had already been proclaimed in 1978, removing 150,000 ha from what had once been harvested and were not included in the above figures.

The main environmental organisations which geared up to fight the proposal to extend operations ranged from the ACF to the South East Forest Alliance and to the Wilderness Society, this last being the only one which wanted the whole operation shut down. I visited the region on 9–10 September 1986 and was shown areas along the Fastigata Road, the Tantawanglo Catchment, Coolangubra State Forest, Nunnock Swamp Flora Reserve, Dragon Swamp Wildlife Area, Nethercote Falls, Waratah Creek and Anteater Creek, and also areas being regenerated, being thinned and coupes being harvested. The two areas of legitimate environmental concern were the Tantawanglo Catchment, which had been logged in the 1960s, because it was a ‘sponge’ and produced water for the rain shadow affected Bega Valley, and the Coolangubra Forest, because it was an area of high arboreal marsupial habitat. I was
very familiar with them having made many private visits and had bushwalked around and to the peak of Mt Imlay.

To cut another very long story short, following advice from Senator Richardson, Peter Morris (earlier) and then Peter Cook took decisions to continue exports, subject to conditions and the creation of a much larger National Park, which resulted in a band of contiguous forest and national parks stretching from Sydney to the Victorian border.

There are only three additional points I would like to make. One was to allow HDA to export 100,000 additional woodchips from East Gippsland taking logs material that otherwise would have been left on the forest floor. (The *E. regnans* forests and national parks of East Gippsland in Victoria are probably the most fire prone on the continent.) Some of this included material from properties owned by alternative life-stylers and concerned environmentalists. Protests continued and we commissioned a biological study of the region conducted by B N Richards, a professional forester, and Professor Henry Nix *et al.* Their 407 page report *Biological Conservation of the South East Forests* was released in 1990 and had used satellite technology and ‘ground truthing’ to examine the area in great detail. It was an absolutely thorough and beautiful piece of work. They found, among other things, that some of the most valuable habitat was on private property and that documented information on vegetation species was poor. The report established that there was one threatened animal species, the long-footed potoroo (*potorous longipes*), eight threatened and rare plant species and 15 faunal species of special concern. No one had seen the long footed potoroo but it was held by an environmentalist that bones in a fox scat belonged to one. At a meeting I addressed in Eden, I was confronted by a young woman, who assured me the report was useless because it had not covered rock orchids growing out of vertical cliff faces. I assured her that, in the normal run of things, vertical rock faces were not subject to forestry operations. Later an issue arose about a rare frog that been found, so Cabinet decided that the area had to be excised. I watched in disbelief as it allowed the then Minister for the Environment, Ros Kelly, to draw a line on a map to protect the frog. None of us had been to the spot, and on the scale of the map used, the pencil used was about half a kilometre wide. One hopes the frog survived.

When I chaired the board of the NSW State Forests in the early 2000s I learned that the more wildlife surveys we conducted, the more wildlife we found. We simply do not know what lives or lived in the forests, from day one of European arrival, to provide any idea of the degree or extent of loss.

The issue in Victoria was the State ALP’s policy to leave all forest wastes on the ground. This had resulted in poor re-establishment of forests, unless holocaust fires had prevailed and, given the time scale of operations, had limited successive forestry activities in prime areas or raised safety problems. The large mountain ash forests were somewhat unique to Victoria and had the timescales of their regeneration set by fire. Joan Kirner, as Minister for Conservation and later Premier, was astute enough to be convinced of what were the best forest practices

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114 After the 1990 election, Senator Graham Richardson ceased being Minister for the Environment. Ros Kelly, as the new Minister, sensibly concentrated more on so called ‘brown’ environmental issues more relevant to city populations such as water quality and pollution. The story goes that Senator Richardson wanted the portfolio of Transport and Communication, after allegedly having won two elections for the ALP by attracting Green Party preference votes, but the Prime Minister allocated him the senior ministry of Social Security. It was said it was this that turned him against the Prime Minister and to go on to campaign against him and bring him down in favour of Paul Keating in late 1991. Social Security would have been a good portfolio to test his staff’s views on democracy.
for the areas in contention. There were some disagreements in her Cabinet but under Premier John Cain, she achieved ascendancy on forest matters. Joan understood the difference between National Estate areas and National Parks. Victoria’s Land Conservation Council also seemed to be able to understand the compromises that may be needed. Joan pressed for value added forestry management, harvesting only at a level of natural regrowth, no rampant clear felling, the exclusion of rainforests and maximum use of sawmill wastes. She built good relations with the forestry unions. Forestry workers had lived in very poor conditions between the two wars and into the 1960s in some more remote parts of East Gippsland. I visited the Erinundera Plateau which was in a national park and saw a forest in decline at the end of its 400 year cycle. Forestry workers had nearly been killed stopping a fire from devastating the plateau and park at one stage: maybe they should have let it go given the state of the forest at the time? Victoria now has large plantations of eucalypts in its south west, much of which is on former grazing country.

The battle in Western Australia was long and harrowing for all concerned but Peter Cook eventually succeeded in bringing the parties together and achieved some degree of environmental conservation and sensible forest management by exercising the Commonwealth’s power over wood chip exports. WACAP was authorised to export 900,000 tonnes of wood chips on 29 December 1988 and two other firms 110,000 tonnes combined. The licences were to expire in 2009 but were renewed with more stringent conditions being applied, following further study.

I have already briefly touched on the Queensland Wet Tropics World Heritage listing. Woodchips were not an issue; selective logging in the area had been minimal in most areas. The leading environmentalist was Dr Aila Kito, who had studied the area in scientific detail and understood fully the need for contiguity of areas even if some forest types were not rainforest as such. Bill Eaton, as the ALP’s Shadow Minister for Land Management and Forestry, was at pains to point out that 2,000 square kilometres in the proposed area of closure were not tropical rainforest and therefore the credibility and integrity of UNESCO may be called into question. The listing went ahead in June 1988. I offered no objections, though I resented the way the closure of the Ravenshoe Sawmill in the seat of Leichhardt was handled by Senator Richardson, the stunt pulled and the statement that the horny handed 50 year old mill workers could easily be re-employed as drink waiters in the tourist industry of Cairns and in adjacent tourist attractions.

To be fair, a package of job creation measures was offered by Senator Richardson for the 50 workers directly involved, with a dislocation allowance of $2,500. I doubt if anyone checked on how the package worked. The Forest Industries Association commissioned Professor Percy Harris of James Cook University to measure the impact on employment. He found that overall 1994 people would be displaced and that only 640 of these would be assisted by the provision of short term jobs. The argument was about conservation versus preservation and the preservation values clearly stood out for the most part of what became a World Heritage area. The election of the Goss ALP Government in 1989 allowed a more sensible dialogue on the issue to take place.
1988 a team of people in my Department formed a task force. Deputy Secretary Brian Hill was participating in a separate IDC, which included the two principal departments and also PM&C, Treasury and Aboriginal Affairs, to examine the prospects for a more sensible approach to natural resource management and the evaluation of conservation/development proposals. John Kerr and several other officers (Heather Kenway and Paul Allan) toiled mightily on the challenge. Darcy McGaurr as Associate Secretary of my department was also involved. The IDC was focussing on land use policy and on new and improved processes for decision making on what was likely to be a relatively limited number of contentious land use proposals, knowing full well that land was a State matter under the Constitution which would require State compliance, as had been occurring with fisheries and forestry. Any involvement by the Commonwealth would probably incur expenditure.

Consideration was being given to the use of the IAC and the Impact of Proposals Act or for new free standing legislation. Any use of the IAC would require the full support of the Treasurer. There was a preference for umbrella legislation, but it was seen as difficult for other ministers to agree to this. Senator Richardson’s department wanted any new process to have application to development proposals in non-protected areas as well as for new conservation proposals. I was thinking of trying to have an agreed joint submission with Senator Richardson by April for Cabinet consideration. However, too much else was happening at the same time for any meeting of minds.

The underlying theory and procedural assumptions were that there was a need to provide under legislation an evaluation process which resulted in the full consideration of total costs and benefits of specific proposals, including the public benefit from the use of common property resources. This would require a new process which would be complementary to the existing environmental assessment process and which left intact ministers' obligations under the Environment (Impact of Proposals) Act. My Department prepared a very comprehensive spreadsheet of all that needed to be taken into account and a listing of all the questions that had to be answered and the options available. On 22 April 1988 I received the final report of the IDC on Conservation/Heritage and Resource Assessment/Development. The IDC had difficulty in reaching a common view. Some senior departmental officials thought that there was already a clearly developed policy base and that any umbrella proposal was inappropriate because only a limited number of proposals may come forward.

The key problems and issues outlined in the 27 page document filled four pages. Tony Gleeson, from my office, worked very hard to make sure that any process had intellectual integrity. I make no excuses, but for a range of reasons, I saw the challenge as just being too hard. Clearly, any cabinet submission was unlikely to be joint. If Richardson and I put in separate submissions, neither would be agreed. Regardless of this the department drafted a cabinet submission on 16 August 1988, which, ostensibly, successfully dealt with all that I had been trying to achieve. It did not go ahead at the time. In hindsight, I suppose I should have given up and simply allowed Senator Richardson and the ‘deep Green’, politically motivated surge take over, shut Tasmania down and eliminate forestry as an enterprise in Australia. I was getting to the end of my tether.

**The Ecologically Sustainable Development Process and the Resource Assessment Commission**

The media certainly could not accept any other view than that it was Richardson versus me and the environmental movement versus me, or vice versa. It never accepted, or understood, the idea of scientific management or balance, or the views of scientists if they differed from
those of the loudest protesters. Nor did it have any respect for the laws and procedures I was legally bound to follow. The story was just too good and it was the herd instinct to back any environmental claim because it was seen that this was now a determinant of voting choice. This reached a crescendo when the NSW Labor Government lost office in March 1988. The Wilderness Society had targeted for special attention three seats in inner Sydney, where voting went strongly against Labor. But there were other causes, if one examined the poll, seat by seat. Labor lost four seats in country electorates mainly due to the anti-gun issue (NSW Labor wanted to ban guns, particularly those that Prime Minister John Howard received well-earned plaudits for buying back in 1996). The Environmental Group only got 16,603 votes in the Legislative Council. The Coalition had huge swings to it in areas where the pro-forestry lobby campaigned the hardest. It did not matter how much I stressed the words ‘balance’, ‘science’ and ‘management’ and the need to avoid a zero sum game, the media persisted.

In spite of the difficulties, I still believed that it was absolutely essential to take the environment into account when it came to forestry operations and development proposals, and to base policy on scientific facts and professional forest management, not ideological campaigns. Speeches I gave to forestry groups were marked by my stressing that we were an environmentally minded government and that the environment had to be taken into account. I gave major speeches to this effect in April 1997 in Western Australia and Tasmania, Queensland in September 1988, Sydney and Queanbeyan in 1989 and when I introduced the Bill establishing the Resource Assessment Commission in early 1989. I also gave five other major speeches in 1990 and 1991 on the environment and development: still the infantile media was only interested in portraying ministers and issues in terms of goodies and baddies.

I was due to give an address to a meeting in Sydney on my return from overseas. Lauchlan McIntosh, Executive Director of the Australian Mining Industry Council, had drawn my attention to Gro Brundtland’s (former Social Democrat Prime Minister of Norway) *Our Common Future*, which articulated the essential need for sustainable development on and for our planet. I read the book, while abroad, and saw that this could be a way to reconcile competing arguments on environmental management. I wrote the speech in flight from London, endorsing Brundtland’s thesis and also citing senior journalist, Robert Haupt’s, analysis of the ideology of the deep green environmental movement. I echoed his sentiment this represented the new pantheism. The speech was seen as a classic ‘dummy spit’ by environmentalists and caused complaints by fellow ministers, but particularly the Environment Minister and his staff and some of those of the PM.

The PM called me to his office. I stated that I believed it was essential that we adopt a process with strong environmental policy credentials for dealing with ongoing environmental and development disputes with some intellectual integrity. I argued that we must remain conscious of the need to give due consideration to environmental issues and the management of the natural resource base. Bob Hawke saw the sense in this, even though he had been a strong supporter of Richardson and his cabinet submissions. In our discussion the question of more generic environmental issues came up and the need for far deeper and better information on a broad range of issues such as our coastal environment, not just on single issues, where undergraduate or politically based environmental activism was leading the debate. I mentioned that the IAC had very effectively created a forum where facts on industry policy could be evaluated. One result was the proposal, the PM’s idea as much as mine, that we have an IAC equivalent established to examine such matters. Out of this came the Resource Assessment Commission (RAC), which I readily agreed to. I prepared a cabinet submission.
In discussion in Cabinet it was decided that we would add the word ‘ecological’ to the sustainable development concept. In the context of the times, and the kinds of ongoing environmental conflicts with which we were confronted, I thought ‘sustainable development’ was almost a contradiction in terms. But I was well pleased that at last we would have more than one interest group in our society concentrating attention on national environmental and development challenges. It was decided the process, which became known as the Ecologically Sustainable Development (ESD) process, would be administrated by the Department of Prime Minister and Cabinet.

In June 1992, a National Strategy for Ecologically Sustainable Development was drawn up by senior officials from the Commonwealth, State, Territory and local governments. Its role was to propose an intergovernmental response to over 500 recommendations which arose from the ESD working group process which was established in August 1990. A process was agreed in November 1991 for an intergovernmental response to the reports of nine ESD Working Groups and two reports by ESD chairs. The ESD process attracted exceptionally well qualified people from many walks of life and much was achieved to get some objectivity and intellectuality into the environmental and development debate.

The sectoral issues for which working groups were established were for agriculture, fisheries, forests, manufacturing, mining, urban and transport planning, tourism and energy use, energy production and transport. Inter-sectoral issues were also analysed to improve decision making. I had the most direct input to the Working Group on Sustainable Agriculture. I do not want to make too much of the ESD process but an enormous amount of thinking and analysis was carried out by the various sectoral working groups which fed into legislation and strategies at Commonwealth and State government level. The phrase ‘ecologically sustainable development’ infiltrated into legislation and the lexicon. It caused policy makers to think and draw up better legislation and deal with environmental and development issues from a new perspective.

Dr Roy Green, Chair of the Agriculture Working Group, last wrote to me when I was Treasurer (1991) outlining further work prior to making recommendations to the Government, including a report by consulting group ACIL on the role of the taxation system in furthering ecologically sustainable agriculture. Its conclusion was that income tax subsidy devices were unwieldy, ill targeted instruments for supporting the objective of ecologically sustainable development policies. It was thought that better information, well targeted regulations, more appropriately defined property rights (including tradeable emission or degradation rights), explicit environment taxes and charges and some structural reforms to the tax system were preferable to tax subsidies. The issue of property rights became a debate beyond my time but this, in my experience, was the start of the debate about trading as an environmental tool, later to be exemplified by water trading and a consensual all-party agreement to move to emissions trading for greenhouse gas emissions.

Prime Minister Hawke issued the terms of reference for a Forest and Timber Inquiry under the ESD process on 26 November 1989. The working group reported in March 1992. Its published report, containing 12 pages of conclusions and recommendations, was comprehensive, illuminating and instructive. It did not advocate the banning of forestry activities or wood chip exports. The report was very balanced and I would like to think that it acted as a guide for policy makers who followed me.

The RAC was chaired by Mr Justice Stewart and for its life it carried out valuable, detailed and extensive work. It reported to the Treasurer. The Forest and Timber Inquiry it undertook was
well received and many of its findings and recommendations became part of the draft National Forestry Statement of 1991-92. By 1992 it was well advanced on its Coastal Zone Inquiry and was also making a valuable contribution to the ESD process. It was said that it eventually ran out of topics to examine. I found this hard to believe and could have easily supplied many more, things like the semi arid zone, bio diversity and ‘hot-spots’.

In December 1992 the Council of Australian Governments adopted the National Strategy for Ecologically Sustainable Development. This gave me some satisfaction for my attempts to have a more soundly based approach to crucial environmental issues- but then politics took over.

I honestly do not know who took the decision to close down the ESD process and the RAC, but it largely occurred when Paul Keating was Prime Minister. Perhaps there was a consensus that as much progress as could be made had been made, for the effort and expense being put in, or that enough had been achieved in terms of the changes effected in the multiplicity of government and inter-government organisations, policies and strategies. I thought both could have continued for a little longer but I also knew that many bodies established by government need to be ‘sunsetted’, otherwise they will build to a separate bureaucracy, hard to eliminate.

To my mind, the ESD process and the deliberations of the various sectoral working groups and the work of the RAC justified all the work put in by DPIE officers on public resource use, but perhaps I am rationalising. I will forever be grateful to those DPIE officials who backed me and worked so hard.

All I can say is that I hope all that was done during the Hawke Government years on forestry and environment policy enabled more sensible approaches to be taken after my time.

After the 1990 election Prime Minister Hawke offered me the Ministry of the Environment and some of the mainstream environmental organisations were keen for me to accept. Apparently, Phillip Toyne and Peter Garrett of the ACF did not think I was the devil incarnate after all. As I have noted in the chapter on wool, I rejected the offer because of the looming problem in the wool industry, not wishing to bequeath it to another, possibly new, minister. Also, I did not think I could ever meet the expectations that Senator Richardson had created.\textsuperscript{115}

\textsuperscript{115} It is common to describe all politicians as being either ‘fixers’, ‘maddies’ or ‘straight men’. In the forest debate I acted as a straight man but ended up being straightened by the fixers! It nearly drove me mad.
GLOSSARY

ACF  Australian Conservation Foundation
ACTU Australian Council of Trade Unions
AFC  Australian Forestry Council
AGs  Commonwealth Attorney Generals Department
AHC  Australian Heritage Commission
ANPWS Australian National Parks and Wildlife Service
APS  Australian Public Service
APPM Australian Pulp and Paper Makers (Co)
BRS  Bureau of Rural Sciences (named Bureau of Rural Resources after 1987)
CSIRO Commonwealth Scientific and Industrial Research Organisation
DPI  Commonwealth Department of Primary Industry
DPIE Commonwealth Department of Primary Industries and Energy
EIS  Environmental Impact Statement
ESD  Ecologically Sustainable Development Process
FAN  Forest Action Network
FAPPIC Forest and Forest Products Industry Council
FCNSW Forestry Commission of NSW
FR  Forest Resources
HDA Harris Daishowa Australia (Co)
IAC  Industries Assistance Commission
IDC  Inter Departmental Committee
IUCN International Union on the Conservation of Nature
MOU Memorandum of Understanding
NAFI National Association of Forest Industries
NE  National Estate
NFPA National Forest Products Association
NRIC National Resource Information Centre
PM&C Commonwealth Department of Prime Minister and Cabinet
RAC  Resource Assessment Commission
TFC Tasmanian Forestry Commission
TOR Terms of Reference
TPFH Tasmanian Pulp and Paper Holdings (Co)
TWWHA Tasmanian Wilderness and World Heritage Area
WACAP Western Australia Chip and Pulp (Co)
WS  Wilderness Society
WWF  World Wildlife Fund
Chapter 16: Natural resources: land and water

“Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist”. Kenneth Boulding, economist and systems scientist, 1996.

“Matter cannot be created or destroyed, it can only be changed in form”. Fundamental, scientific fact.

Given the inexorable nature of drought in Australia, water management/water policy and land management, you’d think, would be front and centre, an inevitable corollary. But no such thing. Anything like a strategic approach to this issue, or to the critical issues of soil conservation and land degradation on this fragile continent, was a long time coming and, like so many other issues, was caught between the rock and the hard place of Commonwealth-State relations – and Constitutional responsibilities. In spite of all the evidence already on the table for so many years, the achievement of anything like a prophylactic approach was long in coming. It seems this was not something Coalition governments, which seemed capable only of focussing on production and profit in isolation from the context of people and country, were inclined towards. Natural resources policy was not all, or always, my portfolio responsibility, but it was naturally critical to all the agricultural industries for which I was responsible.

In Australia the ‘hydro-illogical cycle’ progresses from rain to apathy, to drought, to awareness, to concern, to panic and back to rain. This is why irrigation is seen as so important. ‘My Country’, the well-known poem by Dorothea Mackellar (and its memorable phrase of Australia being marked by ‘droughts and flooding rains’), is a constant reminder of the nature of our continent. The States, and the Commonwealth at times, have long suffered from dam fever (that is the building of dams or promising to build dams before each election) but the experience of the Ord River irrigation scheme in Western Australia and the vandalism inherent in the building of the Lake Pedder scheme in Tasmania had tempered the Commonwealth’s views.

As I write (2013), the 2001-10 drought, probably the worst and hottest in the European period of settlement of Australia, has ended (except in Queensland and north western New South Wales), but all we know for certain is that the next nationwide drought may not be far off. It is fundamental in agricultural policy to understand that we produce in the most variable climate of any of the eleven major agricultural exporting nations and that climate change will accentuate this. It was recently reported that one hundred and fifty temperature records throughout Australia have been broken in the years 2012 and 2013. We have one predominant farmed river basin, the Murray Darling River Basin (MDB), which accounts for 40% of our total farm economy and 75% of our irrigated land. The irrigated proportion of the 40% is of the order of 10%, the rest of the calculation is for the dry land proportion of production in the Basin. Agricultural production in the MDB was worth an estimated $10b annually in 1983.

Salinisation of soils is a major problem in Australia and either occurs naturally or is the result of human activities such as inadequate drainage in irrigation areas or as a result of land clearing. It continues to take land out of production throughout Australia. Whereas once we used to regard the problem of the resource base mainly in terms of soil conservation and works on the ground to rectify some of the manifestations of it, we now understand somewhat better the complex of issues associated with land degradation. The sodicity of soils is also of
concern, which is associated with over-clearing but is an issue not much stressed. The distress of our land and water resources is amplified by the degradation of our native flora and fauna, where our unique species and natural habitats are gradually being lost. Species disappear without them being scientifically documented. Agriculture and the essential need to produce food and fibre cannot be separated from these processes, propelled by the urge to clear more land and build more dams.

There is both a national perspective to Australia’s conservation and environmental challenges as well as one at the agricultural and farm level. The impact of farm activities impinges on our broader national environmental challenges and international obligations. There are many examples of interactions between farming and the natural environment which are of national importance, for example, over-clearing and land degradation; the impact on micro-climates; the impact on the Great Barrier Reef of farming practices; the continuing political brawl over the allocation of water in the Murray Darling River Basin; and the interaction between forests and habitats, including wetland habitats.

The relevant sciences, technology and ecology are at the basis of any plan for remediation of the damage done and for many ongoing beneficial practices of improved land and water management. Economic analysis also had and has a key role to play in land and water management and forestry.

Policy

The Policies for Agriculture document I released for general distribution as the ALP’s agricultural and rural election policy in February 1983 gave first ranking to agriculture’s resource base. I was adamant that we had to address the condition of our landscapes and soils. It said, in part, that:

An ALP Government will introduce a National Soil Conservation Programme (with funding of $4m in year one rising to $20m by year four); address salinity, including an attack on soil and water salinity at their source through improved on-farm irrigation efficiency, via drainage, layout, contouring and tree planting; develop the River Murray Commission, in co-operation with the states, to undertake urgent integrated valley management; establish national water research priorities in the light of the independent report ‘A Perspective on Australia’s Water Needs for the Year 2000’; create an Institute of Freshwater Studies, to investigate integrated biological, engineering, water quality solutions to our water problems; develop a National Forest Policy (promoting hardwood plantations and amenity forests; and develop land use planning principles in co-operation with the states.

At the agricultural and farm level the natural resource base is so important that it should not be regarded in separate policy terms. Legislation and programmes relating to resource base issues are singularly directed. However, funding dependent on legislation does not necessarily have to be always so directed. We can learn and improvise to get better solutions, if some flexibility is applied. Research, particularly, needs to be directed to cross-sectoral and cross-cutting issues. It does not take long to realise that water, soils and vegetation need to be dealt

116 Sodic soils are characterised by a disproportionately high concentration of sodium.
117 The Water 2000 Report appeared in published form on 23 March 1983 but we knew it was in the offing. Its main recommendations emphasised the lack of data and the need for the states to engage in longer term planning.
with in an integrated way and that soil and water policy, particularly, needs to be inter-
disciplinary. It was somewhat incredible that in 1983 Australia had no national soil
conservation programme, no national water resource priorities, no coordinated land use
planning system and no national forestry or fisheries policy.

As the Shadow Minister, in 1981, I had produced a paper on Agricultural Land Use at a
conference in Ballarat in April and made a submission to the Senate Standing Committee on
Science and Environment in October. I had also released a 66 page document on Soil
Conservation Policy: Coping with the Problem of Agricultural Land Degradation in
Australia. These are examples of the stream of papers I issued once I became a Shadow
Minister in late 1980. None was of academic or professional standard but I believed they were
useful to educate the debate. In the introductory paragraph of the policy document I stated
that the issue of resources available for soil conservation had been simmering since the mid-
1930s. Even then, when much of the land had been utilised for less than 100 years, damage
was widespread enough to promote government action. (Rabbit plagues had accelerated land
degradation, until the disease organism, myxomatosis was discovered and released by the
CSIRO.) Government action on land matters was mainly given effect to by the establishment
of State Soil Conservation Services.

My colleague Barry Cohen, Shadow Minister for the Environment, had released a
comprehensive 95 page policy document entitled The Environment on 8 September 1980. This
included many specific policy recommendations. He made reference to the fact that concern
for the environment by the bulk of the world’s population in industrially developed countries
was less than a decade old. However, the increasing concern of governments and peoples about
the long term negative trends of environmental degradation meant that the Commonwealth
Government had to be involved. Air and water pollution were attracting major attention at the
time. The Stockholm Conference on the Human Environment in June 1972 had focused on the
problems in some detail. The United Nations Environment Program (UNEP) was then
launched and most countries, developed and developing alike, had set up appropriate
environmental management machinery, with varying levels of commitment. The policy in
Barry Cohen’s document relating to woodchips, softwood plantations and rainforest were ones
I also had to take into account, being partially within my portfolio responsibilities. In
government, Barry and I worked well together. His record on environmental issues was
outstanding. He was interested in sound policy, not in chasing votes for their own sake.

Dr Moss Cass had been an exceptionally dedicated Environment Minister in the Whitlam
Government but he was under constant attack by the then Opposition (mainly the National
Party) which largely regarded environmental issues as fairy land stuff or a socialist plot to stop
farmers getting on with the job of producing more. The principal Acts legislated in 1972-75
were the Environment Protection (Impact of Proposals) Act 164 of 1974, setting out the
Commonwealth’s policy on environmental impact statements (EISs); the National Parks and
Wildlife Act, No 12 of 1975, and the Australian Heritage Commission Act 1975. These did not
constrain the actions of a state in administering land within National Estate areas which fell
under its jurisdiction, except when proposals for development fell within the provisions of the
Environment Protection Act and required an EIS.

After 1975, with the exception of the Fraser Government’s action to make Fraser Island in
Queensland a national park and to ban whaling, not much else of environmental importance
had been done by 1983.
The ministerial arrangements introduced when we formed government in March 1983 saw the Minister for Resources and Energy, Senator Peter Walsh (1983-84) responsible for the implementation of the water section of the policy. It was this portfolio that administered the Australian Water Resources Council created in 1962 and the Federal Water Resources Assistance Program. An Australian Water Foundation of Australia had also been formed in the 1950s to advance water matters, mainly in research.

**The Australian Situation**

Access to land for our early settlers was a given. Land was available from the colonial governments by purchase, grant or lease. Early in our settlement, British governments could also make grants of land to settlers. In NSW land purchasing began in 1826 but free land grants continued until 1831. The land grants allocated by our early governors to influential settlers resulted in 0.1 per cent of the population owning 17 per cent of the land by 1844\(^{118}\). After 1831 in NSW, people of ‘good repute’ were able to buy land for 500 pounds for 640 acres (a square mile). Land was there to exploit and production was to expand forever. Our minds were set early and the pioneering spirit and the innate belief in the necessity to produce more was, and still is, strong. Once governments invested in irrigation areas infrastructure, the race was on to gain access to the more reliable water.

Examining the Australian farming experience and proposing policy involves a whole suite of factors, such as education; research; economics (markets); resource and drought management and the adoption of remedial techniques; farm counselling; social issues; the role of women; and many more. These intersect and crucially interrelate with the economic and social state of the farm property/enterprise, more than do soil, water and vegetation policy dealt with in isolation. It is important to stress that farmers live in a social and environmental milieu as much as they do in a production one. As we push farming into more marginal or difficult to farm land, the environmental sciences and associated research will become more important. For Australia and many countries water, not land, is the obstacle to further development.

Sometimes being ‘married’ to a farm, the love of farming, regardless of economic viability and notions of farm lifestyle, induces land managers to push to the margins of resource base viability. An understanding of rural sociology is very important to any understanding of how best to catalyse a change in practices if they are deleterious to the basic land and water resource. Most agriculture in policy terms, before and during my time, was mainly regarded through the perspective of production, investment, economics, science, technology and trade, but, regrettably, not in holistic terms that took into account people and the resource base.

In some instances, where low levels of profitability prevail among landholders, the large scale and intractable nature of the challenge was and is beyond the capacity of individuals. Yet the fact remains that our 135,000 or so farmers and graziers have the task and responsibility of managing vast tracts of the continent, more than 65% of it. How their stewardship is carried out and what their attitudes and practices are towards this stewardship was, and is, a challenge for governments responsible to encourage, educate, legislate or regulate. Since my time the concept of environmental management systems (EMS) has grown up, this following whole farm planning, which was being advocated in the late 1980s into the early 1990s. The adoption of EMS is essential to modern farm management.

\(^ {118}\) Battlers and Billionaires, Andrew Leigh, Redback, 2013.
It is hardly a radical idea to say that the resource base to agriculture and that of every farm (except for some intensive enterprises, where the resource base is one step removed) is absolutely crucial. We have spent over 200 years drawing down on our store of natural resources. It is not too hard to understand that the economics of farming is crucially dependent on the natural environment, the resource base of all production.

I could never put the words together adequately to express my views on the totality of agricultural production and the need to care for our natural resources. Our Aboriginal people's concept, of country, and caring for country, probably sums it up best of all. It could be styled as a combination of ecology and spirit, and a positive 'creationism'. Care for country sensitively and it will care for you?

Above all else, the practical experience of our farmers and graziers had also to be weighed with what our resource scientists and agricultural economists were telling us alongside sensitive observations of what was happening on farms, grazing properties and leases, if the land was to be managed anywhere near sustainably. Mistakes made by the early settlers, because the Australian environment was so different from Britain's, continued for far too long. After World War 2 we could no longer say that we made or make mistakes out of ignorance. There was by this time a huge amount of literature - reports by august bodies and special committees, research papers and books, the work of universities, the CSIRO, State and Commonwealth agricultural and environment departments, the advice of trained observers and agronomists and so many individuals on natural resource matters.

Extension and adoption of sound management practices and an understanding of attitudes and the reasons for poor practices was what was lacking. But there was and always has been a bloody mindedness among some farmers and graziers; they know best. And at government level, implementation of what was being advocated or legislated left a lot to be desired. Once the ideas and research findings are absorbed and policy thinking is done, it is practical implementation that becomes the challenge.

Many State officials had detailed, perceptive knowledge of the causes of the various land and water degradation problems and need for action at State level. However, State governments were often torn between responding to ongoing, strident demands from their farmers and the demands of broader constituencies to take remedial action and care for the resource base and the environment. Also, some State governments and key ministers shared the development-for-production mind set which we had subscribed to for decades, when agricultural exports were essential for Australia's balance of trade and economic performance. When State governments introduced laws to prevent broad scale land clearing, these were stridently opposed by farmers on the basis of property rights. Illegal clearing, mainly for cropping, has continued to this day. It did not occur to some of the most strident supporters of the produce or bust approach that perhaps we could have both profitable production and a sustainable production environment. In other words, there was more than some double talk and a lack of coordinated will.

**The Policy Challenge**

The policy challenge in 1983 was to try to rectify, or at least improve, the situation we found ourselves in after 200 or 80 years of European settlement. At the time the largest States were still involved in large scale land clearing and while soil erosion had been a long standing concern, many harmful management practices continued such as over-stocking and poor vegetation retention on grazing properties, which were deleterious to the care of the land. The
irresponsible over-allocation of water for irrigation by State governments was also a long held concern of experts and some environmentalists.

The personal policy challenge was to utilise my meagre knowledge of crucial conservation and environmental issues and mould the extensive conservation and environmental wisdom into some practical policy shape. I did not think that the Department of Primary Industry (DPI) then had a detailed knowledge of environmental issues as they concerned land and water. I knew that strong leadership needed to be shown by the Commonwealth and effective policies had to be introduced at a national level. I had some background going back to my time before I joined the BAE as set out in early chapters. I had also learned a lot during the time of the Whitlam Government.

However, when I became Minister for Primary Industry in 1983, it was obvious that the cost of repairing past damage to our land base, water resources and some native vegetation was far beyond the amount of funding I was ever likely to secure from the Commonwealth Government’s annual Budgets in a competitive budget process. This was especially so if it was seen as the responsibility of the national government to cure or ameliorate past misdemeanours and resolve the problems arising from continuing bad farming practices and continuing State government failures.

To my mind the essential natural resource policy issues for agriculture were about land management; land degradation; water management and water quality; and retention of tree cover, depending on the form of agriculture involved. Forestry practices needed to take habitat and ecology into account. Fisheries management needed to take biology and the land sea interchange into account if they were to be managed sustainably. Natural systems needed to be understood so that careful, long term management could be practised.

Australia does not have much highly productive land in terms of rich soils. Many are fragile or of great heterogeneity. Having spread Nauru and Christmas Island over some of our land, some soils have been improved and some are naturally fertile, but there are others that have been over-cropped or over-grazed, depleting the organic matter in them. Some of our soils depend on phosphate fertilisers for cropping. Some of our soils have been improved by farming practices while others have been harmed by the over use of chemical fertilisers. Some soils in wetter parts of the continent, such as in the north, are under water at the wrong time for crop production. Many of our soils are heterogeneous, or are tough clays, sandy or duplex and unsuitable for cropping. We have ‘mined’ much of our semi-arid zone by over grazing. Over 80% of the continent is categorised as ‘rangeland’, and on one measure, 75% of Australia is desert. Our deserts and semi-arid zone contain some of our endangered wildlife; country that appears near useless for grazing is often part of our unique wildlife heritage. We are the driest continent, second only to Antarctica, with the most highly variable climate of any major agricultural producing country estimated to be at least 2.3 times more variable than any other. This is particularly significant for broad acre cropping.

Spatially, the Australian continent is mainly flat, low, and desert and the large semi-arid margin was and is one of prime concern. Our precipitation-to-evaporation ratios of rainfall are very low for most of the continent. I became aware of this after reading and absorbing the two seminal works by Bruce Davidson, agricultural economist, The Northern Myth, (1965) and Australia Wet or Dry, (1969). The first of these studies was on the limits of agriculture and pastoral development in tropical Australia and the second was on the physical and economic limits to the expansion of irrigation. Both studies still stand up well regardless of the
enthusiasts/populists and the fact that expansion has only been minor and fraught with difficulties, particularly in our north.

I believe that the north of Australia will be more developed in the years ahead, but the main drivers will be oil, gas, minerals, tourism, defence and public service and service industries. The future of agriculture is still hard to predict. We have to ask ourselves why the Ord irrigation scheme has taken so long to develop and why the challenges have been so formidable. While I believe we can increase the level of agricultural production, this will only be of a niche nature unless absolutely massive capitalisation is involved. The environmental problems may still be formidable and land use surveys will be essential. The availability of dam sites is a limiting factor. The heterogeneous soils are there but how prone to salinity?

John Tanzer from my staff worked for a while for the Queensland Department of Lands in 1982 and reported to me that a soil survey he contributed to conducting showed land prone to evaporation driven salinisation (deep clays over mudstone) in the Flinders and Gilbert River areas. Queensland’s Gulf country and inland recently missed a monsoon: how to anticipate this unless dams are built in a vast area but where there are few dam sites? There is underground water in many parts and areas of alluvium, but there are also very high evaporation rates for surface water. Sixty per cent of Queensland is in drought about 60% of the time and when cyclones and major weather systems strike, the flooding can also be extensive. Some of the more arable land is under water for months in the Northern Territory even in ‘normal’ monsoon conditions. If there is to be major investment by, say, the Chinese, it may pay better in areas where there is more infrastructure.

Australia has a spread of climatic regimes ranging from south to north, maritime to monsoonal, all with their own challenges, which need to be taken into account both by farmers and by policy makers. Cyclones, droughts, floods, plant (weeds) and animal (feral) invasions, climate induced plagues (locusts), heatwaves, hailstorms and bushfires are constant hazards for agricultural production.

In 1983 ‘natural resource management’, ‘land degradation’, ‘sustainable development’, ‘ecology’, ‘sustainability’, ‘environmental management systems’, let alone ‘resilience’ (other than in economic terms) were not terms in common usage. State government departments of the environment, as well as the Commonwealth’s one, had been first created in the 1970s, but were not then at the forefront of political discourse.

At first, the minimal moves I was making in the resource management areas were attacked by the Opposition and also by the majority of the organisations of the farming and grazing population because they were seen to be issues for state concern, or regarded as fringe issues promoted by unaware city folk. Production per se and agricultural fundamentalism are difficult convictions to overcome, regardless of the impact of poor land management on the environment and future profits and production. I concede that the financial circumstances of many producers inhibited investment in resource remediation, particularly after the savage 1979-83 drought. However, more could have been done with minimal expense or practice change in many cases. Some farmers had proved adept at managing their properties sustainably and making a profit. Why could not the rest?

The perception of environmentally sensitive land management as a fringe issue has changed rapidly over the past 30-40 years and while, still, the despair of thinking practitioners and the professionally or academically aware, some great advances have been made. These include minimum till farming; better irrigation techniques; cell grazing; adaptive plant breeding;
better agronomic cropping techniques etc. Scientific and technological advances and economic analysis has helped. Further, farmers have been adept at adapting research findings (sometimes with a lag) and in adopting technological advances. Concern about the issues surrounding land degradation is now the number one concern of farmers, according to many polls taken over recent decades. Weeds are the second major concern. Heavy weed infestations take land out of production. Integrated weed management is one issue which urgently needs to be undertaken by land managers, just as the adoption of Environmental Management Systems (EMS) needs to be. If weed resistance to the herbicide chemical, glyphosphate, renders it of no use, the cereal sector will be in jeopardy, if we have to return to damaging tillage. The incorporation of perennials into our grazing and cropping lands also needs to be accelerated.

Readers of the forestry chapter in this volume will see that forestry issues took far more of my time than I would have preferred given the far more important agricultural issues of land and water management. This was because of the politicisation of forestry matters by a rampant environmental movement. Ministerial arrangements changes also had an effect. At various times I was not the key minister on land and water policy, particularly water. Forestry was in my purview but only because the Commonwealth Primary Industry Minister chaired the Australian Forestry Council (AFC) and was responsible for the regulation of export licenses for forestry products, mainly low value woodchips.

Forest management was and is the Constitutional prerogative of State and Territory governments, as were and are land and water matters. All State and Territory governments had strong forestry agencies and were more concerned with timber production - and the debateable building of ever more dams - than they were with work on soil conservation.

From the 1950s, and well into the 1990s, some States were still engaged in broad scale land clearing, for which there was little quantitative, let alone qualitative data as to its extent or impact. Given the nature of our continent, one of our constant hazards is bushfires and these too often involve forests and the Commonwealth government in fire suppression and research. Drought management also crucially involves land, water and environmental issues. The interaction with climate change as a factor in farming is only now being slowly addressed.

As noted, when I became Minister, all water issues in which the Commonwealth Government was involved, were the portfolio responsibility of my colleagues, firstly Senator Peter Walsh 1983-84, who then became an excellent long serving Minister for Finance and then Senator Gareth Evans, Minister for Resources and Energy (1984-87). Gareth, who later became an outstanding Minister for Foreign Affairs, was probably the most intelligent person I ever met in my political life. This responsibility was not to change until the restructuring of ministries, which took place in 1987, when the Commonwealth’s role in water issues came within my expanded portfolio of Primary Industries and Energy. With two ministers in the portfolio, my role with water turned out to be minimal. For example I never presided over any meeting of the Australian Water Resources Council which was a joint Commonwealth/State government organisation with a strong technical bias.

**Land/Soils**

First the global picture, not that anyone believes it or thinks something can be done? As I write, it is estimated that the loss of soil from agricultural and pastoral lands is 75-100 billion tonnes per annum. That is ten tonnes a year for every person on earth. If true this gives humankind three generations, at a maximum, to conserve the soil base. The Food and Agricultural
Organisation (FAO) of the United Nations and organisations such as the International Food Policy Research Institute (IFPRI) have a wealth of information on soil loss and techniques for its measurement. These projections could be a new field of endeavour for climate change sceptics to dismiss?

As noted above, one central fact about land clearing in Australia was that we neither had firm estimates about the area of land cleared nor any qualitative information on the nature of the clearing. Accurate estimates of soil loss were even harder to make. The CSIRO had estimated that an additional 428,100 hectares of land had been cleared in NSW in the 1970s and that at least another 112,000 hectares had been cleared in the 1980s. I had no idea of the quantum of clearing in the other States. I simply do not know whether the Liberal Government in Western Australia achieved Premier Sir Charles Court’s policy of clearing a million acres a year. The Brigalow was being cleared in Queensland where we had already lost most of the lowland rainforest to grow sugar cane and cattle. Some of the clearing in NSW may have amounted to a handful of trees removed from large paddocks to allow increased mechanisation for broad scale cropping but it followed much clearing of native forest lands in the 1950s to 1970s. The lack of detailed, analytical information on resource issues was part of the reason that I established the Bureau of Rural Science (BRS) and the Natural Resource Information Centre (NRIC) within it.

As Opposition spokesman for Primary Industry, I had spent some time with counterpart ALP ministers for agriculture and fellow ALP shadow ministers. All were concerned about soil conservation in their States and none more so than my friend, Jack Hallam, NSW Minister for Agriculture, 1980–88. All were subject to ongoing pressure from the farm lobbies and organisations to develop more land (that is, clear it) and to bring more land under irrigation by granting more water licences. There was also always pressure to charge well below the cost of the provision of water, either from above or below ground.

I announced the establishment of the BRS in my first speech as Minister at a workshop on Soil Management under Drought and Flood on 11 March 1983. I said I would ensure that it would work in conjunction with the states and bodies such as the CSIRO, which then had a strong Soil Division, later to be the Land and Water Division before it disappeared into one of the CSIRO’s ‘flagships’. I also set out my views stating that the future prosperity of Australia’s primary industries depended on our capacity to restore and maintain, if not improve, agriculture’s resource base. Until that time, soil conservation and land degradation had not been areas of concern for Commonwealth ministers for primary industry, other than in the time of the Whitlam Government.

The Whitlam Government, 1972–75, had proposed to make direct funding available to the States for soil conservation on the condition that they agreed to participate in a study designed to develop a National Soil Conservation Program, to be undertaken in the context of an integrated approach to land management; way ahead of his time or too little, too late? This collaborative study took over two years to complete and its findings were published in a series of reports in 1978. The most significant of these was Report No. 1 A Basis for Soil Conservation Policy in Australia. Its findings stated that of the five million square kilometres of land used for agricultural and pastoral purposes in Australia, 29% needed urgent conservation work and a further 22% needed more careful management if its productivity was to be maintained. The estimated cost of this in 1975 dollars was $675 million per annum, or in terms of 1983-84 currency, more than $1.6b. Of course, the cost to agriculture of lower production from a degraded land base was inestimable. The cost of remediation was enormous. This was not an issue that was going to be solved by the ‘market’.
The Fraser Government had announced a National Soil Conservation Programme during the 1980 election campaign, promising $12m a year. After the election, this figure was cut to $3m; it was stated that soil conservation was “a function more appropriately handled by the States”. Against all advice, it then recommended that the allowance for soil conservation was to be built into the tax sharing base between the Commonwealth and the States, but with no requirements or guidelines to do this. This induced the States to cut back severely on their own programmes. By this time we knew that for every tonne of grain produced on the Darling Downs in Queensland, we were losing 12 tonnes of top soil and that in Victoria, alone, there were about 100,000 hectares of land affected by salinity. This was at a time when agriculture was eight per cent of Australia’s GDP. We still lose land to salinity at a staggering rate, especially in Western Australia.

As ALP Shadow Minister I said:

The bottleneck in the system is in the planning, planning, surveying and design of the required earth works. There simply are not enough people to do the work quickly enough. It is the Commonwealth’s function to provide leadership and provide the support for a national programme. Land degradation is a national problem.

My statement placed too much emphasis on soil conservation works compared to a more sensible focus on the processes of land degradation - but I had to start somewhere. The Fraser Government’s decision meant that we were back to where we were before the Whitlam initiative, that is, a valuable but ineffective Standing Committee on Soil Conservation and a system of taxation incentives to prompt individual producers to undertake over a billion dollars worth of work at the same time as there was tax deductibility for land clearing. Tax concessions were of no use to producers whose incomes were depressed and the clearing incentive accelerated land clearing by the better off farmers and corporate farms. Longer term investment or remedial considerations could simply not be envisaged by many producers due to their financial circumstances.

I was speaking at a time when there had been a drought of nearly three years in the eastern States, when Melbourne and Adelaide had been exposed to a massive dust storm, particularly Melbourne, and when both had been the victim of life-taking bushfires. Floods and heavy rain after the drought removed hundreds of thousands of tonnes of top soil adding to loss from the blowing of dust, some to New Zealand. No State had the financial resources to do other than start on the backlog of conservation works. When the States have no money, they plan. There were lots of plans. There was a lack of awareness by many land managers of the consequences of their land management techniques and financial pressures only induced poor management. Past taxation concessions for clearing and pasture improvement had, arguably if not certainly, contributed to the problems of soil erosion.

In terms of policy, I had naively committed myself to proposing that $4m be allocated in the new Government’s first Budget, rising to $20m by 1987-88. Further, I said I would be asking the Bureau of Agricultural Economics (BAE) to examine the effectiveness of taxation concessions for soil conservation measures compared with taxation rebates. I also promised to assist primary producers to re-establish after the drought and maintain the drought measures put in place by the previous Government until no longer necessary.

On 4 June 1983 I met in Mildura with Labor ministers for agriculture, namely Jack Hallam from NSW, Eric Kent, from Victoria and Frank Blevins, from South Australia, to discuss commodity issues and land and water problems as part of their common stewardship of the
Murray Darling River Basin (MDB). We also received submissions from representatives of fruit growers on matters on which the previous Government had remained silent. On soil conservation matters in the MDB, we agreed to work together to the extent possible. I next gave a comprehensive speech on soil conservation to a seminar in Toowoomba, chaired by Dr Brian Roberts, an academic from the University of Southern Queensland, who became a great supporter of what we were planning to do. At the time, I said that we were committed to establishing a Commonwealth role in soil conservation, but still could not give details as to the level of funding.

Overall, in our first Budget, primary industry received a boost of 21%. This was against a background of a record budget deficit (nearly $10b), three million people were assessed as being on the breadline and there were some 800,000 people unemployed. However, this amounted to only $3m, including $1m specifically for soil conservation and $500,000 for reafforestation. At my urging, the taxation concession for clearing native forests was abolished as per our environment policy. We had made a start, but the allocation of $3m for a problem estimated to need $1.6b was hardly worth shouting from the roof tops. I was more than disappointed. $400,000 was to be spent for national soil projects and $600,000 via the States, divided on the basis of the Commonwealth/State tax sharing formula on the condition that the states kept up their existing effort.

This may have been acceptable in principle, but the Department did not have the resources to determine priorities and I was interested to see what could be learned in policy terms from the outset of spending. I rejected a division of the meagre amount of funds on a pro rata basis. The problem was solved by the posting of soil conservation experts into my Department from the NSW and Queensland Departments of Agriculture as agreed at a special meeting of the Standing Committee on Soil Conservation, part of the Australian Agricultural Council (AAC), on 12 September 1983. State Committee members were keen to assist establish priorities and to get their hands on some extra cash. Tax concessions being investigated by the BAE were assessed as being worth $2m per annum to farmers and continued for the time being. The relationship between drought aid measures and land degradation was also being examined and a National Conservation Strategy for Australia was being drawn up by relevant Commonwealth Departments. It was not until mid-January 1984 that I was able to announce the first 25 projects that the States and the Northern Territory Governments were to undertake on the receipt of Commonwealth funding. The ten NSW projects were designed to be demonstrative and instructive. Jack Hallam performed the ceremony of opening one specific project in north western NSW. I said that I thought that the problems of the MDB made it an area of priority for the NSCP. My main memory of the event was that our small planes only just cleared the fence at the end of the paddock on take-off.

At about the same time I set up a committee to examine the best way to establish a Bureau of Rural Science. This was chaired by Dr D. Day, formerly chief of the CSIRO’s Forestry Division, and assisted by Noel Fitzpatrick and Peter Core, Deputy Secretary and First Assistant Secretary of the Department of Primary Industry (DPI) respectively.

To give more emphasis to what we were trying to do, I launched what we called the National Soil Conservation Program (NSCP) at Forest Creek in northern NSW on 22 February 1984. I set out the objectives of the NSCP as being: the development of sound long term land management practices; education about problems of land degradation and the need for soil

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[119] I will always be indebted to Warwick Watkins and Bob Junor from NSW’s Department of Agriculture.
conservation; coordination of policy and action by all organisations and individuals involved; the implementation of sound land use practices; and the restoration of degraded lands and protection of existing productive potential.

With Jack Hallam, NSW Minister for Agriculture at the initiation of the Forest Creek soil conservation project in northern NSW.

In 1983-84 Senator Gareth Evans, in his capacity as Minister for Resources and Energy, was working on the salinity issue and it was very evident that the States had a store of knowledge on both salinity in irrigation areas and dry land salinity. On 17 February 1984, I addressed a community conference on salinity control in Bendigo, Victoria. I had written a paper in 1980 entitled *Salinity and the Murray River System* after again wading through a mountain of books and journals, trying to get some idea of the dimensions of the issue. At the Bendigo meeting I said that there were only three things I was sure of, these being that there were no easy solutions, that the major barriers were overwhelmingly political and economic and that salinity and drainage problems were not the only problems of irrigated agriculture in the MDB.

Prior to this, the Commonwealth had paid scant attention to the salinity issue. Victoria had established a parliamentary joint select committee on salinity in Victoria in 1982, which reported in 1984, making fifty major recommendations. But it was not until the early 2000s that a National Action Plan was agreed between the Commonwealth and State governments; salinity was politically ‘discovered’, at last. I attended the Salinity Summit in Dubbo NSW in March 2000 with my NSW Water Advisory Council Chair hat on and with some amusement at the great speeches being made.
One of my bosses in the BAE was from Pakistan, from a family with an academic agricultural background, and had told me about the salinity problems of the long settled Indus Valley. I wondered what fate awaited the Murray Darling River Basin.

I emphasised that, as a starting point, when examining the problems of salinity it is essential to recognise the inter-relatedness of land and water; that land use can degrade water quality and that saline water can in turn damage crops and degrade soil. There was an overlap of the two kinds of salinity in Victoria. The ‘discovery’ that much of the underground water resource was related to overground flows took longer to be absorbed. I said that I thought the Commonwealth should be involved in salinity control, because it was perfectly obvious that the problem in the MDB was one of national importance and that warring States indulging in the blame game were not likely to achieve much\textsuperscript{120}. The advantage we had was that three of the four State governments responsible for the Basin’s catchments were then currently ALP governments. I stressed some of the problems: the Constitutional barrier, the cost, and that even an overall authority, if it could be agreed, would not solve everything.

The Commonwealth was marginally involved with an existing National Water Resources Program (NWRP) and had, at Ralph Jacobi’s initiation, established an Institute for Freshwater Studies, and an Interim Advisory Council had been appointed by Minister Evans. (The Bendigo speech was the first time I publicly acknowledged the work of my parliamentary colleague, Ralph Jacobi, ALP member for Hawker, who had actively pursued the topic and water issues generally in the Commonwealth Parliament for many years.) I also talked about trees on farms, having the deluded view that perhaps they were more than part of the answer. The speech was important, but one only of identification of the issues and an expression of political will. It caused me to realise that the Commonwealth needed to think a lot more about the whole issue of land and water.

In the 1984-85 Budget, the Commonwealth allocated $4m to the NSCP and in September I announced 25 projects financed from the $700,000 to be spent on national projects. This was followed soon after by the announcement of the projects financed by the States and Territories. Many of these were to work with local groups, centred on particular problems and were not about building contour banks as the only solution to the major problems we faced. We were now spending over $6m for the year, in total. We were starting to amass a comprehensive data/knowledge base, but we still did not have anything as basic as a resource survey to provide an inventory of the land resource. This deficiency was overcome when on 19 December 1984 I was able to announce details of an important guide for use in land management and soil conservation, entitled Australian Soil and Survey Field Handbook, which had been written in the DPI. This established uniformity in all the data sets, which had been duplicative, and set out definitions for the description of sites in the field, with key chapters on land form, vegetation, land surface, soil profile and substrate material.

In August 1984 I addressed a conference on the topic Agriculture and Conservation - Achieving a Balance. By this time the ALP had been in government for 17 months and I thought that some of the general messages I was emphasising may have been getting through. However, by this time, too, when we were starting to face the country’s massive land degradation problem, I

\textsuperscript{120}The relevant States fought tooth and nail made all sorts of accusations against each other, the Victorian Liberals at one stage advising South Australia to shut up and stating that NSW was the culprit. The Queensland National Party Government went their own way by allocating water licenses for the upper reaches of the Basin, allowing large irrigation schemes to be built for the growing of cotton, at give-away prices for water.
was still coming under increasing pressure, including from politicians, to flood the inland, irrigate saline soils, drain swamps and release marginal land for cropping - all of which were out of the Commonwealth constitutional control. The States were under even more pressure and there is a myth, still parroted today, that governments alone created all our resource problems. The production _per se_ mindset and currying favour to win votes with farmers, have long been a feature of agricultural politics.

In October 1984, I had to spend some time chasing down the fear and rumours being spread about the Commonwealth’s decision to introduce Aboriginal Land Rights Legislation. I told a representative farmer delegation that the legislation did not mean that Aboriginal people could claim private land nor could they claim private leases, such as pastoral leases, stock routes or reserves and assured them that Aboriginal lands would be subject to the same controls for disease management, fencing, stock control _etc_. The allegations and fears were set never to disappear; such were the irresponsible allegations being made by some people, mainly the Opposition and the National Party.

On 11 February 1985, I established the Australian Soil Conservation Council (ASCC) to meet back to back with the regular Australian Agricultural Council (AAC) meetings of all concerned ministers. The Council replaced the standing committee on soils of the AAC, which was, essentially, an important talk shop seen as a crucial venue for exchanging information, views and experiences. The NSCP was by now set in legislation and, remarkably, supported by all political parties. It gave me the opportunity to visit many of the major demonstration sites of the projects being undertaken. Many still stick in my mind: erosion gullies 30 to 40 feet deep in good grazing and cropping country, near Wagga Wagga, have that effect!

The group I was most impressed by was the Warrenbayne Boho Land Protection Group in Victoria, where we were able to allocate some extra funds. The Group was numerous, knowledgeable and intellectually strong. I became aware of the hazards of naturally occurring salinity once land was cleared and the wisdom of fencing across slopes, not up and down them. Bores had been drilled in the Loddon Valley in Victoria in the 1970s, showing how naturally salty rocks in the geological highlands were leaching across the plains and being accentuated by the clearing of the hills. This was leading to a groundwater discharge landscape in the Kerang region, for example Kerang Lakes and Barr Creek. Much was to be learned later about the underlying geology of the Basin, such as dykes and permeability barriers.

In April 1985 I opened the Rock and South Burkitts Creek projects, in NSW, costing $366,000. These were areas where the lost productivity and off-site effects were costing several hundred thousand dollars _per year_. However, what was more important was to learn from the handful of projects underway to develop a three-year strategic plan. Funding for the 1985-86 year was increased again and a panel of experts selected what they regarded as the most strategically sensible from the 72 applications under the national component of the NSCP.

In July 1985 I addressed the NSW Soil Conservation Service’s Conference. I stressed that a key component of the NSCP was about promoting community awareness and that the problems of soil erosion and land degradation were complex, never likely to have enough funds allocated to them to be comprehensively dealt with - and that community involvement was essential. I had introduced the Soil Conservation (Financial Assistance) Act into the Parliament, which was mainly concerned with financial assistance but also established a Soil Conservation Advisory Committee. I was intent on mobilising as much expertise and skills to address the problem as I could.
By 1985-86, a further increase in funds resulted in some State projects receiving over $1m for the first time, out of the $15m which had by now been allocated since 1983-84. The quality of the projects at all levels was improving and DPI, prior to the establishment of the BRS, was to amass a growing data base on the problem. On 11 February 1986 I addressed the inaugural meeting of the Australian Soil Conservation Council. An NSCP Progress Report had been published and 100% tax deductibility in the year of expenditure on soil conservation works was set in the Taxation Act. The Council meeting expressed concern about acidity as a rising issue and some mention was made regarding sodicity (again, mainly caused by the removal of trees and shrubs). I recalled that in 1984-85, total expenditure by the States and Territories had exceeded $60m including for a total permanent staff of 1337. The States were being encouraged by the NSCP to invest more heavily. Representatives from the National Farmers Federation (NFF) and Australian Conservation Foundation (ACF) were present. The McKell medal for outstanding achievement in the soil conservation field was established on the advocacy of Jack Hallam

On 6 May, I addressed the inaugural meeting of the Soil Conservation Advisory Committee, stressing that the NSCP and the additional funds should be regarded as the catalyst to enhance State activities, encourage property owners to better practices and to allow the concentration of the best science on the problem. The first of the functions for the Committee, as set out in its Act, was to identify priorities and strategies for activities by the Commonwealth relating to soil conservation. Its second function was to make recommendations for each year’s national component of the NSCP.

On 31 October funding allocations to the States and Territories for over 100 projects were announced with an expenditure of close to $5.2m. As well, the national component was announced with some 34 projects gaining funds. On 17 December I addressed the ACF’s National Soil Conservation Awareness Campaign, which I launched and where I outlined what the Commonwealth had been doing. I mentioned for the first time the word ‘landcare’, which I attributed to Joan Kirner, Victorian Minister for Conservation, later to be Victorian Premier.

The first Landcare group had formed at Winjalloch, near St Arnaud in Victoria, in November 1986 and was launched by Joan Kirner. Joan had sought and gained the support of the late Heather Mitchell, president of the Victorian Farmers Federation, to promote the concept of catchment and community based groups of farmers and others to attack land degradation problems from a wider perspective. The Victorian Government allocated $200,000 for grants to community groups under its Landcare programme. The concept was based on the idea that limited funding of group activity would encourage more aware and better informed resource managers and increase the adoption of sustainable practices. Joan was interested in the Landcare concept becoming national.

Once the NSCP was underway a study on Australian soils and the human impact was published, which I found exceptionally useful. It made the case that Aboriginal burning had degraded much of the continent’s land base, a view still being contested as I write. A recent

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121 McKell was one of Jack Hallam’s heroes. In the 1940s, he had studied and practiced soil erosion and conservation strategies on his farm near Goulburn. When Premier of NSW (1941-46), McKell proposed the formation of a national soil conservation strategy but was rebuffed by the other States. He also declared the Kosciusko National Park and Macquarie Marshes as conservation areas.

book by Bill Gammage\textsuperscript{123} quotes extensively from the informed observations of early settlers about the beneficial impact of Aboriginal fire-stick culture and burning of the bush in mosaic patterns. The prominent environmental scientist/mammologist and palaeontologist, Tim Flannery, agrees with him. Aboriginal burning preserved species and prevented holocaust bushfires. When I was later NSW Forestry Commissioner, I learnt that when Europeans first came to the Pilliga Scrub in north western NSW, it was possible to gallop a horse through grassy expanses of few trees. Unless it is scientifically burnt often or subjected to thinning, the cypress pines there grow as thick as hair on one’s arm. Some trees, about seven centimetres in diameter, have been determined to be up to a hundred years old. Much of this area is now in national parks: can only catastrophic bushfire now thin the cypress pine?

Awareness of better land management was building throughout Australia; perhaps the NSCP had helped or acted as a catalyst? But I had only a sketchy idea of what was happening on the ground in the States and Territories and this from visiting NSCP sites and from official meetings. My staff and I were becoming concerned that we were building up expectations at a time when the whole issue was of major concern, deserving of higher priority and yet receiving little funding. The other side of the coin was that funding at State level was only concentrated on paddock or farm scale projects.

I was also concerned about the notion of access to public resources. Fishermen had the idea that if only they could scale up with bigger boats there were a lot more fish in the sea further off shore and, by definition, they were theirs to catch. Forestry firms also assumed that public forests were theirs for the taking. Three people in the DPI, Lindsay Northrop, John Kerr and Terry Roberts, and Tony Gleeson, John Tanzer and Geoff Gilmore from my office, started developing papers on how we might better address the several, broader problems in resource use and management. Lindsay had been the crucial person all through the NSCP and had a store of corporate knowledge about soil and land matters and its administration.

The 1989–91 Budget resulted in large increases for the primary industry sector and the resource base to agriculture. Funds for soil conservation were increased by $13m to $23.4m and for forestry by $5m. (A package of funds for additional forestry matters is discussed in the forestry chapter.) Funds were provided to clean up abandoned uranium mines in the Northern Territory and the Maralinga atomic test site in South Australia. (I cannot imagine today that we would allow the British Government to test nuclear weapons in the South Australian desert and off the coast of Western Australia). Funding for the NSCP increased again in the 1990–91 Budget. The programme was delivering good results, but the scope of the problem was still overwhelming.

**Landcare**

Various government programmes and community organisations dating back to the 1960s shaped Landcare. For example, Victoria’s Soil Conservation Authority had activated group conservation projects from the early 1960s. Western Australia had introduced statutory Land Conservation District Committees in 1982. Greening Australia formed in the mid-1980s. In 1985, NSW was driving Total Catchment Management (TCM), with Jack Hallam strongly

\textsuperscript{123} The Largest Estate on Earth: How Aborigines Made Australia, Bill Gammage, Allen and Unwin, 2011. For many years the \textit{a priori} assumption was that having more trees was beneficial. I have seen pictures going back to the early 20\textsuperscript{th} Century showing that there is now far more vegetation and bush. Is this the right way to go or do we need to research how to burn the bush scientifically? What of the burning of our tropical savannas?
supporting all efforts on soil conservation and land degradation. Conservation Volunteers Australia was also formed in 1982. Farmers on Queensland’s Darling Downs had initiated regional projects, influenced by Brian Roberts. The phrase ‘Integrated Catchment Management’ was coming into common usage. Individuals were becoming prominent in advocating greater attention to land management issues and I would particularly include in the list Jock Douglas, from Roma, Queensland, President of the Cattlemen’s Union, 1987–88.

In all that follows it is important to separate Landcare from The Decade of Landcare, which was a specific Commonwealth program.

At Commonwealth level by 1986–87, these issues were ticking in my staff’s and my head. Many people with an interest in land degradation seemed to be in my office; Penny Figgis of the ACF and Andrew Campbell were two I particularly remember. I had been impressed by what farm management societies had been telling me in South Australia about their observations on cropping land. A group of farmers on South Australia’s Eyre Peninsula had also explained to me, for the first time, their awareness that the land degradation problems of farmer ‘x’ were being caused higher up in the catchment by farmer ‘y’. Some property owners were starting to think and arrive at considered conclusions about resource issues. I visited a property, Mt Narrier, many kilometres inland from Carnarvon in Western Australia, and saw the incremental gains that could be achieved in a semi-arid environment by simple techniques. Here I was also treated to the best tasting slow cooked mutton I had had for a very long time.

Perhaps the most outstanding model of good practice I saw was when I visited Bruce Milne in western Victoria. His work was being financed through the Potter Foundation, the Potter Farmland Plan, which was becoming a fully integrated system of how to manage farmland beneficially from a conservation/environmental/ethical point of view. Andrew Campbell had worked with the Foundation. On 18 October 1987 I addressed a meeting in Hamilton, Victoria, on adding value to regional resources stating how the success of the Potter Foundation’s Farmland Plans, if widely adopted, could improve Australia’s economic performance.

The work continued in my office and in the Department. When Senator Peter Cook became co-Minister with me, as Minister for Resources, he was given carriage of the issue. Mark Pierce, his principal private secretary, and Christine Ellis in his office became the key people at the day to day working and policy formation level. Some staffers moved between my office and that of my three co-ministers thereby retaining corporate knowledge—Shane Gilbert is one I could nominate. In 1988, Peter launched two Landcare groups in Victoria and saw for himself the work of local communities. It was Peter who gained Joan Kirner’s agreement to call the national programme Landcare. I do not know for sure who suggested that the NFF and ACF be involved in deliberations: Peter’s inspiration, his staff’s - Christine, one or more of my people, particularly Geoff Gilmore, who kept in active contact?. No matter who, Rick Farley of the NFF and Phillip Toyne of the ACF became actively involved and, given the nature of their constituencies, it was Rick who had to do the heavy lifting.

I understand that the board of the NFF was reluctant to become involved but that it was Rick’s persistence over many months that secured its support. Much later I was told by an insider that members of the ACF board were very conservative and not convinced of the virtues of Landcare, at first. I have a very clear memory of Peter saying to me one morning, at one of our regular meetings on joint portfolio matters, that the NFF and ACF “want the lot”, meaning all the paper and ideas that had been developed, and that he did not know how we could get the funding for the programme or to it being agreed by Cabinet.
Luckily, Prime Minister Hawke was identifying strongly with environmental problems by this time and was more than aware of the growing protests in the forestry debate. Dr Craig Emerson in the PM’s Office was particularly seized of the importance of environmental issues. I do not know if Rick Farley and Phillip Toyne saw the Prime Minister quite separately from Peter and me or not, but Hawke became committed and bipartisan support came from Bruce Lloyd, the Opposition spokesman on Primary Industry. Environment Minister, Senator Graham Richardson was also strongly in favour of the programme, ably supported by Simon Balderstone in his office.

The Prime Minister was intent on launching a major environmental programme with maximum publicity, which it is alleged I named The World’s Greatest Environment Statement. When the matter came up for Cabinet discussion, Peter and I were sitting there like a pair of hungry brown dogs, with a have-we-got-a-deal-for-you to put on the Cabinet table. Andrew Campbell, Jane Elix (ACF) and Philip Eliason (NFF) drafted a plan for a federally funded national decade long programme costing $340m. Peter Cook, Rick Farley and Phillip Toyne initiated Landcare Australia Ltd, designed to attract private funding, and launched the National Landcare Programme once the funding was in place. It was Peter Cook who then pushed strongly and secured funds for the Decade of Landcare, 1990-2000.

The total package announced by PM Hawke in his Our Country, Our Future speech amounted to $520m. It included $100m towards development of the Murray Darling River Basin; $50m towards sustainable development with environmental sensitivity; $20m to saving endangered species of wildlife; and $8m for research on the greenhouse effect. In declaring the Decade of Landcare, Hawke committed the Government to the planting of one billion trees to combat soil erosion. This became known as the One Billion Trees Program, which had been promoted and then managed by Greening Australia from 1989 until 1997, when the Howard Government shut it down.

Andrew Campbell became the first National Landcare Facilitator. In July 1989 the overall environment statement was launched by the Bob Hawke on the junction of the Murray and Darling Rivers where Peter and I planted some trees to celebrate the event (I thought in a very vulnerable place). It was a great moment: Landcare took off throughout Australia with thousands of groups forming. Peter Cook and his staff actively administered the new programme. The first National Landcare Conference took place in 1991.

Of course, a lot has happened since then but it is important to note that Tony Gleeson and Jock Douglas later formed the excellent Australian Landcare Management System (ALMS) as an adaptable but rigorous, certified, environmental management system, which continues to this day. Adoption of a farm EMS, to my mind, is a large step up from Landcare, but more than relevant to it.

Every good idea has a thousand fathers; Landcare is no exception. I only get edgy when various people and organisations claim unique ownership of the creation of Landcare. I do not claim credit in any way and there are many others deserving of more. Politically, at State government level, Joan Kirner (who had the naming rights) and Jack Hallam take the credit, Joan especially. Politically, at the Commonwealth level, the now late Peter Cook and Prime Minister Hawke get all the credit along with key individuals who fought so hard to persuade government. As well as many in State agencies, particularly in Victoria, key ministerial staffers, forward thinkers in and out of farm organisations and in DPIE, were absolutely crucial at the national level. The initiative did not come from the Environment Department or its minister.
I do not wish to under value the gains made by Landcare; the innovation has created an army of invaluable volunteers. However, due to my much later experience as a member of the NSW Southern Rivers Catchment Management Authority (2005-11), I wonder if the community development process, essential to Landcare, has effected behavioural changes sufficient to make a difference at landscape scale. The challenge is still too big for individual property managers. I would like to know how different the stewardship ethic of participants and non-participants is now from 20 years ago. Farmers were first invited to participate in Total Catchment Management (TCM) and then came Whole Farm Planning (WFM), but what were the measurable results? Has Landcare become a way for governments to avoid the necessity to spend more on landscape repair? Have the later versions of the catchment management authorities and natural resource boards picked up the baton and integrated successfully with Landcare?

### Australia's Water Resources

The Water 2000 document, referred to above in the ALP’s 1983 policy document, was prepared by a steering committee in conjunction with the Commonwealth Department of National Development and Energy, and was issued in April 1983. The Hawke Government had before it the best assessment of our national water resources by the relevant State and Commonwealth agencies. For the crucial Murray Darling Basin, average run-off was estimated to be 23 gigalitres (gl) per annum with 13gl estimated to be the total possible exploitable yield, and 11gl of these already being utilised. In contrast, the total run-off in the north east and north west of the continent was 212gl with a total exploitable yield of 26gl but only 0.1gl being utilised. Most rain in Australia falls where people do not live and where agricultural production is the most difficult.

As shown in the Water 2000 Report and well recognised, Australia receives most rainfall across the north of the continent and along the Queensland coast, some 65% or so in all. NSW and Victoria have a wet coastal fringe and receive about 10.6% of surface run-off. Tasmania has a wet west coast and receives 13.3% of all estimated run-off. The rest of the continent where, spatially, most agricultural activity takes place, is dry. The vast bulk of the continent receives only 5% of the estimated surface run-off. The MDB receives about 6.4% of all surface run-off and in 1983-84 Basin water availability was already 85% committed for use. In 1984, 46% of Australia’s agricultural production came from the Basin, with 730,000 hectares under irrigation and an estimated 2m people supported directly and indirectly by it. The irrigated areas in the Basin produced far less than overall Basin production - about 10%. The Murray supplied about 49% of South Australia’s domestic and industrial water requirements.

It was the drought of the early 1980s that prompted renewed Commonwealth interest in the MDB as a whole; once again the blame game was being played by State governments of differing political persuasions. The arguments were about who was taking most water, who was managing their resources best and who was responsible for the quality of downstream flows as salinity increased. It was apparent that the Basin had to be regarded as a whole no matter what the position of the ‘State’s rights’ based State governments. The over allocation of water in some valleys in northern NSW was extreme, particularly where conjunctive use was sanctioned, (that is, both surface and underground water). The fact was that Victoria essentially managed its share of water over a two year cycle, when possible, whereas NSW was working on one year’s replenishment and SA, including its irrigation areas, was only receiving its agreed fixed entitlement from the Murray, but of a lowering quality. The 1967 to 1968 drought had resulted in the documentation of rising salinity problems; but all but forgotten once it rained again.
Water and the Commonwealth’s Involvement

Apart from water research by the CSIRO, the work of the Bureau of Meteorology, and participation in the River Murray Waters Agreement and the Snowy Mountains Agreement, the Commonwealth’s role in water policy and administration was minimal. It chaired the Australian Water Resources Council (AWRC) established in 1962, which was mainly a forum for the exchange of experience and ideas as well as the provision of much technical information and research. The Commonwealth was spending minor sums for flood mitigation works, which had carried on over many years as works were put in place. Two Senate select committees in the 1970s had made recommendations on water pollution and water resources in general. In 1979, the Fraser Government issued a generalised Commonwealth water policy statement, but little changed as a result of it.

Many of the voluminous recommendations of the Water 2000 Report were directed to the AWRC and thereby mainly for combined State action. Its main conclusions were about the need to improve water use efficiency; the need for common data on use and quality; the adoption of national goals and priorities for water research; for more attention to be paid to rising levels of salinity; for examination of subsidies being paid; and for only a completion of the remaining irrigation schemes underway. Little was said about the pricing of water. Water markets were not considered or mentioned as a concept. The large agenda was mainly to be addressed by state governments, which by this time were increasingly occupied with pressing urban issues.

In my time there was little debate about the concepts now in common usage such as the ‘precautionary principle’, or ‘water rights as property rights’, or ‘sustainable development’ or ‘water trading’; water trading did not commence until 1991. The fight for the retention of access to water for the environment in the MDB was only in its early stages. It was not until the late 1990s, when I chaired the NSW Water Advisory Council (1996-2004), that I gained a better understanding of all the complexities involved in water administration, assuming governments had water to manage. For example, until then I had not heard of translucent flows.

None of the water based cooperative research centres (CRCs) had yet been established. The CRC for Freshwater Ecology, which the late Professor Peter Cullen was so associated with as CEO, was pivotal in placing water on the national agenda. The Land and Water Research and Development Corporation (LWRDC), was established by me but not until 1990. It was very apparent that the more we knew about water, the more we needed to know. The issue of access and use lends itself to deep analysis. In turn this suggests the need for accurate data, the establishment of rules and the utilisation of market analysis.

This brings to mind one of the central problems in policy making. Where an issue is excessively complex and where those affected are not likely to have studied all that is known or being discovered, it is natural for them to adopt a stereotypical, self-interested view. Stereotypes tend to be self-fulfilling. The integrating of science in natural resource management is particularly difficult due to the dispersion of decision making and differing time frames. This is because the cultures of scientists and practitioners and, for example, farmers and officials, are vastly different. As a result, politicians and those with a vested interest or an axe to grind,

__124__ The establishment of Cooperative Research Centres set up by the federal Government in 1990 to enhance public-private collaboration in research is discussed in the chapter on Agricultural Research, Development and Extension, and Statutory Marketing Authorities.
find it easy to adopt a sectional interest or prejudiced position: what would Greenie researchers and academics know?; all farmers and irrigators are rapists and pillagers; and the growing of cotton and rice should be abandoned... and so on.

For many years the University of New England’s Centre for Water Policy Research, run by Professor John Pigram, issued a steady stream of research papers. Much of the Centre’s work culminated in a book by Professor Pigram in 1986\textsuperscript{125}. Another very valuable publication from the university was on the economic impact of irrigated agriculture in NSW\textsuperscript{126}. I had plenty to concentrate on before water came into my portfolio and my reading on water consisted of reference to the publications identified. But while there was no lack of information about water, it was also obvious that there was so much that we still did not know. In 1983, it was estimated that the annual cost of agricultural production lost due to salinity in the MDB was $260m.

When water came into the expanded portfolio in 1987 only six Acts of Parliament were involved but there was an overhang of moneys still being spent on flood mitigation. I remember speaking with a grouping of municipal councils in the west and south west of Sydney regarding works on Smith’s Creek, which flowed through a large area of housing land and many local government areas into the Hawkesbury River. There could be a flood tragedy there one day.

**The River Murray Commission**

In the water domain, it was the Murray Darling Basin that was the main concern for the Hawke Government. The Commonwealth was part of the River Murray Water Agreement, which was developed in 1915 after 13 years of discussion (argument) with NSW, Victoria and South Australia. Queensland was never involved in the early negotiations. The River Murray Water Agreement’s prime task was the management and sharing of the waters of the Murray. The Commonwealth was also involved with various aspects of the management of Soldier Settlement Irrigation Schemes along the Murray.

In earlier times the Murray and Darling rivers had been a crucial part of the transport of agricultural produce by paddle steamers and barges. However, rail links expanded and, while floods and droughts had always affected river transportation, it was irrigation which brought an end to the river trade, which had lasted from 1853 until 1936. The Murray was always far more important for transport than the Darling. It is important to understand that our rail systems radiated out from the capital cities (apart from in Queensland) following the colonial pattern of settlement, and also that sealed roads between capital cities only came into being between WW1 and WW2.

The reason for the decision to build weirs, dams and locks on the river and its tributaries was to store high winter flows to be released for irrigation, and for stock and town water during the critical low flow months of February to May - and during drought periods. The pattern of rainfall into the Darling was more spasmodic and influenced by summer rain in the north of NSW and southern Queensland. The border between NSW and Victoria is on the south bank of the Murray. South Australia, being at the end of the river system, always had an absolutely critical interest in its management, but had little control over increasing upstream diversions


\textsuperscript{126} The Economic Impact of Irrigated Agriculture in NSW, by R A Powell, R C Jensen and A Gibson, UNE, 1985.
for irrigation or the quality of water reaching it. South Australians always had the most crucial interest in water supply for their capital city, Adelaide, their industrial area at Whyalla and their irrigation areas and yet had the least-or nil- influence on decisions being taken on diversions upstream.

The main provisions of the Agreement struck in 1915 was the construction of a storage on the Upper Murray (the Hume Dam, begun in 1919); the construction of the Lake Victoria storage in SA and Echuca in Victoria; and the construction of nine weirs and locks on the Murrumbidgee River. (The lower part of the Darling was rejected as a site for weirs and locks.) In 1934 the Agreement was amended with seven planned weirs being deleted. Five barrages were agreed to be built near the Murray mouth to prevent seawater entering the river during low flow periods. The highest lock at Yarrawonga was completed in 1939 and is 1,992 kilometres from the mouth of the Murray (the Murray River is 2,530 kilometres long).

The instrument for the agreement was the River Murray Commission (RMC) established in 1917. The commission only had powers, effectively, within the banks of the Murray and for some tributaries by negotiation. The building of other dams and irrigation areas within the Murray Basin (and Darling Basin) were the prerogative of the three governments and arrived at by negotiation or autonomously. By 1966 the first water from the Snowy Mountains Hydro-Electric Scheme was diverted to the Upper Murray. Major additional works in the 1960s were the Menindee Lakes Scheme in NSW on the mid-Darling and the building of the Dartmouth Dam in north east Victoria, when work on a proposed dam at Chowilla was stopped upstream from Renmark in SA.

Although the Hawke Government, in conjunction with the States, changed the administrative arrangements for the Murray River by adopting the whole Basin concept, I do not want to infer that the RMC wasn’t carrying out very good work under its legislative remit. For example, it had been monitoring water quality at 36 stations from the Upper Murray to Lake Alexandrina and was working on salinity mitigation. It was not just an engineering body. I became aware of the range of its responsibilities once the Murray Darling Basin Council (MDBC) was established. The RMC had been appropriately based in Albury on the Murray.

By the 1960s it became the accepted view that building dams for irrigation or drought and flood prevention was of debatable utility and that the return from many projects was marginal on any cost-benefit basis. It doesn’t take much intelligence to understand that you can’t keep a dam empty waiting for a flood, or full waiting for a drought. The Commonwealth built the dam on the Ord River in northern Western Australia, opening it in two stages, 1963 and 1971, and the Burdekin Dam in Queensland in the 1980s, but it was seen that this was no longer an activity it wanted to be engaged in or finance. This was before the well documented environmental concerns emerged in the last 40 years. If the land irrigable from the building of the dam on the Ord River can eventually be effectively used, then no doubt there will be pressure to dam the Fitzroy River in northern Western Australia - and in every other of the few, five or six possible dam sites in our north?

Many people have said that the Snowy Mountains Scheme could not be built now due to the environmental protests that would arise. They are probably right but I would be more interested in what a cost-benefit study would show. It would depend on the discount rate used for a scheme having such long term benefits.
The Murray Darling Basin Commission

Who should get the credit for the establishment of the Murray Darling Basin Commission and Ministerial Council to manage the MDB as a whole? While the answer is Senator Gareth Evans, Commonwealth Minister for Resources and Energy, and Minister Dr Don Hopgood, then Deputy Premier of South Australia, the only reason it was possible was because of the coincidence of ALP governments in the three crucial States - and nationally. Queensland, with a National Party Government, was not interested and had to be dragged into any discussions on Basin management, if they could ever be inveigled to attend meetings at all, even as observers. The Premier at the time, Sir Joh Bjelke-Petersen, no doubt saw whole basin management as a ‘socialist plot’. Queensland resented the fact that downstream States had irrigation schemes but it did not. In the event Queensland later handed out large water licence entitlements from the upper streams of the Basin for water capture during high-flow, across flood plain periods, at pepper-corn rentals, which meant that large cotton farms could be established there.

I attended the inaugural Ministerial meeting on the Murray Darling Basin in Adelaide in November 1985. As far as water was concerned, I thought that the management of water in the basin was Australia’s biggest environmental challenge. South Australian Premier John Bannon gave the opening address to the twelve ministers from the four governments represented as well as many other community organisation participants. Gareth Evans chaired the meeting more than ably assisted by Deputy Premier Don Hopgood. The main discussion and agreed decisions were about a re-evaluation of the structure and the role of the River Murray Commission (RMC) from which would come the Murray Darling Basin Commission (MDBC). It was agreed that the secretariat would be in Gareth’s department but with senior people seconded from each of the three State Governments but that the arrangement be an interim one. It was decided that there be a commission but that it be subject to the policy guidance of a ministerial council, that there be the support group, a research program and some study on areas of concern; working groups were established.

The next meeting in April 1986 in Melbourne, also chaired by Gareth Evans, was one where the progress of the various working groups was reviewed. This meeting finally decided that the best model was a commission working directly to a Murray Darling Basin Ministerial Council (MDBC) but that the council would not have over-riding authority but act in the overall policy role. This was to re-assure the States that there would be no increase in Commonwealth powers or any diminution of State powers. The establishment of the MDBC required legislation and in the interim the enhanced RMC would continue. The first meeting of the MDBC took place at the end of 1986. The Council’s Charter was to:

promote and coordinate effective planning and management for the equitable, efficient and sustainable use of land, water and environmental resources of the Murray-Darling Basin.

I subsequently attended, sometimes chaired, all but two council meetings until 1991, when I ceased being Primary Industry Minister. The initial 1985 Adelaide meeting was one of the few to attract ministers for the environment, especially at Commonwealth level, they by then being too occupied with forestry issues. The second meeting of the MDBMC was held on 27 March 1987 and I acted as Chair for the third meeting on 11 December 1987, held in Albury, once Senator Evans relinquished the position and became Foreign Minister. It was then agreed that Peter Morris, now co-Minister with me in the expanded portfolio of Primary Industries and Energy (DPIE), should act as Chair, given the split agreed in responsibilities between us.
However Peter was soon placed in another ministerial position and co-minister Senator Peter Cook then took on the job. As a result of yet more changed ministerial arrangements, I again acted as Chair of the Council shortly before I became Treasurer in 1991.

The Ministerial Council established a community advisory committee (CAC) in December 1986 to provide independent community based advice. The Murray Darling Basin Commission came into operation as the Ministerial Council’s executive arm on 1 January 1988, replacing the RMC, with most people transferring to Canberra where the Commission became stabled. Also transferred was the voluminous data assembled by the RMC, including its knowledge of the works on the Murray and its tributaries. The inaugural president of the MDBC was Alan O’Brien who was followed by Deputy Secretary, Noel Fitzpatrick from DPIE. The inaugural Chief Executive of the Commission was Ken Johnson who was followed by Don Blackmore. Professor John Burton from the University of New England was appointed as the inaugural CAC chair. The Commission was composed of Commonwealth and State officials, technocrats and administrators. It was where the hard detailed work was done to be presented to the MDBMC and so to governments for implementation.

At the outset ministers knew that implementation was going to be an immense task. But there was little sense in holding back and, by having a commission not an authority, the caution inherent in public administration may have been avoided. One of the first tasks initiated by the Council was a major resources study, which became the basis for the later Natural Resources Management Strategy (NRMS).

The first meeting of the MDBC I chaired was on 11 December 1987. Senator Peter Cook acted as Chair for the third, fourth, fifth, sixth and seventh meetings, and Alan Griffiths, who became co-minister when Peter moved on, chaired the eighth meeting on 7 June 1990 and I acted as Chair for the ninth meeting in Melbourne on 31 August 1990. Alan was again Chair for the tenth and from then on until the role fell to Simon Crean, who became Minister for Primary Industry and Energy in June 1991 and took over once I became Treasurer. I only missed two Council meetings; to this extent I was alone as a ministerial presence from 1985 until 1991. Elections in the States and changes in ministerial personnel meant that the attendance of State ministers was a movable feast. Whatever, what was remarkable in my time was that consensus was usually achievable; the funds the Commonwealth was contributing enabled the States to live up to their commitments.

It took a while to get all the new arrangements in place, requiring legislation, guarantees of funding and staffing measures to give effect to the work programmes agreed. At the meeting held in Albury, I was able to inform the Council that the new Commonwealth legislation would be in place by 1 January 1988. At this meeting the Council set up working groups on issues such as the operation of the Menindee Lakes on the mid-Darling River to identify options for joint funding and the development of a draft salinity and drainage strategy. With respect to salt interception, it was agreed priority should be given to Barr Creek in Victoria and Woolpunda in South Australia. A working group was established to draft the NRMS and the CAC was tasked to draft the modalities for a process of public consultation. The task of considering huge amounts of paper was well under way, but as well as being informed, the Council’s prime role was to establish priorities within the means available. State ministers took on the important role of providing detailed, thought through documents on the most pressing issues to be addressed.

The crucial matters discussed at MDBMC 4 were the adoption of the Salinity and Drainage Strategy, improving the effectiveness of the CAC (which at first was engaged in building large
wish lists despite the best endeavours of the Chair), the development of the NRMS, progressing the Menindee Lakes Agreement and defining the roles of the Council and the Commission and how advisory committees should function.

The NSW State election of 19 March 1988 resulted in a change of government and a change of NSW Ministers. MDBMC 5 saw Ministers Causley and Armstrong (National Party) and Minister Moore (Liberal) taking different stances. Compared to the National Party Premier of Queensland, they were relatively easy to deal with. Tim Moore, Minister for the Environment, was always supportive and non-striden. This was John Burton’s last meeting (succeeded by Geoff Evans) and by now Noel Fitzpatrick was well and truly in the traces. Ian Causley, Minister for Natural Resources, and Ian Armstrong, Minister for Agriculture and Rural Affairs, were unable to agree to continuous water accounting. They wanted more emphasis on drainage than salinity in the Salinity and Drainage Strategy; would give no commitment on funding; and wanted funding percentages changes to take into account the accounting of inter-state and intra-state projects. This impasse was resolved by an agreement for inter-state projects to be funded 25% from each government, as had been the general founding agreement, and 50% Commonwealth and 50% State for intra-state projects. It helped that the Commonwealth was prepared to allocate $46.3m over three years for the NRMS. Funding for three parts of a salinity mitigation programme was agreed for 1989-90 amounting to $12.6m. Estimates of expenditure for the years 1989-90 to 1991-92 were agreed in principle. The CAC was reviewed following the tabling of an excellent paper by Kay Setches, Victorian Minister for Conservation, Forests and Lands.

In 1988 ministers agreed, out of session, that additional diversions for irrigation would cease but this was never committed to paper; the States will always stall. Between 1988 and 1994, water consumption in the basin increased by 7.9% with the largest increase being in NSW; entitlements increased by a higher percentage, near 12%. The limit to what could be safely allocated in an average year was close. Strident demands were being made for access to ground water by farmers and entrepreneurs promoting investment schemes. It was not until 1993-94 that a cap was put on diversions. Compounding this, the NSW Government later authorised ‘sleeper’ and ‘dozer’ licences for the purpose of water trading. This was done rather than face the inevitable legal challenges which would have arisen if these, largely unused entitlements, were ever activated, once trading was permitted. Water licence entitlements did not mean that the sum of all entitlements was ever actually allocated. In any allocation of water to irrigators and users, in terms of the water available in any one year, high security water, mainly for tree and vine crops and for town water and stock, took the highest priority. Water for irrigated grazing was regarded as the most ‘wasteful’ but for dairying still paid better than for alternative modes of production.

I was an apology for MDBMC 6 of 22 June 1989. The main decision taken was on the signing of a contract for the Woolpunda Salt Interception Scheme. A progress report on the NRMS following the comprehensive comments by the CAC (later agreed for funding) and that interviews were under way for selection of the new chair to the CAC were noted.

MDBMC 7 was held on 20 October 1989 in South Australia, onboard the PS Murray Princess, which I chaired. For some strange reason many public servants and locals were keen to join our interminable, usually boring, discussions on this occasion. This was a very important meeting with a very full agenda. The final agreed NRMS, following consideration of the comprehensive views of the CAC, resulted in the requirement of more funds than were available, but agreement was reached for the priorities for the strategy over the next two years. The Mallee Vegetation Management working group report was dealt with and more
negotiation about continuous water accounting proceeded. Four important papers by state ministers were discussed and absorbed by the Commission. The Salinity and Drainage Strategy was agreed in terms of the benchmark conditions to take into account, so that computer simulations could be run. The reconstitution of the CAC was considered and approved, along with its work plan, as well as the Murray Darling Basin Commission Strategic Plan.

The operating procedures and economic state of the Hume and Dartmouth Dams were given to us by the President of the Commission, as was progress on groundwater mapping, a possible pipeline for saline water to the sea and work on streamside planning. It was at this meeting that we learnt that once the Mallee had been cleared in the location of the Murray geological basin, straddling the Victorian and South Australian border, there was 200 years of salt yet to drain into the Murray. In earlier times the area had been under the sea for millions of years and the salt was incipient and easily able to be mobilised by human activities. We inspected the Woolpunda salt interception scheme works, valiantly braving the heat and dust.

It usually fell to me to make a speech at the end of the usual dinner we held over our two day meetings. My modus operandi was to gently stitch up all ministers present, make snide and whimsical comments on the state of politics - and tell jokes. On this occasion I told a joke I thought was hilariously funny and apposite to wine varieties and fighter pilots. I understand some others of the gathering also thought it was funny. Bill Hayden once told me that my wicked sense of humour may yet get Australia into a serious war. This warning followed a comment I had made to senior US service personnel regarding President Reagan at a dinner in Canberra.

MDBMC 8 was held in Parliament House Canberra on 7 June 1990, chaired by Alan Griffiths, for which I was an apology. This was a nuts and bolts meeting where the estimates for expenditure for 1990-91 to 1993-1993 were discussed and largely agreed, if only in principle. NRMS expenditure was also agreed, with the Commission taking into account decisions from the MDBMC 7. A piece of a heavy steel girder had fallen off and entered a rotating electricity generator at Dartmouth Dam. The damage was immense with the heavy generator tearing out of its concrete base. The liability for the damage and insurance questions were very complex and were handled by the Victorian Government and its Rural Water Commission and SECV (Electricity Commission). Of immediate concern was damage to the high level outlet works adjacent to the power station. As it was essential to recommission these works straight away, $1.2m had to be found to meet the estimated cost. After discussion the Council agreed that this expense could be covered within the Commission’s overall estimated budget for 1990-91. Don Alexander, from South Australia and the last of the RMC commissioners, retired at this meeting. Ken Johnson announced that he would retire as chief executive in July after having served on the RMC and MDBC for over 22 years.

My swan song with the MDBMC occurred at MDBMC 9 held in Melbourne on 31 August 1990. Noel Fitzpatrick and I both gave overviews on the Murray Darling Basin initiative, directing our words to the future directions of the initiative and the work of the Commission. The other main topics for the meeting were pollution management, sustainable development for the basin, the MDB drainage programme, receiving the CAC's report and discussing a submission by the Murray Valley League. The Council endorsed new financial arrangements, the Chowilla Salinity Mitigation Scheme and abandoned the pipeline to the sea proposal. Susan Lenehan, South Australian Minister for the Environment, Water Resources and Land, presented a paper on water quality issues in the Basin, touching on the problem of algal blooms. Steve Crabbe, a
new Victorian minister thought this was all nonsense and walked out leaving it up to his colleague Barry Rowe, Minister for Agriculture, to carry the day.

My paper summed up progress since 1985, what had been achieved and what the framework for success encompassed, giving priority to five areas.

Of course much has happened since my time and the MDBC was turned into an Authority from 2012. The Council of Australian Governments (COAG) in February 1994 endorsed a strategic framework for the efficient and sustainable reform of the Australian water industry. The States have reformed their own legislation with irrigation areas going from public to private hands and water trading within river valleys has become more common. Attempts have been made to restore some flows to the Snowy River and a lot of sensible work has been carried out. The Howard Government (1996-2007) allocated $10b to the renovation of the Basin (much of this was wasted on schemes that would never pass a cost-benefit test) and this has been followed by more expenditure by the Rudd and Gillard ALP Governments (2007-13). Spending is increasingly being directed to on farm efficiency measures so that more water may be made available to the environment. Changes in irrigation techniques, alteration of crop choices to higher value, lower more efficient water use have worked and many minor changes have productively taken place.

A publication by the MDBMC in 1995 showed how fraught water use in the Basin was becoming. For the period 1988-89 to 1992-93 the actual water diverted was 10,684gl, from an absolute limit imposed by the allocation system of 16,902gl (some 63%). Some river systems were diverting 95% of the diversion limit and only three were below 61%. However, full development of existing entitlements would push diversions up by to 12,344gl or by 14.3%. The figures are always unclear because conditions in the Basin differ so much at different times. The qualification to this set of numbers for the period portrayed was that the northern half of the Basin was then subject to drought while the southern half had higher than the average levels of water available.

The 2001-2010 drought highlighted the dangerous state of the health of the Basin’s systems. Flow of the Murray into the sea stopped with deleterious effects on Lake Alexandrina and the Coorong in South Australia. Some people will argue that the Murray has stopped flowing many times naturally, well before its development, or that it is a pity if any water enters the sea. The impact of our latest drought on bird and tree life was profound, though it did remove some of the immediate salinity threat. Endless inquiries and recommendations have not reconciled the demands of irrigators and environmentalists about the sharing of available water and South Australia always has a major concern to receive an adequate share.

We seem to have an innate skill in Australia to avoid taking those steps which will prevent degradation of our natural resources and then have to spend a fortune to try to rectify the situation, paying for the sins of the past. For example, we are not prepared to devote funds to ensure that our tropical savannas are maintained in good productive shape. If this part of Australia, too, is degraded, then the cost will be immense.

However, the truism holds that there are no votes in the future.

When it comes to irrigation and the use of water, generally, it is beyond the control of individuals to do anything much about the overall damage, so governments are criticised and blamed. It is deplorable that carefully worked through approaches to sharing have been serially rejected by affected parties before they have even read, let alone absorbed, what is being put forward. In the 2001-2010 drought, the Goulburn Valley in Victoria maintained its
level of production for most products by carrying out changed procedures and a swing to higher value crops - not that it is easy. Water use for low value crops and some grazing can be regarded as extravagant.

I have also referred to land and water issues in a research context in the chapter on agricultural research and development.

**The Ranger Uranium Mine Water Management System**

Uranium mining in Australia was and is controversial. The Ranger Uranium Environmental Inquiry, part of the overall Fox Inquiry, which I had had a minor role in triggering in 1975, had laid down strict provisions for the mine’s operation, including water management.

The mine, in the Northern Territory, was subject to ten pieces of Commonwealth legislation and 30 pieces of Northern Territory Legislation. Under one of the Commonwealth’s Acts, the Environment Protection (Alligator Rivers Region) Act 1978, the Commonwealth had established the Office of the Supervising Scientist (OSS) and up to 22 scientists were engaged in monitoring all aspects of the mine’s operation, but mainly with respect to water management.

The House of Representatives Standing Committee on Environment and Conservation reported on the mine’s water management system coming to eleven conclusions, to which I had responded. The Committee was critical of incidents impinging on the environment, particularly in relation to spills or possible spills from tailings dams. The Aboriginal Northern Land Council was very concerned about not being notified of spills, because Aboriginal people used Majela Creek for food, such as freshwater mussels. I inspected the mine site with the management and spoke with Aboriginal people including their spokesperson Bill Nedgee. His face looked like it was carved out of wood; he was a striking, intelligent man. I took the view it was up to responsible authorities to monitor mine practices and that the OSS, which was based in Bondi in Sydney’s eastern suburbs, should be more vigilant. When I asked the head of the OSS, if he could tell me water was pure or not, he said “no” but gave no explanation. It took me a while to realise that perhaps there was so much background radiation that it was impossible to state which level came from where. This meant that I could not tell Aboriginal people that it was safe to drink the water or catch food from it. This was when I learnt that science can often prove nothing absolutely, even if the criteria for proof are far more rigorous than they are for economic ‘laws’. (Once the portfolio took on minerals and energy, I had even more interesting discussions with scientists on the Maralinga and Montebello Islands nuclear bomb tests. I was involved in the Maralinga bomb test sites clean up of plutonium in South Australia and in the proposed mining of the Coronation Hill geo-syncline in the Northern Territory, which was rich in the platinum/palladium group of minerals as well as copper, uranium and gold.)

**The Institute of Freshwater Studies**

Because the establishment of an Institute of Freshwater Studies was part of the ALP’s election policy in 1983, and Ralph Jacobi had worked so hard to secure an ALP promise to establish this *multi-disciplinary* water research body, I believe I should say something about its demise. This was out of my control and I confess that I did not follow up enough what my colleague,
Senator Peter Walsh, did about the promise. I am indebted to Peter Crabb, a geographer, who researched this issue and published his findings in 2012.\textsuperscript{128}

It was unusual for the Senate to have passed Ralph Jacobi’s private member’s Bill for the Institute in 1982.\textsuperscript{129} It gained widespread support, and not only from the parliamentary Labor Party. However, it was strongly opposed by the Fraser Government, State and Commonwealth water bureaucracies and the CSIRO. The Hawke Government set up an Interim Council to examine the proposal, but with narrow terms of reference, not directed to the purpose of Jacobi’s Bill. The Council’s recommendations subsequently sided with the large water bureaucracies and the CSIRO, in spite of widespread support for it. When I later established the Land and Water Research Development Corporation (LWRDC) and, subsequently when three cooperative research centres (CRCs) on water were set up to carry out collaborative research, this may have seemed that we were responding to Ralph Jacobi’s initiative. All organisations carried out excellent research on the most crucial issues and many bodies involved in research and the management of water have subsequently been set up in the 1990s and 2000s. Ralph’s proposal foundered on the word management and so to this day, unlike countries such as the US, the UK, Canada, Israel and South Africa, there is no national centre concerned with research and management of Australia’s water resources. In a federation where the States have the Constitutional power over land and natural resources, it is easy to understand the opposition Ralph faced.

Ralph passionately believed that the Commonwealth had a clear obligation in the national interest to investigate the proper use of our inland water resources. For Ralph, his Institute of Freshwater Studies would have had a national mandate, would have regarded the MDB as a whole, been free from government interference, and been impartial and objective. It was Senator Geoff McLaren, (Labor, South Australia) who presented the Bill to the Senate. Geoff was a strong supporter of Ralph and me on the Caucus Agricultural Committee. Jacobi saw that water resources research and management constituted a fragmented and disjointed mess. Senator Robert Hill (Liberal, South Australia) was one of the few Liberals who did not oppose the Bill outright during the debate. The South Australian Parliament supported Jacobi. The CSIRO had reacted by establishing a Division of Water and Land Resources in 1981-2.

The interim council received 259 written submissions on Jacobi’s proposal but a lot of patch protection ensued. Its report was more a political document than one of science. Peter Walsh accepted the Council’s report to the extent of establishing the Australian Water Research Advisory Council (AWRAC), an associated research program and the provision of $3.3m for research by CSIRO, the work to be concentrated in the MDB. The Government’s formal response was made by Senator Gareth Evans in June 1985 at a meeting of the Australian Water Resources Council. All but seven of the Council’s 31 recommendations were referred to the AWRAC. More than a year later, the Murray Darling Freshwater Research Centre was opened at Albury, with $1m for bio-physical research on the MDB: it was not a multi-disciplinary centre with a national focus.

Jacobi’s overall proposal was rejected and the Government also rejected another key recommendation for there to be a national Office of Water Research within the Department of Resources and Energy. This would have avoided the inertia of the status quo. Several other


\textsuperscript{129} Ralph was also convinced that water and its management were the wellspring of all of the problems in the Middle East and had June write a number of briefs making this point.
bodies were created within the Department and it cannot be said that water research was ignored altogether. Seven million dollars a year was being directed to the AWRAC and by 1989-90 it was picking up an extra six million dollars from the water industry. It concentrated its efforts in 14 areas and acted mainly to contract research. Implementation, of course, is another matter, but much information was gained and became a store of knowledge for the CRCs and the Land and Water Research and Development Corporation (LWRDC). What was ignored were the implications and wisdom inherent in the words ‘multidisciplinary’ and ‘management’.

The three general research corporations I established in 1989-90 were to deal with cross sectoral issues, non-commodity issues per se. The LWRDC became Land and Water Australia (LWA) under the Howard Government and had been disbanded by the Gillard Government as part of a budget round by December 2009. This was at a time when its former director, Andrew Campbell, had been taking a multi-disciplinary approach and leveraging an increasing level of funds from the small publically funded base, as was his successor, Michael Robinson, when it was shut down. We tend to spend a lot of public resources because of the federation and the politics of State and Commonwealth agencies instead of identifying a handful of key bodies which can perform the essential functions more cheaply and effectively. I believe that in a country like Australia with its legacy of poor soils and scant water availability, it is criminal not to spend heavily on soil and land and water management research and management.

**The Bigger Picture Then and Now**

Australia needs to get its resource policies right not only for its own sake and we have seen that this has been, and is, difficult in the Australian federal context. It is not an exaggeration to say that the state of the world’s resource base will be critically important in maintaining the food security of the coming, estimated 9.6 billion world population by 2050 and even higher by 2100. Access to territory and water is going to become much more of an international strategic issue than it already is in some parts of the world. The world is still losing soil, land is going out of production and vast swathes of the planet are being cleared. I recently read that some countries have only 50 years’ worth of soil left.

The climate is of absolutely crucial importance to the availability and quality of land and water. Climate change will accentuate processes underway and will have differing effects on local rainfalls and their patterns. As I write the level of CO2 in the atmosphere has passed 400 parts per million (ppm) in the northern hemisphere and is headed for 500 ppm, which implies temperature rises of two to four degrees, on average, by the turn of the century. In the southern hemisphere it is expected we will reach 400 ppm by 2016. A rise of two to four degrees in temperature is regarded as disastrous by the overwhelming majority of scientists, both climate scientists and those from other relevant disciplines.

My view on climate change (global warming) is that the challenge is real and that sufficiently strong steps will not be taken to do anything workable about it in time, even if all the relevant scientists are only half right in their projections. To those sceptics who believe climate change is ‘crap’ and that, because it has happened before, the cause is not anthropogenic, I say that the greenhouse effect is real, otherwise we could not live on the planet. Climate change is coming about because we are accentuating the scientifically accepted greenhouse effect. Further, banning the use of aerosols has resulted in some reduction in the ozone hole over the Antarctic (though in this case the intent is the reverse of trying to manage greenhouse gases because it is to stop ultraviolet rays entering our atmosphere). This shows that human activities do affect the atmosphere and can be ameliorated. I am of the view that many self-
proclaimed sceptics are not sceptics but non-believers. A sceptic examines the evidence before declaring doubt and a sceptic has to be sceptical from both sides of an argument. The evidence on climate change is incontrovertible, except for those who choose to nit-pick over a few inconsistencies in what is overwhelming evidence from the research of relevant scientists.

Regardless of whether or not people choose to believe in the science of global warming and climate change, I do not believe that oil and gas is going to get cheaper in the long run. What possible objection can there be to researching and developing alternative sources of energy or to taking steps to ameliorate the worst effects of climate change? Farmers constantly adapt to change.

We do not know everything about the atmosphere, but we know some things, and we have very good surrogates for long term climate records. Nor are we aware of all the interactions relevant to the elements of climate change, but by denying the overwhelming conclusions of most scientists, we are denying simple logic. If you visited a hundred doctors and all but three strongly advise to immunise your children against whooping cough, it would be logical to accept their advice. The latest survey of peer reviewed, relevant work by researchers shows that over 97% have no doubt about the fact of global warming/climate change, occurring. We also know that there are other cycles affecting the weather such as phases of activity of the sun and changes in the earth’s axis. I also accept that vast changes in climate have occurred prior to human habitation. If such changes are underway, it is still more than likely that we have the capacity, if not the will, to ameliorate them. The psychology of denial and the role of vested interests are well understood. The tobacco industry is illustrative; people will believe anything if it suits them, affects their pockets, or if they can be convinced by those with a vested interest.

A Relevant Digression

While on the issue of food security, which did not arise in my time, it is stupid to claim that Australia can be a world, or even an Asian, food bowl. We can certainly grow more agricultural produce, but when India is adding the population of Australia to its population every year or so, the dimension of the problem becomes clear. If we could, say, bring 250,000 hectares under production in our north, would the produce from that be enough to be regarded as an Asian food bowl? We certainly can produce more and the pressure on food supply may well be the mother of invention/investment, but probably not enough to make a dent in projected world food shortages. We have already seen food price spikes when there are temporary shortages of essential food staples. In future, world commodity markets may also be influenced by speculation and the activities of large hedge funds. The world can do a lot about food waste in both developing and industrially developed countries. We are going to have to invest heavily in research, embrace new technologies such as genetic modification, develop algae etc, etc.

The poorest one and a half to two billion people on the planet will have to continue to feed themselves, regardless of the growth of population and how many people are lifted out of poverty by economic growth. They will not be entering the developed country trade in commodities and manufactured foods, although it would help if rich developed world countries, which massively subsidise and protect their own agriculture, allowed them to trade in the products they are best able to produce, so as to lift their income from the current $US2 per day. I am one of those who do not believe the planet’s population growth can continue forever by continuing to turn the planet’s biomass into humans.
## GLOSSARY

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Australian Agricultural Council</td>
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<td>ACF</td>
<td>Australian Conservation Foundation</td>
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<td>ALMS</td>
<td>Australian Landcare Management System</td>
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<td>AWRC</td>
<td>Australian Water Resource Councils</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>BRS</td>
<td>Bureau of Rural Sciences</td>
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<td>CAC</td>
<td>Community Advisory Council (of the MDB)</td>
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<td>CRC</td>
<td>Cooperative Research Centre</td>
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<td>COAG</td>
<td>Committee of Australian Governments</td>
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<td>DPI</td>
<td>Department of Primary Industry</td>
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<td>EMS</td>
<td>Environmental Management Systems</td>
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<td>FAO</td>
<td>Food Agricultural Organisation (of the UN)</td>
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<td>gl</td>
<td>One billion litres of water</td>
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<td>IFPRI</td>
<td>International Food Policy Research Institute (Washington)</td>
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<td>LWRRDC</td>
<td>Land and Water Resources Research and Development Corporation</td>
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<td>MDB</td>
<td>Murray Darling Basin</td>
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<td>MDBC</td>
<td>Murray Darling Basin Commission (also Council)</td>
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<td>MDBMC</td>
<td>Murray Darling Basin Management Council</td>
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<td>NRIC</td>
<td>National Resource Information Centre</td>
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<td>NSCP</td>
<td>National Soil Conservation Programme</td>
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<td>NRMS</td>
<td>Natural Resource Management Systems</td>
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<td>NWRP</td>
<td>National Water Resources Programme</td>
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<td>OSS</td>
<td>Office of the Supervising Scientist</td>
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<td>ppm</td>
<td>Parts per Million</td>
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<td>RMC</td>
<td>River Murray Commission</td>
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<td>TCM</td>
<td>Total Catchment Management</td>
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Chapter 17: Drought and natural disasters

If we don’t get three inches, man,

Or four to break this drought,

We’ll all be rooned, said Hanrahan,

Before the year is out. ...

‘Said Hanrahan’, by John O’Brien, the pen name of a Roman Catholic priest, Patrick Joseph Hartigan, first published in 1921.

Given the Australian climate and conditions, given the long and strong evidence of the huge toll drought continues to take across the continent, given the dependence of all primary agricultural industries on a reliable supply of water and soil moisture, it is astonishing that this major, central, common, continuing problem has been so difficult to address. This has surely been an example of our federal compact at its worst and a grim illustration that playing politics so often has come before what are obviously Australia’s best interests. If this continues to be the case as we experience more and deeper climate change, Australia’s primary producing industries face a fraught future.

There is no lack of climate data or of analyses, reports and literature on droughts in Australia – though there may be a lack of political will to reach consensus on the consequences and so an effective policy response. Because the stakes are high -farmers’ survival or not; governments to the rescue or not - drought policy has always been exceptionally contentious. The trouble with most efforts to achieve a National Drought Policy (NDP) is that droughts slowly take place when the urgency for policy solutions has declined and governments are concentrating on more immediate issues. Yet, the best time to develop a drought policy is when the seasons are good for crop and pasture production and a more measured approach can be taken. In the good times consideration of the issues never has the same intensity or urgency, so we procrastinate to our cost.

Drought and Other Natural Disasters

Here, it is appropriate to confess that I was not able to develop a wholly satisfactory drought policy. I may have started the process that led to the more viable NDP in 1992 and one that took environmental matters slightly more into account. It needs to be emphasised that the measures and the nature of instruments used to deal with droughts are more important than the administrative structures designed for public assistance by way of the allocation of tax payer funds. I still doubt that it is possible to develop a totally satisfactory or non-controversial drought policy, but read on.

Drought is a constant feature of the Australian landscape and will become more so with climate change if the overwhelming majority of relevant scientists, experts and reviewers are only half right (at the time of writing (2013) the Nationals do not accept the science of climate change). Regardless of the growing evidence of more intense droughts with climate change, the political will is not there to respond to what are well thought through economic and scientific solutions to combat this reality. The Coalition government elected in September 2013 has a Prime Minister who does not believe that climate change is real or caused anthropocentrically and is opposed to the development of alternative energy sources. Prime Minister Abbott has also said that “droughts have happened before”, ipso facto there is nothing to worry about. This is
redolent of the same logic as saying because people died of lung cancer before cigarettes were manufactured there is no health risk in smoking.

Back in 1983, I was somewhat naive in my expectations of what I may be able to achieve in government. The Hawke Cabinet came to the view that drought should not be dealt with via the existing Natural Disaster Relief Arrangements (NDRA), but largely left it up to me to come forward with a better approach. The advantage of the NDRA was that it was predictable and prevented some ongoing conflict about which level of government provided funding in each drought induced disaster. The very high interest rates of the later 1980s made for extra difficulties.

Policy

The policy document, the ALP and I took to the 1983 general election, said:

*Drought is a permanent feature of the Australian environment. In any given year, drought conditions generally prevail in some part of the continent. Consequently, drought aid is a matter for serious and rational consideration by Commonwealth authorities.*

*The Australian Labor Party has two major objectives in implementing drought assistance: firstly, to provide predictable, equitable and consistent relief measures to all farmers hit by severe drought and secondly, to encourage producers to protect themselves against bad seasons.*

*In Government, Labor will:*  

Develop predictable, equitable guidelines which indicate precise criteria for both drought declaration and the type and level of payments by the Commonwealth and the States.

Eliminate Commonwealth/State brawls over drought measures by: (1) convening a National Drought Consultative Committee to streamline co-operation with the States; (2) eliminating after two years of continuous drought, the requirement for States to spend base amounts before Commonwealth aid cuts in; and (3) utilise a range of tax rebates to encourage producers to protect themselves against drought.

Labor will:

*establish a permanent section within the Department of Primary Industry (DPI) for on-going monitoring and administration of drought measures;*

*restore Rural Adjustment Funds to at least pre-Fraser Razor Gang levels and consult with the States on clearing the current urgent backlog; and*

*introduce a special relief scheme, via local government, to assist unemployment and small businesses in drought stricken country towns;*

*immediately investigate post-drought credit needs of farmers;*

*respond promptly to the Industries Assistance Commission’s (IAC’s) report now in preparation; and*
restore both Commonwealth involvement in soil conservation, and the level of research extension funding - with particular emphasis on protecting our soils during and after the current drought.

I had it clearly in mind that, in a situation where there was no objective criteria for determining drought, and where drought was inter-related with general farm economic conditions, including the vagaries of overseas markets, levels of farm indebtedness and drought impacts on the resource base, that offering hard, rational economic logic would not suffice as a policy response, politically. In general, I became the Minister for Primary Industry with a very firm view that we had to emphasise agricultural research and development and that measures to conserve the resource base to our agriculture were the two most crucial longer term issues. Research into land and water are absolutely, crucially, related to drought and property management - and so to any drought policy. The massive Victorian dust storm of early 1983, just before the 1979-83 drought ended, provided stark evidence of my view. Land degradation is an absolutely critical issue for Australian agricultural production and drought is an accelerant.

Our early pioneering settlers farmed where they could, with little understanding of conditions so very different from those in Europe. Later, soldier-settlers were allocated land, often in what we now know are marginal lands, many with little background or understanding of the hazards of farming. One wonders, when some parts of our semi-arid zone are judged to be nearly always in drought, whether or not grazing should cease or be phased out in some areas, and that the role of government should be to assist graziers on leasehold land to move out with some dignity.

The Western Australian (WA) Liberal Government’s desire, or policy, to clear a million acres a year in the 1960s and 1970s, had pushed wheat growing into semi-arid land in the State’s south west and eastwards. Ironically, changing climate patterns have made some of this country now more reliable than was usual in WA’s wheat belt. Luckily, the Victorian Liberal Government was dissuaded from clearing 132,000 hectares of its Little Desert for cropping and grazing in 1969-70 (let the deserts bloom?). As a rule, State governments have always been inclined to push agriculture and grazing to the limit in their quest for greater production, the later cost of which can be large in terms of drought assistance. There was still pressure from graziers to clear further westwards into NSW’s more marginal semi-arid Western Division in the 1990s (the Western Division is 42% of NSW). There will always be pressure from farmers to push conservative governments to ‘develop’ more land and push into the margins of viability. The slogan ‘Develop the North’ was, and is, also a constant element in the same mode of thinking by State governments, wishing to curry favour with farm constituencies and populists.

**Background to 1983 and the Policy Document**

The 1979 to March 1983 (El Nino) drought was particularly savage and sudden in the three eastern States and South Australia (SA) and in the cropping part of WA. Quoting the four years of the drought disguises the fact that not all parts of Australia or every State were in drought for this period. In some parts of Australia, the drought only lasted from 1981 to 1983. However, all of the cropping and much of the dairying part of Victoria had a rainfall deficit of from 85%

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330 There was no way to accurately define what was a ‘major’, a ‘serious’, a ‘severe’, an ‘extreme’, an ‘agricultural’ and a ‘financial’ drought, all of which was rather fraught, in a situation where the area being described may have specific, if not unique, climatic, regional and industry characteristics.
to 99% and the rest of the State was in the range of 71% to 74%. New South Wales (NSW) records show that it was the worst drought since WW2. It was most severe in 1982 and, in the terms of its drought declaration mechanism, the NSW Government stated that by September in that year, it had been in drought for the past 41 months. NSW maintained that the drought began in May 1979. The mechanism used to determine drought declaration by NSW was on the determination of each of its 58 Pasture Protection Board Districts, on the basis of an assessment that there was insufficient grazing or water available to sustain sheep or cattle and that stock had to be moved, handfed and or watered.

When I became Opposition Spokesman for Primary Industry in 1980, my friend Jack Hallam, NSW Minister for Agriculture, provided me with the most comprehensive briefings on the NSW situation and his dealings with the then Coalition Government. I believed the drought was having a daunting effect on some ministers and members of the Fraser Coalition Government, both those with ministerial responsibility for drought measures and those members representing drought affected constituencies. I well recalled the brief 1958 drought on my farm and its impact, when the apples dropped off the trees and wheat had to be imported for stockfeed. In other parts of the country, this drought was recognised as having occurred, intermittently, over the years 1958 to 1968.

I could not avoid more than some emotional commitment to those affected by drought. Droughts wear farmers and their families down and having to dispose of stock by shooting is psychologically debilitating. The distress is such that many suicides result from situations where primary producers can see no way out of their dilemma. The severity, human suffering and aftermath of the 1979-83 drought was what, partially, gave rise to the Rural Counselling Service, which I established. This is discussed in the following chapter on the social dimension of agricultural production. The other causal factor was exceptionally high interest rates in the mid and later 1980s, following financial deregulation and the irresponsible behaviour of some of our banks.

It was essential for the ALP to have an agreed policy position for the general election of 1983 not least because of the severity of the then current drought and the pain it was causing. The drought had become a matter for urgent national consideration. Once I became Opposition Spokesman I came under heavy pressure from ALP State government agricultural ministers and Commonwealth parliamentary colleagues from drought affected areas. The Coalition Government had been resisting calls in 1982 for additional assistance and then suddenly caved in, or, more charitably, acceded to what were the most urgent demands.

Soon after the ALP was elected in March 1983, it rained, as O’Brien’s poem said it would, taking a lot of pressure off my shoulders. However, drought came back again in WA in early 1984, after a record wheat crop in 1983. From 1982 to 1984, the Commonwealth spent $340m on drought assistance, mainly in 1982-83 (with an estimated additional $100m plus from the States in the same period), compared with $52.5m spent in the period from 1984 to 1988.

Not that it was recognised at the time, or ever, but I believe the breaking of the drought enabled Australia to come out of the 1981-83 economic recession more quickly and Prime Minister Bob Hawke and the Government were consequently more empowered to introduce the Wages Accord and economic reforms than we otherwise would have been. I may be wrong because, the ‘financial drought’ always continues well past the turn-around in the weather, but confidence returns, finance becomes freer and cropping income flows into farm coffers. Building up stock numbers takes a considerable period of time and drought becomes a rough, causal factor in provoking autonomous farm adjustment. Debt ridden farms are sold by the
banks once the drought has ended, often to be bought by neighbouring property owners. Farms and properties survive, sometimes in a more degraded form, all farmers and graziers do not.

My chapter on the Australian wool industry records the incidence of droughts in NSW since settlement. The Federation Drought, 1895-1903, was the worst when more than 40% of the national flock and herd were lost\(^{331}\). The latest drought, 2001-2010 (but still continuing in parts of Queensland), which followed the 1991-1995 drought, was said to be the worst ever, but I doubt stock losses were as severe, percentage-wise. All droughts tend to be sensationally reported by the media as the ‘worst ever’. Droughts are such good bad news. They often are the ‘worst ever’, especially for those immediately affected, but it depends on the scale, regional impact and the particular enterprise mix concerned. The problem is that no two droughts are the same. Some droughts have suddenly intensified after several years of below average rainfall and are essentially a series of mini-droughts. There is always another drought on the horizon with different country areas involved. As I write (2013), Queensland is again over 60% drought declared with grass fires having occurred in the State’s vast savanna grazing lands after the failure of annual monsoon rains. Paradoxically, in 2009 62% of Queensland was covered in floodwaters and floods in 2010-11 prompted ludicrous calls to dam the Fitzroy River to prevent it from flooding.

Australia is assessed to have climate variability 230% greater than any other major agricultural exporting country. We need to face the fact that much of Australia lies in the semi-arid subtropics with low average annual rainfalls below 350mm per year. Averages mean little, but it does not take much moisture deficit to trigger drought in such a wide sweep of the country, especially with Australia’s generally poor soils which do not retain moisture. It needs to be remembered that drought is not aridity, aridity so common to much of Australia. There is now sufficient evidence to conclude that the south-east and south-west of Australia is becoming drier and parts of the north of the continent are becoming wetter, a consequence of existing climate variability – and climate change.

**Commonwealth Government Involvement in Drought Relief**

Although such a production issue is the Constitutional responsibility of the States, the States’ inability to provide adequate finance, and the overall political pressure on both levels of government, led the Commonwealth Government to become involved in drought assistance measures.

The Commonwealth first became involved in disaster relief in 1939 and introduced special purpose legislation for drought in the 1960s by way of State grants under Section 96 of the Constitution. It may be the perception that drought is a natural disaster but it is fundamentally different from other natural disasters and involves notions of uncertainty and risk in an environment where it is known that droughts are a recurring characteristic of agricultural production. Because droughts do not have a defined start and end does not mean they are not a disaster. In 1971, the Coalition Government removed matching dollar for dollar finance for drought relief and introduced the Natural Disaster Relief Arrangements (NDRA). This meant that the Commonwealth did not automatically involve itself in the provision of aid, or not until the States had expended a base amount.

By 1983 there was an agreed set of measures in place between the two levels of government. These were, firstly, the NDRA, which covered more disasters than droughts, mainly floods, cyclones, bushfires, earthquakes and hailstorms\textsuperscript{132}. Droughts can also be accentuated by bush and grass fires and are often followed by the disaster of floods and greater loss of topsoil. The Commonwealth/State NDRA Agreement required the States to spend up to a negotiated sum on whatever form of assistance they saw best for the drought in question after which the Commonwealth would also provide assistance. Further, the Rural Adjustment Scheme (RAS) was also being employed as a form of financial assistance, but its eligibility criteria made it of limited value in this context.

Drought relief was not the original purpose of the RAS, but some of the State agencies, which administered the RAS for the Commonwealth, also \textit{per} an agreement, had astutely used it to try to maintain land values, for when the drought was over. Ian Morton, the Victorian in charge of the State’s Rural Finance Commission, was particularly of this view. Victoria had established a Drought Advisory Committee following its savage 1967-68 drought and was well organised to implement its policy approach. As I have said above, the banks tend to sell bankrupt properties after droughts and this is the time when most exits occur as farmers are forced to sell out. The Victorian approach eased the pain for farmers exiting. However, the Fraser Government had reduced RAS funding during the drought, which only made things worse\textsuperscript{133}.

Inquiries into drought always occurred during or after droughts, generally after. Definitions and causes of droughts, to some degree, are still trying to be determined by climatologists. Can the cycles of the El Nino Southern Oscillation or Indian Ocean Dipole, which cause extreme weather, be accurately predicted, etc? At Commonwealth level there had been a comprehensive inquiry, at least once each decade. The idea of drought proofing (a bit like bushfire proofing), was always guaranteed to be examined in any review, no matter how many times dismissed, as was water resources and the need for more dams to be built for irrigation purposes.

But the fact is that large dam construction and irrigation schemes do not have much to contribute to a national drought mitigation strategy. The monitoring of available water and moisture on farm may make more sense than the building of dams. The case for irrigation schemes needs to be argued on the basis of gains from intensification of production and more efficient resource use. As I have already said, it is not advisable to keep large dams full waiting for a drought, any more than it is advisable to keep them empty waiting for a flood. In general, stored water is only of value for intensive irrigation, stock and domestic purposes. It is not of much use for the broad sweep of our cropping and grazing lands. In my time, the Bureau of Agricultural Economics (BAE) undertook a major study into this issue and produced a well argued report to this effect. However, generally, any sensible suggestions arising from drought reviews were quickly forgotten.

\textsuperscript{132} It was my job as Primary Industry Minister to visit the regions affected by floods and cyclones and to announce assistance measures for victims. There were massive floods on the Queensland/NSW border from St George to Walgett and downstream in June 1983, and Cyclone Winifred devastated northern Queensland in late January 1986. The Commonwealth was funding 75\% of both drought and flood relief for Queensland in April 1988, despite the allegations of the National Party to the contrary. There were also floods and Cyclone Aivu, which caused loss of lives and widespread damage in Queensland and NSW in April 1989.

\textsuperscript{133} As one Queenslander told me, during my campaigning there in 1982, “Things are so bad, we will probably have to elect a Labor Government”.
Academics, observers and agricultural economists had long been advocating drought policies based on risk assessment and management. I was in favour of this, but I was aware of how difficult it was to devise a resilient drought policy for practical implementation. Further, no rigorous economic approach, based on risk management, could ever be politically maintained, once intense and long droughts started to bite and once the media highlighted dead and starving stock, withered crops, rural unemployment, bankrupt farmers and graziers - and destitute families (and not just farm owning families). Sector-wise, no single policy approach could suffice in such a complex production environment at our continental scale.

The dilemma for agricultural economists is that droughts highlight the problem of trying to reconcile efficiency and welfare considerations, which inevitably becomes a political question. Given my general prejudices about the fourth estate, I concede that the media can be of value to a primary industry or agriculture minister battling the ‘fiscal fiend’ (The Departments of Finance or Treasury), trying to find the best way to sensibly assist farmers and graziers in what has become an emergency situation and one of human tragedy. It was well and good to say that farmers should prepare, and that farming is a risky business, but the fact is that the slow onset of drought seductively leads to some optimism that ‘normal’ conditions will prevail - that the season will soon break.

Some commentators have said that, “NSW has a drought every seven years and producers should prepare for it”. Unfortunately, they do not occur once every seven years, if they ever did; the most severe droughts are back to back over several years. If there were or are cycles of drought in Australia, they occur over many years and are not regular. One study showed that drought conditions in the States could be expected to range from 26 years in a hundred in Tasmania to 54 in every 100 years in Western Australia. Another common view was that there would be at least six severe and fifteen less severe droughts in Australia in any 100 year period. An examination of the records for the Murray Darling Basin show that in any decade there would be three good rainfall years and in north west NSW and on Queensland’s Darling Downs. The Basin, much of which is semi-arid country, is the size of France and Spain combined; we are not dealing with a phenomenon anything like Europe’s. To me, averages and such general analyses were of little use for planning for drought policy purposes.

Droughts have both a natural and a social component. The societies in regions affected by drought differ as a result of being in different parts of the continent with different farming and grazing activities. Within regions many inequities arise; the reality is that there are good and bad farm managers, farmers who prepare and those who do not or cannot. Yet governments find it hard to ignore farm and rural families in personal hardship. Small businesses and wage earners in country towns and regional centres are also often hit particularly hard.

There has long been a general view of other business leaders (those that propound the virtues of ‘the market’ and ‘free enterprise’ above all else), that farmers must prepare because all business enterprise involves risk and, in this case, a foreseeable risk. In practical terms, to my mind, for this to succeed, would require all farmers to have high equity in their farms and properties, that they be relatively debt free, that they have been borrowing wisely to invest in their farms (when or not to buy the neighbour out?), and that they were a sufficiently large, or diversified an enterprise, to engage in risk avoiding strategies. Some very successful farmers believed that buying extra properties made more sense than improving the one they had. This

strategy brings the risk of over-investment. Levels of off-farm and non-farm income do not apply equally, but both strategies can be helpful to some farmers and graziers.

I once thought that the best drought strategy for livestock and broad-scale agricultural producers was to possess three properties well apart, preferably interstate. I am no longer so sure. However, I have observed some graziers, with large enough properties, who never overstock, care for their ground cover, know from harsh experience when to put stock on agistment, when to feed, and for how long, and when to cut back to a breeding flock or herd over a long period of drought, who can and have survived. Experience, gained over a long time in a specific location, is of great assistance for individuals in devising their own drought strategy. However, feeding is also a risky and expensive business, if not dangerous in some circumstances, and one needs to set aside a drought block so that the bulk of the property is not further degraded. Broad-scale wheat croppers now often plant dry and this reinforces the notion that information on farm water balance and the weather outlook is crucial and that no crop should be planted beyond a certain, but slowly changing date (what of climate change?).

In my time, if there was inadequate soil moisture by 20 May in the south west slopes of NSW, wheat farmers were unwise to plant. This date has now been pushed out due to changes in agronomic practices, technology and the breeding of new wheat varieties. We are diversifying into long season crops and adopting dual purpose wheat and canola with wheat being grazed in winter.

The first book I became aware of on drought was produced by Professor John Lovett in 1973. It was wide ranging and of exceptional value to me at the time, given that I knew little about the meteorological phenomenon concerned and had had no personal experience as a broad-scale farmer. There is now little paucity of information available to producers, to, possibly, help them in drought preparation and mitigation. There are also many software programmes that can help in farm decision making.

Australia, unlike many other countries, has over the years implemented national programmes and strategies and we are blessed with many experts knowledgeable about drought. One such expert was David White, who worked in the Department's Bureau of Rural Resources, who advised that there were four key components in an effective drought risk reduction strategy. They were and probably still are: the availability of timely and reliable information on which to base decisions (for example when or not to plant); policies and institutional arrangements that encourage assessment, communication and application of that information; a suite of appropriate risk management measures for decision makers; and actions by decision makers that are effective and consistent. I still have a copy of the study he did on the feasibility of using simulation models and mathematical programmes as aids to drought management and monitoring. David continued in many roles involved with drought policy well past my time as minister. Professor Linda Botterill, University of Canberra, who worked with Simon Crean, my successor in the Primary Industry portfolio, has also established herself as an expert on drought policy.

**Strategies or Attempts to Form a Lasting National Drought Policy in the 1980s**

The 1979-83 drought was instructive and educative for me as I observed the actions and reactions of governments to it. I was best informed by the situation in NSW. Under the NDRA, NSW had to find the first $5m before any Commonwealth assistance was provided. The

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Coalition Government unilaterally changed this to $10m each year. How to cope with the then latest drought caused vigorous political arguments and the usual Commonwealth - State government tensions and accusations. In spite of coming under heavy pressure at a meeting of the Australian Agricultural Council (AAC) on 24 August 1982, the then Minister for Primary Industry, Peter Nixon, said that there was no need for additional drought assistance. He had been trying to bludgeon the NSW Government into giving assistance to small businesses and the Victorian Government into a slaughter subsidy for sheep and cattle. On 31 August, Prime Minister Fraser undercut Nixon, possibly to keep a November-December 1982 early election option open.

The worst of the drought in NSW was in the wheat belt. Since 1979, the NSW Government had undertaken assistance measures costing it over $100m and processed applications for grants from 85,000 farmers, Since 1 January 1980 it had granted $60m in drought loans, mainly for carry-on purposes. Once the Prime Minister changed the Commonwealth’s position, Minister Nixon announced two fully funded Commonwealth measures: a 50% subsidy on fodder and an interest subsidy on loans above 12%. Nixon refused to consider the need for a special unemployment relief scheme in drought stricken areas, more equitable cost sharing arrangements and increased Commonwealth funding for the RAS, as requested by some States. Queensland had been operating a carry-on loans scheme for small businesses since 1980, but had a different ministerial structure from that of NSW, where Treasury was the responsible portfolio.

It was observations of the way governments were responding to the drought and my visits to some drought stricken areas that convinced me that drought was a different kind of natural disaster in an administrative sense, far more complicated, but a disaster none the less. I was lucky, because when the ALP won government in March 1983, the drought broke and we headed for a record wheat crop in that season so we continued with the agreed measures until most farmers were out of trouble, which required fine judgment by officials and me. On 24 March 1983 I reminded farmers that to claim for funds for fodder purchased since September 1982 (following the policy change by the previous Government of August 1982) that forms had to be submitted by end March. On 12 April 1983 I announced that farmers utilising unusual feeds to keep stock alive (such as pumpkins, citrus pulp, leaf crops, salt and lime in nitrogen based supplements, etc) would also be eligible under the fodder subsidy scheme, as well as 50% being payable on bulk wheat purchased from the Australian Wheat Board. In an address to National Rural Press Club on 21 July, I announced that the interest rate subsidy would be extended until 31 December 1983.

By this time Finance Minister John Dawkins, whose department funded drought relief, was expressing concern about the continuing expenditure and I had to argue for the measures I believed warranted continuation. The interest rate subsidy was terminated on 31 December 1983 but time was given to submit claims, for example if a farm moved out of drought declaration by 31 May 1983, its owner had until that date to lodge a claim. The final date for the lodgement of claims was extended until 31 December 1984. A view was building in the Canberra bureaucracy that Queensland was abusing the scheme because 92% of funds expended in the period 1984-88 were being spent in that State.

A Standing Committee of Agriculture Working Group, of 14 Commonwealth and State officials included representatives from the Departments of Trade and Finance, chaired by Greg Martin of DPI, released its report, An Evaluation of Existing Drought Policies, Given the Current Drought Experience, in early July 1983. DPI officers were more than aware of the ALP Government’s policy and in discussion with them I had emphasised the need to concentrate
on declaration and revocation of droughts as there was a strong view that each State had its own criteria and all declared too quickly and revoked too slowly. Queensland and NSW were the only two States to have a lines on maps approach to drought declaration. Some shires in Queensland had been partially or completely drought declared 70% of the time from 1964 well into the 1980s. In NSW, some districts had been drought declared for three months or more, for more than 65% of the time. In my time, NSW was only completely drought free in 1974, 1984 and 1989. My colleague, Senator Peter Walsh, an economically astute Western Australian wheat farmer, later to be Minister for Finance, also shared doubts about certain State policies and possible avenues for the ‘rorting’ of taxpayer’s funds.

The Working Group concluded that a case existed for governments to provide assistance to primary producers affected by drought based largely on arguments concerning welfare, credit rationing and resource considerations. Expenditure on drought relief measures had amounted to $300m in 1982-83, mainly directed to producers in the sheep, cattle and grain growing industries, all industries which were very lightly assisted. The overall all-government cost of the drought, by the time it ended, was estimated to be $3b. The largest categories of expenditure were for carry-on loans and freight subsidies. The Working Group said that the objectives for drought policy should be designed to minimise the hardship to individuals resulting from the drought and encourage efficient allocation of resources - national, regional and farm, including environmental. Among other measures advocated, stress was placed on minimising the inconsistencies between the interests of individuals and society in resource management/use in instances such as land degradation, national herd/flock size characteristics, and rate of adjustment and stock distress.

Its recommendations were:

1. That the existing drought policy measures on concessional finance (for carry-on, restocking or restoration purposes) and information should be retained as the principal drought policy measures;
2. other measures under the NDRA arrangements should be discontinued, with the exception, perhaps of stock disposal subsidies;
3. that the Drought Relief Fodder Subsidy Scheme and the Drought Relief Interest Subsidy Scheme introduced during the then current drought should not be reintroduced in future drought;
4. that a representative group be established to review and consider the existing provisions and options for phasing out the policies recommended by the Group for discontinuation; and
5. that a feasibility study of rainfall insurance be undertaken.

The fourth recommendation fitted in with my policy prescription for there to be a National Drought Consultative Committee (NDCC) to work jointly with the States and Territories to harmonise or streamline drought measures, which duly occurred in 1984. I convened the first meeting of the NDCC on 30 March stating that I particularly wanted advice on the criteria for drought declaration and revocation, and on the question of eligibility for the various forms of assistance. At an AAC meeting on 1 August 1983, the States had agreed to the formation of the NDCC and we had also discussed the Balderstone Report which had also analysed the efficacy of drought measures. The NDCC was composed of the representatives of the National Farmers Federation (NFF) and State and Commonwealth officials. Peter Core, Deputy Secretary DPI, conducted the ongoing negotiations and research and quickly advised me that the issue of
drought declaration and revocation was not likely to be of much value as a strategy for
improving the situation.

My political instincts told me that the Working Group’s recommendations would not hold,
come the next drought, and that the States would always subsidise fodder, water and stock
freight subsidies as their first response to drought.

The Commonwealth was also providing several taxation related measures which were of
assistance over the longer term and in ameliorating risk. These were an Accelerated
Depreciation Allowance, under which, from May 1983, fodder conservation facilities were
allowed to be depreciated over five years and non-residential income producing buildings were
able to be depreciated at 2.5% per annum, with a full year’s claim in the year of purchase. In
addition, an 18% investment allowance applied for fodder conservation facilities. Tax
averaging and carrying forward of losses were available under the Taxation Act. On 19 May
Treasurer Paul Keating announced a change in the tax averaging provisions abolishing the
‘automatic’ opting in and out provision, thereby removing a disincentive for producers to
stabilise their incomes. Also, an Income Equalisation Deposit scheme (IEDs) allowed primary
producers to make deposits which were deducted from assessable income in the year of
deposit, and then to later redeem deposits (which were taxable in the year redeemed). These
were then paid 9.5% per annum and the Trust Account balance at 30 May 1983 totalled
$155.5m, with a new scheme to be introduced in September 1983. This disallowed deduction
of deposits from assessable income and the withdrawals were not then added to assessable
income, with interest on deposits being paid at two per cent above the Commonwealth Bond
rate as a further incentive for producers to “save for a dry, not a rainy, day”.

The Working Group’s analysis of drought declarations showed that I was barking up the wrong
tree if I thought I was ever going to be able to make any Australia-wide rules on drought
declaration and revocation. It said that fodder and interest rate subsidy schemes have
important effects on farmers’ expectations and hence on planning decisions before and during
droughts. In effect, the uncertainty faced by farmers was increased. In seasons prior to a
drought, planning decisions regarding fodder and water conservation, and savings, would be
influenced amongst other things by the expectation that assistance would be provided when a
drought was declared. Such an expectation could lead to the purchase of fodder, the sale of
stock and applications to commercial lenders being delayed. The consequence was that
stocking levels would worsen land degradation - all very rational.

On declarations as such, the Working Group said that the issue was cluttered with anomalies.
For example, most States declared drought with reference to the pastoral industries. Its
extension to cropping was never straightforward: boundaries for declaration such as Shire or
Pasture Protection Board district, gave rise to adjoining properties being treated differently
and, on the basis of drought being a meteorological phenomena over a large area, any decision
tended to be arbitrary. I abandoned the idea and left it to the States to do as they would.

The NDCC reported to me and I put a submission to Cabinet, subsequently agreed, on its
recommendations, which in turn picked up the recommendations by the by Greg Martin’s
Working Group. The NDCC had pointed out that there was no appropriate private risk market
for primary producers to insure themselves against drought. On 24 May 1985 John Button,
Minister for Industry, Technology and Commerce and I referred the question of crop and
rainfall insurance to the Industries Assistance Commission (IAC) for examination. On the
same day I advised the Queensland Government that the Commonwealth would continue to
assist it under the NDRA and that by now $162m had been supplied in the five years to
financial year 1983-84. When the IAC reported, its recommendations were not strong enough to proceed without continuing Commonwealth subsidisation.

Drought policy remained under review with the NDCC and the Standing Committee of the AAC examining options to develop a better policy approach. This mainly involved officials. The States rejected a plan to bring drought under the RAS, which would have provided funds from commercial sources with the Commonwealth subsidising the interest rate. The Opposition called for a review of drought policy in August 1985, maintaining that that a major drought was underway – this was news to most primary producers and State authorities.

On 17 September I released the latest report of the NDCC on drought policy at its third meeting, stating that my motivation was to stop drought policy being a political football. The Premier of Queensland, Joh Bjelke Petersen, had recently made statements on drought assistance which reflected confusion, ignorance, opportunism or mischief. The States had also recently rejected moves I had made for drought finance to be taken out of the Department of Finance and put into my Department. This had left me with severe misgivings because if the States regarded drought as only their business, and continued misrepresentation of the Commonwealth’s financial arrangements, then we had not progressed far.

More contentiously, while the Commonwealth had accepted most of the NDCC’s recommendations, it had not supported the Drought Relief Interest Subsidy Scheme or Drought Fodder Subsidy Scheme which had been used during the drought earlier in the decade. By this time I had established a Rural and Provincial Affairs Unit in DPI to facilitate consideration of droughts’ effects on the broader rural community and ensure that there would be a greater appreciation of these and of drought related technical knowhow in the formation of Commonwealth drought policy.

The NDCC also by this time had reached a settled policy stance centring on the need for every farm to have a farm management plan, calling for further development of drought management strategies and for improved ability of State extension services to respond rapidly. Comment had been made on the Commonwealth’s income equalisation deposits to the effect that they were not of universal use. Experience had shown during the then worst drought, that they had not been cashed in and that there was a substantial tax benefit for people on the highest marginal tax rates. The papers before the NDCC were perceptive about the need to help individuals in dire need on the one hand, and not penalising prudent managers who had planned for bad times, on the other. Progress was being made despite political posturing by some States.

By 1986 the issue of farm indebtedness came to the fore - much of it attributable to higher short-term lending for carry-on purposes, particularly in the aftermath of the 1979-83 drought. Indebtedness had increased by 21% from June 1984 to June 1985 and interest rates were rising. I held a meeting with banks and farm consultants on 23 January 1986. It was agreed that that there were several steps that the financial institutions could take, including dealing more sympathetically with requests for extensions of debt by deferring interest payments, lengthening the terms of loans, capitalising interest, and re-structuring short-term debt. It was also agreed that up to date data was needed on farm debt: the Australian Bankers’ Association and Reserve Bank of Australia were to collect and analyse the debt situation. I agreed that the Rural Adjustment Scheme could play a larger role. Of course the absolute level of farm debt does not necessarily indicate distress: the very best, not necessarily the biggest, most profitable farms borrow and invest heavily for the future, though this, too, can be a hazardous exercise.
Discussions continued with the States spasmodically through 1986 and 1987 but the NDCC made no further reports to the Commonwealth and State Governments and, once again, relatively good seasons removed any urgency.

The Commonwealth at cabinet level, and particularly Finance Minister Peter Walsh, continued to be concerned about responsibility for drought remaining with the National Disaster Relief Arrangement. Major statements in 1986 and 1988 specifying major reforms to industry policy indicated that drought assistance policy remained under consideration. My by now co-Minister, Peter Cook, Minister for Resources, and I released a statement in May 1988 to the effect that the NDRA was under review.

In April 1989 Walsh announced the Commonwealth’s decision to remove drought from the NDRA scheme from 1 July 1989 and that the 1989-90 Budget would contain firstly, outlays under the NDRA were dominated by expenditure on drought relief and, secondly, there were reports that the Queensland Government was rorting the scheme, using it as “a sort of National Party slush fund to be distributed to National Party toadies”.

I announced that an independent Task Force would be established to conduct a comprehensive review of drought policy. I said that drought policy needed to be considered in a wider context than that of temporary relief. I emphasised that drought relief policies needed to be consistent with the Commonwealth’s rural adjustment and land rehabilitation objectives and that appropriate policies were of national importance and involved consideration of issues as diverse as social welfare, structural adjustment, land management, animal welfare and infrastructure planning. The Task Force was to report by 31 March 1990.

On 4 May 1989 I announced the terms of reference for the Drought Policy Review Task Force (DPRTF) and its membership to be chaired by Dr Peter McInnes, by now a consultant from Armidale, NSW. It was tasked with three main objectives:

(1) Identify options which encourage primary producers and other segments of rural Australia to adopt self-reliant approaches to the management of drought;
(2) consider the integration of drought policy with other relevant policy issues; and
(3) advise on priorities for Commonwealth Government action in minimizing the effects of drought in the rural sector.

Of the ten members of the Task Force, three were farmers, two were senior public servants from DPI, and there were representatives from the CSIRO, the Australian Conservation Foundation, the Rural Adjustment Finance Corporation of WA and the State director of the NSW Soil Conservation Service.

The reaction of the States, farm organisations and some agricultural institutions was critical but the NFF argued that there was a solid case for providing assistance for droughts of extraordinary severity. It also argued that if drought assistance is judged to be too readily available in some areas, then the fault lies with the declaration process—back to the future?

The notion of an ‘extreme drought’ raised the administrative hazard of defining ‘extreme’—would all droughts be regarded as ‘extreme’ and therefore should still be under the NDRA?

The Task Force issued an Interim Report at the end of July 1989 recommending that carry-on funding be provided for severe drought circumstances arising over the next twelve months under Part B of the RAS. Part B was equally shared between the Commonwealth and the States in terms of expenditure. It recommended that adequate funding be budgeted to cover the next twelve months and suggested some policy guidelines to be followed by the relevant parties.
Cabinet agreed. It was a comprehensive and cohesive interim report. In many ways it was shaping as the first policy review which had focussed on the technical incidence of droughts per se and the possible severity of their effects. In consultation with farmer organisations the Task Force had found many divergent views. Interestingly, the submission of the Grains Council on drought policy was severely criticised by the NSW Farmers Association (NSWFA) as ‘drivel’. The NSWFA has always been of the fundamentalist variety of farm organisations.

The DPRTF reported in May 1990 and concluded that “the Commonwealth Government, in conjunction with State and Territory Governments, should implement a national drought policy as a matter of urgency”.

I released the final report of the Drought Policy Review Task Force, Managing for Drought, (the McInnes Report), on 15 August 1990. The report was in three volumes, all of which required close reading. It is in the nature of things that reports to governments are rejected on the first day without being read or studied by affected parties, or are further discussed, studied and amended by relevant organisations and parties for government acceptance or otherwise. I hoped that this report would be read by primary producers.

At a meeting of Commonwealth and State agricultural and soil ministers it was agreed to set up an officials committee to advise on a range of joint policy and program matters arising from the Task Force Report. I initiated reviews of the RAS and the IEDs and also took up the report with State rural adjustment ministers. Others consulted included the National Sustainable Agriculture Working Group and the Discipline Review of Agriculture and Related Education in the context of that Review’s recently published discussion paper on Issues in Agriculture and Related Education. All this necessarily slow process was so that we could meet one of the Review’s recommendations: that governments work towards the implementation of a National Drought Policy (NDP). For any agreement was to be reaches at all entailed a heavy work programme.

The McInnes Report contained 58 recommendations and it became a blue print for all future consideration of drought policy. It was emphatically opposed to the return of responsibility for a drought response to the NDRA and to any relief scheme based on natural disaster concepts. Other key policy recommendations included that an NDP should focus attention on the respective roles of producers and governments in implementing a self reliant, risk management approach to drought, and that provision of Commonwealth assistance under an NDP should be independent of State declaration procedures. It was also opposed to an NDP providing subsidies or rebates for purposes such as the purchase of fodder and the transport of fodder, stock and water and maintained that the income support needs of rural families in severe financial difficulties are more appropriately addressed through the RAS. It proposed that a review of income and other taxation arrangements for capital intensive industries such as agriculture be undertaken in a sustainable development context.

Given the nature of the composition of the Task Force, I was somewhat surprised that it had come up with a report so rigorously based from an economic viewpoint. Although no-one will believe me, I did not give the chairs of the many inquiries I initiated any riding instructions, or told them what I expected them to conclude. But perhaps DPI officers did?

Although I tried hard, it became obvious that the recommendations of the Task Force were not seriously considered by the States, I disappeared from the scene in June 1991 when I became

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the Treasurer. In November 1991, the Senate established an inquiry into an NDP and in July 1992 reported, mainly concurring with the Task Force’s recommendations. The Senate also recognised that drought is a recurring characteristic of Australia’s climate and that farmers and graziers must be prepared for it.

In August 1992, Commonwealth and State agriculture ministers agreed to an NDP based on some of the key recommendations of the Task Force such as sustainable development, risk management and structural adjustment, but at the time I did not believe that the States were other than reluctant participants. However, it was agreed by ministers that the NDP should be based on principles of self-reliance, risk management and that drought is a natural feature of the Australian climate. They also agreed that the RAS should be “the principal source of Commonwealth assistance to farmers in difficulties as a result of drought” and that “drought should be excluded from the NDRA”.

Drought returned in 1994-95 by which time the notion of ‘exceptional circumstances’ was being used as a means to facilitate Commonwealth funding to flow. I personally, as a now lay observer, had problems with this concept because I saw problems in administration; the bidding to have various areas declared eligible by government would be too much to resist. The question in my mind was, were exceptional circumstances any different for extreme droughts? Not being close to the detail I may have been wrong.

In 2013 the Commonwealth introduced yet another package of drought measures. The NDRA now has ‘recovery’ inserted into its name - the National Disaster Relief and Recovery Arrangement. This will, inevitably, be followed by another policy approach in 2014 by a new Abbott Government. The growing influence of accelerated climate change will ensure that there will be more adaptations yet, just as it will demonstrate that we can never have an agreed, wholly satisfactory drought policy. I still think the Task Force under Peter McInnes provided one of the best analyses the country has had, though we continue to build our knowledge and analytical bases as time goes on.

Drought reviews have continued to this day. By and large, we still deal with drought as an agricultural phenomenon, not a rural one. The consequences of this form some of the substance of the next chapter.

As a final thought on other disasters, mainly floods and cyclones, it was incumbent upon the Commonwealth to fly a representative in to yet again explain the NDRA relief arrangements. It was inevitable that State premiers and local members of State parliaments would always say that the Commonwealth must come and see how bad the situation was and for its representative to give assurances. This job often fell to me and I would wander around in the mud looking wise, concerned, shocked and re-assuring, while viewing smashed crops, dead, dying and marooned stock - and distressed people. The Fitzroy River, in full flood at Rockhampton, was quite something to see. I am sure the river was higher in the centre than where it spilled over the banks!? The current Commonwealth Government believes it is possible to dam the Fitzroy River in Queensland to prevent floods, which is an absolute nonsense. One would need to build dams, many times the capacity of Sydney Harbour and there are very few dam sites for such projects; those that there are, are well upstream. Agriculturally, Queensland and northern NSW (even the inland Namoi River in NSW on one occasion) are the most prone to floods and cyclones, but the incidence there and in all parts of Australia is likely to increase with climate change and it is believed damaging cyclones and tornadoes will move south and become more common.
## GLOSSARY

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<td>AAC</td>
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Chapter 18: The social dimension: the Rural Adjustment Scheme, Rural and Provincial Affairs and some other policy areas

Domestically, policy matters relating to such issues as health and education, were regarded as applying equally to all citizens, whether or not they lived in our dominant capital cities or in our far flung regions. The National Party and its predecessors tried to give the impression that it was a specialist political party, representing farmers and graziers plus people dependent on agriculture, living in country towns and other non-metropolitan areas. However, when the National Party was the Country Party and it constantly stated that it represented ‘country people’, there was not much evidence of that representation, beyond agricultural policy matters. In terms of people employed on farms and grazing properties and in industries serving them, such as transport, provision of infrastructure, processing commodities and regional food manufacturing, their claim about some representational interest was valid. However, many people living in our country towns and cities are not dependent on primary production, but instead are engaged in many various service and other industries, such as in government employment, education, mining and tourism, or are retirees.

Policy

Delivering the ALP’s Rural Policy speech in Griffith, NSW, on 20 February 1983, the Prime Minister to be, Bob Hawke said, “All Australians must be concerned to promote a better understanding between city dwellers and country dwellers and, at the same time, insist on the preservation of the value and qualities of rural life. Above all else, the Labor Party completely rejects the concept of conflict between city and country. We depend on each other and we need each other.”

The ALP’s policy for the March 1983 election was:

* A Provincial and Rural Affairs portfolio under a senior Minister has been agreed, to give special attention to the health/education/transport/communication/welfare and infrastructure needs of non-metropolitan Australia - a move that the Coalition parties deem unnecessary. Labor will revitalise and strengthen rural Australia.

In addressing specific regional problems, the document also stated that:

* Where a region is largely dependent on a single industry, fundamental changes to its fortune can dramatically affect the area. Labor will attack such problems with a regional, rather than an industry-based, strategy. Ad hoc schemes to prop up an industry do nothing to solve long term adjustment needs.

The Politics of Non-Metropolitan Australia

When part of a Coalition government, it’s dominant Liberal Party colleagues generally agreed to the Country/National Party (NCP for convenience here) having a strangle-hold on the three portfolios of Primary Industry, Trade and Transport. This tended to perpetuate the impression that the NCP was a, or the, farmers’ political party. The NCP was adept at playing up the ‘country versus city split’, which was and is wholly negative, and as if this was sufficient response to rural disadvantage. While differences prevail, we are one country with all people dependent on one another, in whatever degree.
It also needs to be realised that there are benefits in living outside the large metropolitan areas, such as cheaper housing, less daily commuting stress, a more relaxed life style, less pollution etc.

The NCP used the descriptions ‘agricultural’ and ‘rural’, as if they were referring to the same thing, with policy areas termed ‘rural’ when they were specifically agricultural. At the same time, the National Party, as it became, which normally only receives about eight per cent of the national vote, was fully aware that it could not win seats in the Commonwealth Parliament on the basis of the conservative farm vote alone, no matter how rusted on that vote was. The demise of the Nationals has long been predicted, but it has hung on despite losing seats from time to time to good ALP candidates, especially when coupled with an upswing in the ALP’s general popularity, and gradually over time to its coalition partner the Liberal Party.

Because the National Party represented some of the poorest, least educated, most health service denied and socially distressed populations in the seats it held, I could never understand why few of its representatives ever stressed the social dimension of challenges facing their constituents at national level. Or certainly did not do so in my time. Some of the highest levels of unemployment in Australia were and are in National Party held seats. The National Party had joined with the Liberal Party in opposing and hamstringing national health insurance (Medibank and Medicare) for many years. I am not saying that individual National Party members and senators were heartless, but they were certainly far more attuned to the lobbying by the major farm organisations than to identifying with problems of rural people, generally, such as inadequate medical facilities, mental health concerns, limited educational opportunities, unemployment, Aboriginal dysfunction, and so on.

Farm organisations, in our pluralist economy, necessarily concentrate on lobbying for policies to enhance and advance agricultural production and market access, but it is not sufficient to think that a prosperous farm sector necessarily equals a prosperous rural sector; the so-called trickle-down effect is not an answer to the challenges of rural social deprivation. It is a question of emphasis, because to my mind, agricultural producing, rural and regional areas face particular problems with service delivery, where resources are stretched and often inevitably of variable quality compared to those available to people living in our major cities.

Exceptions to this rule are two organisations specifically established to address some of our regional education and health challenges. They are the Isolated Children’s Parents Association (ICPA) and the Royal Flying Doctor Service (RFDS), both of which now operate in all States and Territories except the Australian Capital Territory (ACT). The ICPA is a voluntary organisation, which was initiated in Bourke, NSW, in 1971 during a time of drought when parents were concerned with paying for the education of their children, many of whom were or had to be in costly boarding schools. The RFDS put its first aerial ambulance in the air in 1928 and was operating in all States and the Northern Territory by 1960, when it finally became established in Tasmania. It is a not for profit organisation which depends on governmental support, its own fundraising and donations.

However, during farm and rural downturns especially, for whatever reason, I was of the view that there was a need for more measures to address disadvantage and also to develop specific policies of a more social nature, which would assist all people living in our non-metropolitan regions, regardless of income source or mode of living.

**The Rural Adjustment Scheme**
When I became Minister, the Rural Adjustment Scheme (RAS), which was an agricultural adjustment scheme, not a rural one, was a policy mechanism mainly adapted to assisting farms in financial trouble, but it also had a quasi welfare component to it for farmers and graziers. Earlier Coalition governments had introduced specific industry adjustment funds in the late 1960s and early 1970s, for example for dairying and fruit growing, which were formalised as the Rural Reconstruction Scheme (RRS), 1971 to 1977. The RAS, successor to the RRS as I inherited it in 1983 had been in force since 1 January 1977 and provided assistance to persons engaged in nominally rural, but actually agricultural and pastoral industries. It was funded by the Commonwealth and administered by State Rural Reconstruction Authorities, which were also able to provide some adjustment assistance outside of the RAS, using State government funds. Politically, the scheme was attractive in as much as it was a more sensible way to give assistance to individuals, rather than across the board production subsidies which generally benefit most the better off, or largest producing farmers, and tend to capitalise into land values. The overriding objective of the RAS was the restoration to economic viability of those farms and farmers with the capacity to maintain viability once it was achieved. Farmers assessed as non-viable, were in some cases, able to receive welfare type assistance.

The value of land for primary production has always been a worrying issue. It is said that the cost of agricultural land is such that a decent percentage return cannot be made from it. This seems to be so, but it is farmers and graziers who compete to buy more land as they scale up and it is clear that few institutional investors are or were interested in such investment.

The RAS was in three parts, A, B and C.

Under Part A, farmers judged to have prospects of viability were able to receive assistance with debt reconstruction, finance for farm build-up and for farm improvements. Under Part B, carry-on assistance could be granted to farmers in industries which the Commonwealth and State governments agreed were suffering a severe market downturn, for example the sugar cane growing industry in the mid-1980s, or similar situations, excluding circumstances covered by natural disaster arrangements such as drought at that time. In 1983, Part B tended to be open ended and governments agreed on an annual basis the particular industry’s prospects and level of funding. Carry-on assistance was only provided as a supplement to Part A measures and there was an obligation for repayment, usually over seven years. Part B allocations were met on a dollar for dollar basis by State governments. Welfare type measures available for non-viable farmers were then a rehabilitation payment of up to $5,000 for a farmer obliged to leave the industry (then also under Part A) and household support under Part C, which was assistance for a farmer equivalent to the rate of the Unemployment Benefit for up to a year, or beyond in some cases.

The Fraser Government had reduced the funding of the RAS from $47m in 1978-79 to $18.4m in 1982-83, which was politically odd, given the impact of the 1979-83 drought and that the allocation had not kept up with the rate of inflation. On 7 June 1983, the Hawke Government increased the funding of the RAS to $35m for 1983-84 at my bidding. I was also able to announce a further Part B allocation of $11m in carry-on loans for Queensland and NSW for their sugar cane growing industries. It was sensible for the States to administer the RAS, but this did not stop some tensions arising when State governments were charging interest rates higher than the Commonwealth in some cases, that is, with respect to Part B. Chapter 10 on the sugar industry illustrates some of the Commonwealth’s concerns about the way the corrupt Bjelke-Petersen National Party Government in Queensland was administering the scheme.
The Industries Assistance Commission (IAC) had been commissioned by the Fraser Government to conduct a review into rural assistance. In 1984 it recommended that the RAS be altered to a programme of intermittent assistance to specified industries or regions after an independent inquiry. Consideration of both drought and assistance policies, and concerns about the relevance of the National Disasters Relief Arrangements (NDRA), led me to believe that the IAC’s recommendations were a recipe for delay, when the reality was that circumstances in the agricultural sector were always likely to change quickly. I had a somewhat fixed view that the RAS should not be used for drought relief, other than in part.

However, taking broader aspects of government policy into consideration, the Government decided in June 1984 to adopt a more flexible method of financing the scheme and for drought to be included as a factor for eligibility for assistance. Under the new arrangements, loan funds, including for drought assistance, were to be raised on the open market. These loans were then made available to farmers at subsidised interest rates and limited to a maximum period of seven years. Most State governments were in favour of the new arrangements.

The intersection between the NDRA and the RAS worried me and the flexible way the RAS was being administered allowed political mischief to be made by the Opposition, which maintained fewer funds were being expended, when the opposite was the truth. For example, in 1985-86 the interest rate subsidy alone was $38.7m with the amount of loans being advanced being much, much higher and Part A was still intact.

In the totality of the financing of agriculture the RAS was a minor factor. However, the funds being loaned meant that it became part of overall farm indebtedness and thereby became a bidding argument by farm organisations. All I could do was try to improve the RAS and make it as flexible as possible. The policy intention of the RAS was to assist those farmers considered by the State administering agencies to be viable, long term. It was never envisaged as a scheme to help all farmers. The interest rate subsidisation was particularly valuable when overall interest rates were extremely high, as they were in the second half of the 1980s. I refer to the meetings I held on farm indebtedness in an earlier chapter. On 11 March 1986, following one of the meetings, the Government agreed to a further interest subsidy, which effectively enabled the States to lend another $25.7m to farmers for the 1985-86 financial year.

In the major Economic and Rural Policy Statement I made on 15 April, 1986, I announced measures which allowed an increase in RAS funds available to the states of 280% compared with 1985-86. At the time Part B was not in operation though Parts A and C were. Additional funds were also allocated for Part C, the welfare component of the scheme.

In terms of administering economic and financial policy at the national level, the RAS was never adequate nor was it ever intended to be a cure-all, for all farm debt. By trying to meet sudden increases in demand caused by drought, lower commodity prices on overseas markets, domestic economic conditions or, in one case, the activities of some banks after financial deregulation, and by always being accommodating, we were only delaying the inevitable in many cases and preventing autonomous farm adjustment. Farm organisations, concerned for their members at the edge of financial viability, had a different idea of the best policy prescription compared to that of hard headed economists and big business. By 1987-88, the Commonwealth was financing a large level of farm debt, approaching 18% of the total, through this one measure.

In March 1987 I met with all relevant State and Territory ministers to see how the scheme could be further fine-tuned. By this time cereal growers, particularly, were facing low
commodity prices on world markets, affecting many farm families. Ministers agreed to the amount of Commonwealth funding being advanced and also agreed that the scheme be broadened to include assistance for farmer education, training and advisory services. On the welfare provisions of the scheme, ministers agreed with my proposal that re-establishment grants be provided to enable farm families in financial hardship to re-establish themselves outside farming. I know of no farmer who moved to another occupation who did not do well or better, but I never had the courage to say so at the time. I commissioned a report by consultants on the effectiveness of the RAS arrangements in late 1987.

All relevant ministers met on 28 April 1988 to consider the report by the consultants. Their consultation had been extensive before the meeting. Pleasingly, the ministers adopted a more efficient and effective RAS, allowing State and Northern Territory RAS Authorities to take a more innovative and responsive approach to farmers’ adjustment problems and to provide greater integration of RAS instruments with other extension, counselling and advisory services. Specifically, ministers supported a greater emphasis on targeting Part A assistance; provision of grants to assist farmer skills improvement; appropriate training assistance for farmer advisors; and increased scope for land banking by RAS authorities. We also agreed to the introduction of re-establishment grants to replace the existing arrangement, reduction in the duration of household support, and for State and Territory authorities to be given increased autonomy in administering the funds but with more accountability.

The Commonwealth was to provide clear policy directions and implementation of new management information systems and associated reporting procedures. Increased emphasis was being given to farm management skills. I promised that the Commonwealth’s final position on any outstanding issues would be contained in the Commonwealth’s May 1988 Economic Statement, including a response to requests from the States for more funding. All was subsequently agreed but I did not want to give the impression that the RAS would be forever expanded because the Commonwealth was now financing a high level of total farm debt, 12 to 20%, depending on the method used to calculate it.

The RAS Annual report for 1989-90 gave me an idea of the scale and success of the scheme since the new arrangements came into place from 1 January 1989. Markets for wool and wheat were showing a downturn, which was anticipated, following the collapse of the reserve price scheme for wool. For 1989-90 program expenditure was $53.3m and projected expenditure for 1990-91 was $60m. This level of expenditure supported over $500m of farm debt for each year. The number of applications for assistance under Part A had risen to 2375 by 1989-90.

I met with relevant ministers to deal with the latest farm downturn on 12 December 1990. There was a meeting of minds on what minor adaptations were needed. I last met with relevant ministers on the RAS on 21 May 1991. As ever the RAS was a work in progress and the then current farm downturn was resulting in increasing pressures being placed on the scheme. The States failed to agree on Commonwealth proposals in relation to carry-on funding under Part B and debt reconstruction with an interest subsidy, due to their own financial circumstances. I gave an assurance that Part A funding requirements would be reviewed by the Commonwealth. My successor, Simon Crean, brought forward the latest set of changes when I was Treasurer. I agreed with his submission, having been the responsible minister when much of it was written.

But to repeat, the RAS was about assisting agriculture and only marginally directed to welfare matters. On 30 September 1986 the first of two leaflets for general distribution to country
areas was released. They were to be the first of nine and the first two were designed to inform people of services available and one describing the RAS in detail.

While the RAS was a quasi welfare measure it applied only to primary producers.

**The Rural and Provincial Affairs Unit (RPPU)**

In response to the depressed circumstances in the rural sector in the early 1980s, the Labor Party determined to sharpen the focus of its economic and welfare policies relating to people living in rural and provincial areas. Taking as its guide the ALPs general Platform, shadow ministers met on 22 October 1981 to discuss the issues that needed to be addressed and to be addressed across portfolios if the Party was elected to office.\(^{137}\) We were agreed that this was not to be a policy approach by the primary industry portfolio alone. As well as meeting with State counterparts, I had held meetings with Ken Bennett, Secretary of the Federal ALP and Senator John Button, who took a keen interest in regional Australia and with whom a policy for Queensland’s far north was developed.

The meeting of the shadow ministers decided that several key economic and resource questions needed to be addressed, including the question of the effects of manufacturing industry protection on rural exporters and the exchange rate. The three major political parties were by now more protectionist than they had been in 1975. What the organised farm lobby did not realise was that there would be a dramatic exchange rate effect if Australia became a farm and a mine again, and that with the exception of grain, wool and meat producers, primary producers were just as, or even more protectionist than manufacturers. We were well aware of the need for industry reform.

On 13 May 1982, I wrote to Bill Hayden, Leader of the Opposition, setting out our views and the shape of a revised Platform and the need for a comprehensive policy paper and election strategy. Within the organs of the ALP, we were developing our ideas on the need for emphasis to be given not only to a more long term economic approach, but one with a social/welfare emphasis to some policies relevant to rural and regional Australia. It was decided that I was to write the policy and place it before our Opposition Resources Committee for endorsement. Part of what was agreed appears above.

The need to think through how to finance and implement innovations in policy takes time and co-ordination in government. Policy co-ordination is one of the hardest tasks; implementation is even harder. I have said elsewhere that ministers take the credit for successes and the blame for failures. I wish to state here, quite unequivocally, that what was achieved in rural and provincial affairs as a result of the Hawke Government’s initiative was due to Gordon Gregory in my office and the people in DPI who took up the challenge so enthusiastically, such as Onko Kingma and Jayne Garnaut, to name just two.\(^{138}\) Gordon had been working in the Rural Development Centre (RDC) in the University of New England (UNE) in Armidale NSW\(^{139}\). He

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\(^{137}\) Shadow Ministers at the first of several meetings, which also involved the contribution of State branches of the ALP, included Senator Dr Don Grimes, Shadow Minister for Social Security, Dr Neil Blewett (Health), Paul Keating (Resources and Energy), Peter Morris (Transport) Tom Uren (Urban and Regional Affairs) John Dawkins (Education), Senator Peter Walsh (Finance and Trade) and me as Shadow Minister for Primary Industry.

\(^{138}\) Ten people formed the original team. They were Caroline Fitzwarryne, (Manager), Jenny Delroy, Jayne Garnaut, Mary Byrne, Leon Arundell, Stephanie Gunn, Mike Hinchey, Joanna Hearne, Barrie Ridgeway and Julia Ritchie.

\(^{139}\) Gordon’s appointment to my Office was the result of John Tanzer’s advice to me, following his attendance at a meeting of the UNE RDC.
proved to be a top class policy maker and networker, and is now the CEO of the National Rural Health Alliance, as I write (2013).

One of the spurs for action on rural matters was a conversation my staffer Tony Gleeson had when drinking with a man in charge of the Psychiatric Unit of the Charters Towers Hospital in Queensland. This gentleman was rightly critical of the fact that when Commonwealth ministers visited, the general procedure was to speak with one group only and then fly out. This was the case with me, because I only ever talked with graziers when in Charters Towers; the gentleman had a point.

On 26 March 1985, I announced that a Rural and Provincial Policy Unit (RPPU) was to be established within the department as a small but specialised group, whose role would be to assist the government to develop, integrate and provide services for rural and provincial Australia and that the Commonwealth had agreed to an annual grant of $160,000 to the RDC in the UNE. The economic hard heads in the Department specialising in commodity and trade policy, were not enamoured of this development, but I found no lack of people who could see the value of such an approach and how it would address some of the failings of the RAS, as well as try to meet the needs of rural people, generally.

When the unit was launched, I said its objectives were to:

- assist the Commonwealth Government in the development, integration and delivery of services for rural and provincial Australia;
- provide a specialised advisory service to Commonwealth Government on rural and provincial affairs;
- promote integrated and appropriate programme delivery by departments to rural and provincial Australia; and
- promote awareness in rural and provincial Australia of existing Commonwealth Government policies.

In my Economic and Rural Policy Statement of April 1986 I announced the first of the unit’s initiatives. In general, the initiatives were directed to all non-metropolitan people, irrespective of occupation, because country people have difficulty in gaining access to educational, welfare and community services. The first of these was to establish a pilot Country Enterprise Fund to enable investigations of the development potential of select country towns. Secondly, a Rural Women’s Access Grants (RWAG) programme was set up to improve the access of women to services and employment in rural areas. This programme was to make grants available for practical self-help projects, to be administered jointly by the Office of the Status of Women, the Department of Employment and Industrial Relations’ Women’s Bureau and the DPI. The Commonwealth’s information collection and dissemination activities on the specific needs of rural women were to be improved. In addition, the new institution reviewed The Rural Industry Directory, which contained an up to date list of organisations connected with our primary industries and had been published annually for many years but mainly with a production focus. By June 1988 the Directory had been expanded substantially, containing 1765 entries and listing 2234 office-holders.

I also announced what became the Rural Counselling Service, the aim of which was to allow local groups to mount a case for the funding of rural counsellors, mainly concerned with financial/adjustment counselling and information provision to farm families in distress. This idea came from Fran Rowe, a wheat farmer from Tottenham in north western New South Wales. Fran and Peter were wheat farmers who had been caught up in the Commonwealth
Bank’s policy to freely lend money following financial deregulation. Many farmers got into financial trouble. Fran, a UNE graduate, had set about providing financial counselling to her neighbours and quickly realised that she had a full-time job on her hands. It was apparent that farm families were not making full use of the assistance measures available and that they needed help to make submissions to relevant authorities.

Several self-help groups had also arisen in areas such as the Sunraysia, the Mallee and in some Victorian dairying areas. Few of these groups had the luxury of specialist counselling services and none had a secure financial basis. The Commonwealth allocated $900,000 to the new service. The first three grants went to the Mallee Crisis Committee based at Sea Lake in Victoria, the Murray Valley Rural Industry Assistance Group based in Cobram in Victoria and the South Gippsland Dairyfarmers Support Group based in Leongatha in the Gippsland. The next grants approved were awarded to the Esperance Community Support initiative based in Esperance Western Australia and the Sunraysia Growers Advisory Group based in Mildura. Ten groups had been financed by the end of 1986 and the policy was gaining Australia-wide coverage of groups of farmers in financial and other distress. By December 1987 21 groups were being financed across Australia. By December 1988 the total had grown to 24 and continued to grow until I ceased being Minister.

The first conference of some 20 rural councillors was held in Canberra in early May 1988. The cost of the counsellors was being shared by local groups and the Commonwealth. It was clear that many financial and sociological problems affecting some farm families were now being addressed professionally and that policymakers were gaining a better insight of the farm situation.

The Prime Minster strongly backed all the RPPU’s programmes and in December 1989 made a Rural and Regional Statement to the Parliament stating that the Rural Counselling Programme would continue. By this time 4,000 farm families had received advice and support under the programme. This needed to be emphasised because the Opposition had stated that all RPPU programmes would be either slashed or scrapped should it win government; I knew that the National Party would always be opposed to measures such as the RPPU. By this time, the ALP was becoming the largest holder of federal rural seats. The National Party remained true to its farm organisation base; in a media release I accused the Opposition of continuing its elitist and cynical approach. That there was a real job to do out there is illustrated by the fact that by February 1991 there were 31 Rural Counselling groups funded by the Commonwealth and all were reporting heavy demand for their services, with an emphasis on debt mediation.

Such was the heavy demand for this service that on 3 May 1991 I announced increased funding for groups in NSW, Victoria and Tasmania. More grants were announced in June 1991, immediately before I became ‘Treasurer. The programmes were becoming very professionally run and counsellors were trained in farm financial analysis and had to be familiar with State and Commonwealth government assistance programmes, the prospects for farmers engaged in varying pursuits and have a thorough knowledge of community services. Powerful and extremely helpful networks were being built of value to farm and rural families throughout Australia.

In July 1986 I issued a call for applications for Rural Women’s Access Grants and that $100,000 had been allocated for 1986–87. Grants were to be directed to jobs and access to training and general services. In early January 1987 funding for the first 19 projects was announced from all States after some 180 applications had been processed. There was no doubt as to the
demand for this form of assistance. The appointment of Senator Margaret Reynolds (from Townsville in Queensland) as Minister Assisting the Prime Minister for the Status of Women, enhanced the profile and effectiveness of the programme, this also being the result of the fact that the conditions to gain grants were rigorous. Other projects were selected over the years, for example in early 1989 another 35 projects were granted funding from 345 applications. In February 1990 another 18 bodies received financial support and another 20 groups in February 1991 when Wendy Fatin, now the Minister Assisting the Prime Minister for the Status of Women was the responsible Minister with John Dawkins and me. The successful applicants ranged from the West Wyalong Local Domestic Violence Liaison Committee, to the Queensland Country Women’s Association, to the Northern Victorian Committee for Dairy Industry Development.

With John Dawkins, Minister for Employment Education and Training and David Simmons, Member for Calare, NSW, at the launch of a series of education, social, information and consultative rural programmes.

Senator Reynolds and I released a report on Overcoming Distance: Isolated Rural Women’s Access to TAFE across Australia. The report was prepared as a result of a grant from the RWAG programme and demonstrated that many State and Commonwealth agencies had a store of knowledge and capacity to analyse the disadvantages faced by people living in rural and remote locations. In June 1989 this was followed with the release of a booklet on Parenting in Remote Areas, which I launched in Port Augusta, South Australia in June 1989.

In the 1988-89 Budget I was able to announce the Rural Education Access Program (REAP). By April 1989 I had announced the successful applicants under the third round of funding.
Again, the level of funding was not large but the demand was high. In July I was able to announce funding for another six successful REAP applicants, sixteen more in the last half of 1989, another ten in March 1991 and another 28 projects in May 1991. The first Country Centres Projects grants of $70,000 were also announced for the Green Triangle and Riverland regions in July.

At a Cabinet meeting in Bathurst, NSW in March 1987, a comprehensive range of long term measures to improve access to Commonwealth government welfare, employment and related community services was agreed. Included in the list were the endorsement of the principle to co-locate Commonwealth services in rural areas and for all relevant departments to submit long term plans for their representation in rural areas. Also included was a decision to provide computerised information centres and a 008 free trunk call service. Prime Minister Hawke was again very supportive of the measures being introduced and agreed to open a Rural Symposium in Albury NSW on 6-8 July 1987. This very successful conference addressed a wide range of economic and social issues of importance to people living outside the metropolitan areas. From this came the Commonwealth Services Information programme, which first conducted trials, including a ‘show circuit’ display, throughout Australia. DPI officers were active in providing more avenues for the availability of information and the 008 telephone line was building in its use. I had also proposed that there be a conference on Rural Industries 2000, but the NFF put the kybosh on this by saying it would not support it on the basis of its view that the Commonwealth would weaken its commitment to reduce the budget deficit, the rate of inflation and interest rates. I cancelled the conference.

In the Commonwealth’s May 1987 Economic Statement, it had been proposed that assets tests provisions be tightened and apply to people over twenty five. Brian Howe, Minister for Social Security, and I consulted with farming and women’s groups and agreed that the assets test would not apply to farmer’s spouses over this age who had sought employment and not found to be eligible for unemployment benefit. This concession was used in the case of cane growers’ spouses in Queensland. On 12 May 1991, Brian and I announced additional eligibility for farm families in distress and the availability of support under the Financial Hardship provisions of the Social Security Act - Section 7.

I had established a Rural and Allied Industries Council (RAIC) and at one of its first meetings it had recognised the need to upgrade rural education and had called for a paper on the topic, which I released in May 1988. John Dawkins, Minister for Education, and I had launched a study on rural education and training in Mudgee NSW, in April, following on from the Commonwealth’s White Paper on Education in July 1988. From these papers and publications came the comprehensive major review of the teaching of agriculture and related subjects in Australia’s colleges and universities, announced in December 1989. The review team of three was headed by Jim McColl, former Director of Agriculture in South Australia, working closely with Professor Alan Robson from the University of Western Australia and John Chudleigh, from Orange Agricultural college. When the portfolio expanded in 1987 the RAIC was enlarged to become the Primary and Allied Industries Council (PAIC) The agricultural, fisheries, forestry minerals and energy industries accounted for 80% of Australia’s export income in 1988 and it was essential to have a peak body to discuss broad economic policy, international trade and many common issues.

The May 1988 Policies for Growth statement announced the Primary Industries Marketing Skills programme of $5m over three years. The Programme became known as the Innovative Agricultural Marketing Programme (IAMP). The first allocation of funds went to a coordinated project by four institutions based in Queensland, South and Western Australia,
concentrating on marketing skills by establishing centres of excellence and targeting industries and individuals lacking marketing expertise and information. The first tranche of 18 successful, non-institutional, applications under the IAMP, costing $766,642 from 280 applications was announced in March 1987 with more grants awarded later in the year. By early 1989, when another 30 recipients for grants were announced, 87 projects had received funding of over $5.8m. Some of the new ideas for marketing, which attracted funding, were diverse, covering, for example, the marketing of fish and reptile skins, the export of miniaturised flowers, the export of fodder and the distillation of mint oils. When I announced the names of more successful applicants for funds on 4 September 1989, since 1986, 146 agricultural producers had been assisted. While the funding was not large, the number of applications for funds under all the Rural and Provincial Unit’s programmes indicated that there was an unmet demand for the services the unit had developed.

Four more universities received grants in April 1989 to develop marketing skills for students and people prepared to access the courses being offered. The programme was scheduled to end in June 1991. However, after a review of the scheme when over $20m had been spent, it was judged that the programme was so successful that the Commonwealth would fund it to the level of $5m for the next five years. For an expenditure of $9.3m during one period of the programme, additional sales of $67m had already been achieved. The dairy industry and horticultural industries were the major participants in the programme.

On 26 July 1988 I opened a three day Conference that the Rural and Provincial Affairs Branch of the DPIE had organised with, and at, the University of New England, Armidale, on farm safety, under the heading of Farmsafe88. The conference was the first of its kind in Australia and attended by over 300 people. The NSW Farmers’ Association had conducted a study which showed that 32% of farm accidents resulted in farmers losing more than a month’s work. Seventeen per cent of all deaths in Australia’s employed workforce occurred on farms, despite the fact that the rural workforce constituted only four per cent of the total. While safety was a prime concern of the mining and energy industries, little emphasis had been given to how unsafe an occupation farming is.

I was aware of the dangers involved in driving tractors and quad bikes on steep and unstable land and of handling chemicals, unprotected. In my time as an orchardist I had been well aware of the dangers of using organo-phosphate sprays. Academic surveys of dairy and poultry farmers had shown an incidence of occupational eczemas and disabling back injuries. Knowledge was growing on the rise of zoonoses, diseases transmitted for animals and birds to humans. Abattoir workers were particularly susceptible to some animal diseases. The conference concluded that there was a need for attitudinal change, more information and the establishment of a more permanent organisation to deal with the issue. On 22 November my co-Minister Peter Morris, and I announced the formation of a special ministerial advisory group on farm safety. The group was to be chaired and serviced by the National Occupation Health and Safety Commission (Worksafe Australia) in co-ordination with DPIE. From it came today’s Farmsafe organisation, represented in all States. In July 1989 I announced a series of grants to enable the establishment of farm safety community action groups throughout rural Australia.

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140 The National Farmers federation has kept figures on farm accident related deaths. For the period 2003-2011, 356 workers died. 71% of these deaths were associated with accidents with tractors, planes, light vehicles and quad bikes.
While not directly related to farm safety, another initiative I was pleased to announce was the introduction of a new Agricultural and Veterinary Chemicals Act, which came into force on 1 July 1989. The Act provided national legislation for the evaluation and clearance of agricultural and veterinary chemicals to be registered for particular uses in the States and Territories. Prior to this a co-operative effort by governments was required to clear a new chemical for use. There was as much variation in the producing environment within the States as there was between them and essential testing and clearing was taking an unnecessarily long time. It was at an Australian Agricultural Council that it was agreed to endorse a national system. In consultation with the States and Territories as required by the Act, I appointed an Australian Agricultural and Veterinary Chemicals Council. Brian Hill, Executive Director of the Agriculture and Forestry Group in DPIE chaired the Council. Regulations in the Act set a fee structure, which amounted to 50% of the cost of the testing and clearance process, which was paid by applicants for registration of a chemical. From this initiative came today’s Australian Pesticides and Veterinary Medicines Authority (2013).

On 9 August 1988 I addressed the first National Conference on Agribusiness Education in Canberra. It was very apparent that if agriculture was to maintain its leading position as a revenue earner for Australia that we needed to improve our marketing skills and engage in well-founded value adding. As part of the reforms to the meat and livestock industries I was able announce a Meat and Livestock Industry Marketing Grant of $2.5m in the 1988-89 Budget. The funding was to be used for AUS-Lamb, a new approach to marketing lamb in the US, a new system of describing retail cuts according to culinary use and the provision of feedback to producers on the quality of their carcases sold to AUS-MEAT accredited meatworks.
In many speeches, I was urging rural communities to become more involved in planning the future direction of rural education and training. Within the Education portfolio, a Rural Industry Training Council had been established which I addressed on 30 August 1988. As in so many areas, while education was the prime responsibility of the States, the Commonwealth had been steadily becoming involved in educational funding since the 1960s.

The Hawke Government was responding to the education and training needs of the five million Australians living outside metropolitan centres. As a broad group, they had greater difficulty than their metropolitan counterparts in gaining access to the formal education system. The Commonwealth had released seven significant papers and reports on the subject in 1988 and had allocated $12m to support innovative and education training programmes. A joint programme known as Innovative Rural Education and Training program, run by the Department of Employment Education and Training and DPIE funded a major computer access project in north-west Tasmania to introduce high-tech computer delivery systems to members of the rural community in the catchment field of the Burnie College of TAFE. The granting of funds was announced in July 1989 and the whole idea of the programme was to allow state-of-the-art technology to be placed in sites with high community access.

Farmer organisations were by no means opposed to the approach we were taking but were always more absorbed with the immediate challenges of production and trade issues. Making speeches is an important part of a minister’s role and I took every opportunity to take the agricultural and rural challenges to wider audiences such as some of the city based ‘think tanks’, whatever their political inclination. One of these that I addressed in 1988 was the Committee for the Economic Development of Australia, when I was at pains to explain the ramifications of the 1985-86 trade slump and the Commonwealth’s response. There was always a tendency for city based organisations to accept the lazy journalist’s one line argument of the agricultural sector being highly subsidised. Agriculture and all the industries in the expanded portfolio had to be presented nationally in macro as well as micro-economic and interdependent terms.

The RPPU was made responsible for the co-ordination of the Rural and Regional Statement released by the Prime Minister in December 1989. This statement became known as The Way Ahead. The RPPU also developed in 1989, in conjunction with the Department of Employment Education and Training, the publication A Fair Go - The Commonwealth Government’s Strategy for Rural Education and Training. This established objectives in rural education and training, and led to involvement in various national inquiries to plan and develop education and training strategies.

The issue of the second edition of the The Rural Book was placed in the context of the Government’s Countrylink initiative which involved the 008 telephone service and travelling information displays. In May 1990, I launched the Computafarm design competition to enhance greater awareness of the need the farming community to improve management and embrace up-to-date technology. The Commonwealth Development Bank joined with my Department in providing the prize money for what turned out to be a well worthwhile exercise. This was part of the Farm Financial Management Skills programme, which I introduced in 1988 (Concepts such as internet access were not envisaged back then!).

The lessons from the RPPU’s programmes in the social and educational areas showed me how successful the expenditure of small amounts of money could be, if well targeted. Politically, I was trying to implant the message that farmers and graziers do not only live in a production environment alone but also in one which is both social and environmental. During my time it
was quite evident that the farm organisations did not see much sense in what the Hawke Government was doing, but the wider rural community was appreciative. Some of the policies and institutions established, such as Farmsafe, have continued. As a general policy rule, it is sensible to sunset some programmes before reviewing them towards their end to see if they are delivering results. The Farm Counselling Service was one I was thinking should have been sunsetted, but as it transformed more into debt counselling and mediation, it became even more valuable.

Technology has changed the world since those days. Digital access for farmers (perhaps especially the National Broadband Network) is going to be transformational. The marketing skills programme, IAMP, demonstrated how much it was needed at the time and still is? Farming has become a more lonely life and the RWAG and REAP certainly helped people cope with the crises they were going through and gave people more access to essential education and social comfort. The experience gained from all the various programs administered by the RPPU showed that the greatest disadvantage that characterised rural Australia was access to adequate health services.

One of the great achievements of our time in this context was undoubtedly the establishment on National Rural Health Alliance, which goes from strength to strength under the stewardship of Gordon Gregory. Another is perhaps the way women have come to the fore in farm organisations. One of the most remarkable changes in agriculture and rural matters since my time is the role that women now play in agri-politics. Women, who have always been the backbone of the bush, are no longer in the background. I would like to think that the work of the RPPU and other measures enacted by the Hawke/Keating Governments have been instrumental in this.

What is also personally pleasing to me is that I understand that the provision of information to the rural and remote remains a strong commitment of present Department of Agriculture Fisheries and Forestry. This can only be to the good.
## GLOSSARY

<table>
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>IAC</td>
<td>Industry Assistance Commission</td>
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<td>ICPA</td>
<td>Isolated Children and Parents Association</td>
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<td>NDRA</td>
<td>Natural Disaster Relief Arrangements</td>
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<td>NFF</td>
<td>National Farmers Federation</td>
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<td>PAIC</td>
<td>Primary and Allied Industry Council</td>
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<td>RAIC</td>
<td>Resources and Allied Industries Council</td>
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<td>RAS</td>
<td>Rural Assistance Scheme</td>
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<td>RDC</td>
<td>Research and Development Corporation</td>
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<td>REAP</td>
<td>Rural Education Access Programme</td>
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<td>RFDS</td>
<td>Royal Flying Doctor Service</td>
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<td>RPPU</td>
<td>Rural and Provincial Affairs Unit</td>
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<td>RRS</td>
<td>Rural Reconstruction Scheme</td>
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<td>RWAG</td>
<td>Rural Women’s Access Grants</td>
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<td>UNE</td>
<td>University of New England</td>
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Chapter 19: Research and development policy and statutory marketing reform

“You don’t have to be a dog to judge a dog show”, anonymous wisdom received from a bloke I met at an Agricultural Show somewhere in the bush, to which I replied, “Yeah, but you do have to like the beasts”.

(This was apropos judging which research projects to engage in and how to establish resilient research organisational structures and overall priorities.)

Earned or not, the work of the Hawke Government and me in agricultural research and development has brought more praise than in any other area of agricultural policy I was involved in. Most of the acknowledgment came from the research community and the membership of the established institutions rather than the organisations of farmers and graziers.

Agricultural research has always attracted much examination, warranted and unwarranted. Because I personally feel so strongly about research being the best agricultural and rural policy after education, and about the need to improve the conduct of research, and because of my continuing heavy involvement in agricultural research administration in the years after leaving parliament, this chapter refers to some matters beyond my time as minister but which may have had their genesis then. I also make some general observations on the continuing long term need for agricultural research. When I emphasise the crucial importance of education for agricultural and rural Australia, please understand that much of this should be skills based and informed by research.

In my fourth working life I have continually been involved in research administration or in championing it in a variety of roles. Examples of these are with land, water, forestry (for example, New South Wales State Forests), fisheries (for example, the Queensland Fisheries Management Authority), catchment management, stored grains, and animal diseases. I have also written several reports for government. I have had a stint on the board of the CSIRO, chaired the boards of six cooperative research centres, a brilliant initiative of the Hawke Government, and chaired two State committees and the board of governors of the Crawford Fund on international agricultural research.

From all of this, I understand full well the political reality that research policy and expenditure will be subject to continuing review. As long as this is driven by an examination of the function of research, not a hunt for savings alone, or to act out some unthinking anti-science ideology, I accept and endorse the constant review process.

Policy

The ALP 1983 agricultural and rural policy document for the general election said that agricultural research, development and extension policy was as follows:

Labor is committed to increasing government involvement in agricultural research. Labor will review industry funding arrangements and the Commonwealth’s contribution to ensure research funding is put on a secure basis. Labor is committed to restoring Commonwealth involvement in extension

I was enamoured of agricultural and natural resource management research. How to structure research institutions, give them a more secure funding and organisational base, and encourage sufficient expenditure on research was always the challenge. Research prioritisation is a
fraught task which requires astute research managers, well experienced researchers and the
discovery of the best ways to assess research priorities. What was achieved took much time
and negotiation. The budget constraints and dealing with other parts of the Commonwealth
bureaucracy opposed to agricultural research expenditure, let alone understanding the nature
of it, involved some of the toughest battles for me. Eyes would glaze over if the proposition was
put forward that the most valuable discoveries and inventions are those yet to be found.

The Commonwealth’s role in agricultural research was twofold: as a performer through
organisations such as the Commonwealth Scientific and Industrial Research Organisation
(CSIRO), the Bureau of Agricultural Economics (BAE) and its successor organisations; the
Australian Agricultural Health and Quarantine Service (AAHQS) and its successor
organisations; the Australian Fisheries service (AFS); the Fisheries Research and
Development Trust and its successor organisations; and later, when it was established, the
Bureau of Agricultural, then Resource Sciences. The second leg was as a co-ordinator and
provider of financial support such as for the Rural Industry Research Funds (RIRFs) which I
inherited in 1983, their successors, and the Commonwealth Special Research Grant (CSRG).
The universities also had funding arrangements which enabled them to pursue agricultural
research, much funded by the Commonwealth.

Research expenditure during my time, eventually became the largest financial support for
agriculture by the Commonwealth Government. How this came about is the nub of this
chapter. It may or may not be coincidental that in the period 1983-93, the ALP became the
biggest rural and provincial party in the Parliament and that this changed dramatically when
the party lost government in 1996.

The ALP, internally, had no difficulty agreeing to the election policy. I knew that how to
implement it effectively when in government would be another matter: it would be exceedingly
difficult. The issue of priority setting was at the centre of my concern. It took time. The then
most recent data available to me, in 1983, concluded that there were about 13,000-14,000
people in the State departments of agriculture, including over 3,000 engaged in research. The
States, the CSIRO and universities provided, and still provide, most of the infrastructure for
the conduct of agricultural research, as well as experience, knowledge and expertise. In
carrying out their own research they were also major research providers.

Although I do not have the number, there were also many people involved in the extension
(taking the results out to the field) of agricultural research findings in 1983. The first place
for governments to cut in the general research area was in extension once budgets became tighter
or newer priorities took precedence. The number was starting to decline by 1983 and I
believed that the Commonwealth’s role should be restricted to co-ordination of extension, but
essentially, that research organisations at national level should also have an extension
obligation to some degree. Extension always included the need to analyse research results so
that they could be tailored for particular industry and property needs. It needs to be
understood that extension can value add to research. The Commonwealth’s only actual
extension work was with farmers and graziers on leasehold land in the ACT.

The Nature of Primary Industry Research

It is obvious that farmers, fishers and foresters would under-invest in agricultural and industry
relevant research if they had to fund it individually. Most primary producers, operating within
a diverse atomistic industry structure, do not have the capacity to invest in research at an
effective enough level relevant to their enterprise or their industry’s needs. The conduct of
research is complex, involves the scientific method of establishing data, analysing it, testing it against an informed background and then establishing its repeatability. Often needs are not readily foreseeable. It goes without saying that primary producers cannot be expected to directly administrate or manage researchers and research institutions. Primary producers do not necessarily have the capacity or expertise to keep abreast with the increasingly sophisticated disciplines involved in research. The research priority for each farmer could differ and be varied in emphasis. Publicly funded agricultural research mitigates the risk that individual farmers face but cannot address. Privately funded agricultural research can only succeed where there are large, discrete markets.

Fortunately, historically, there has been a consensus that public investment in agricultural research is important and must be regarded as a special case. When we were once so dependent on agricultural exports this was more so. Further, it was also judged that there were spill-over benefits from agricultural research to the rest of the community. More specifically in recent times it was because it had been recognised that a high proportion of agricultural research has been basic and applicable in other fields, for example in virology, bacteriology, pathology, immunology, micro-biology, zoonoses (the communication of animal and bird diseases to man) and had wider application to the scientific disciplines involved. The CSIRO’s Australian Animal Health Laboratory (AAHL) is an excellent example of an animal disease research facility being of essential use for disease research in humans.

Also, applied micro-economic research into agriculture is applicable to general industry issues, specifically with respect to micro-economic reform and change, and more generally, analytically. Many aspects of social and environmental research can apply more generally to the broader society in which people living in rural communities are also included. An understanding of sociology is an essential tool in promoting and managing practice change and research findings in adaptation and adoption.

Economic theory is well entrenched in the agricultural research and development and extension system (RD&E), with arguments like public/industry or shared benefits, in addressing market failure, spill overs and the like driving investment processes, which are increasingly known and appreciated by industry leaders- not necessarily farm organisations. This does not mean that there will not always be opposition or debate about Australia’s RD&E system and as it has been developed.

A strict macro-economic, market based and commodity approach to research is flawed because RD&E has few features of a normal traded commodity and there is no effective segregation between purchasers and providers in the market. Rather, there are a number of largely publically funded joint venturers trying to serve the same people and only a handful of private research providers. Evaluation of RD&E is also very different from a normal traded commodity due to the long time frame for delivery and adoption and the often vague attribution and opaqueness of the system to most of its customers. These features can contribute to an under-valuing of a system which routinely delivers enormous value. It is these characteristics which enable critics always to be chipping away at the model that Australia has adopted and modified and that governments are now disregarding as I write (2013). It also needs to be understood that in some research areas the research will not be continuous and that old projects may be revisited in the light of new discoveries. This particularly applies to research in areas of high national interest. It is an argument in favour of carrying out basic and ‘blue-sky’ research.
Australia’s primary producers have always been relatively adept at adopting research results in the scientific and technological arenas, but to a lesser degree where practice change is concerned, depending on the commodity being produced. However, all beneficial research for the farm sector is not in the scientific/technological area. Economic research often enables scientific and technological advances to be optimised if not maximised. Much valuable research is in a variety of disciplines and at the forefront of scientifically based thinking in keeping with the changing nature of primary production. Bio-technology and genetic engineering are good examples of this. Agriculture is not and never will be a ‘sunset’ industry. At the same time it is a good check to understand that some of the most beneficial increases in agricultural productivity have come about due to adaptive agronomy rather than science and technology alone.

Farmers and graziers can be, or were, slow in my time to embrace institutional change and more creative ways of thinking. This was particularly so with natural resource management. This was also a factor when the policies of governments changed, practices of bureaucracies and official agencies and agendas and the international trading environment were set, or, alternatively, changed rapidly, compared with the time-scales dictated (or they believed were dictated) by their farm operations. In 1983, the farm sector was accustomed to the gradual pace of change in research institutions under conservative Coalition governments. Agri-politicians had a firm hold on research programmes/priorities and project selection in the existing research bodies. Many were not always noted for their innovatory approaches.

The farm organisations, if not all farmers, had the idea that the National Party was there to accede to its bidding\textsuperscript{141}. In 1972 there had been 23 years of Coalition government. By 1983, there had only been three years of ALP government, nationally, since 1949, so it is easy to understand hesitancy in accepting changed approaches and reform to the conduct of research and its administration. I have touched on this in other chapters when discussing reform and change to the statutory marketing arrangements and challenges faced by the producers of various commodities.

**Issues in Adoption and Criticism of Agricultural Research Expenditure**

Often, access to useful economic and scientific research by primary producers was not easy or automatic. It may have been too abstract, too obtuse or too specialised, not understood, or seen to be of limited use. There was a disconnect when agricultural scientists, ecologists, biotechnologists, engineers, economists and financial experts propounded findings and advice over which farmers had no control, had never heard of – and often did not understand. Rightly or wrongly they believed they were being lectured to and that the ‘lecturers’ did not understand production reality.

By analogy, I did not think telling farmers about the virtues of micro-economic reform, or of freeing up domestic markets, or that they were part of a broader national and international economy and placing an emphasis on efficiency was ever going to be easy. The words ‘productivity’ and ‘profitability’ made more sense to them. Even here ‘productivity’ met with some farmers advising that were told what to do by people who did not understand the

\textsuperscript{141} With 7-11\% of the national vote as I write, ‘Nationals’ is a misnomer. The party is only strong in rural areas in the three eastern states – and under attack from the Liberal Party.
challenges they were facing. ‘Freer trade’ as a concept also appealed to them but not when it came to agricultural imports.

I have met and still know farmers who cannot understand why they should pay levies for research which they believe will never be of any specific use to them. In many cases they are, or may, be right. It is the reverse side of the ‘free rider’ phenomenon. However, with the digital means now available to them to access information, I find it difficult to believe that methodical enquiry into research findings cannot but bring some benefit or provoke constructive thinking.

There is also another problem for an individual farmer in interpreting and possibly adopting research findings. This is because specific discoveries or a series of discoveries may not prove effective over time. What is demonstrated in the laboratory may not be implementable or work as well in the field. The publication of iterative research does not mean that every finding, media promoted ‘breakthrough’, or direction will be of use. Some promising new research directions have been shown not to be practically feasible, but further research may prove otherwise. By analogy, it is akin to medical researchers constantly ‘discovering’ cures for various cancers but never quite succeeding. Advances are iterative; which one to emphasise is not an easy decision.

Further, individual researchers may have conflicts of interest. There is huge occupational pressure to publish, pushed by the need for researchers to constantly pursue funding sources. All research findings are not equal and there is a need to be aware of any ‘scientific determinism’. Not all research ‘hammers’ can find a problem ‘nail’. Scientists need to work in a well-resourced environment, intellectually, with up to date equipment and facilities. However, I was always wary of, but understood, cries of ‘morale problems’ if funding or administrative arrangements were changed.

Having come from an agricultural economic research background I could have been accused of being too unquestioning in backing and promoting additional research expenditure. Further, as an economic researcher of moderate ability, not a scientist, I admit I was exceptionally in favour of scientific research because I became entranced with the sciences and the prospects they promised for rapid progress and possible solutions to pressing challenges. I knew that science and technology were the absolute basis of agricultural production in relatively advanced economies.

My other prejudice was that I resented too much the views of the public sector accountants and macro-economists who were always dubious of, or dumbly dismissed, cost-benefit analyses of research projects on the basis of “the research would have happened in any case”, or “we should buy all our research from overseas”, or “there is no direct correlation between increases in research expenditure and productivity gain”- and so on. I never once witnessed any insights into the performance of research or an understanding of the nature of it by the harshest financial critics. The evaluation of research is an ongoing debate.

Another pet view of critics was that plenty of research had been carried out and what was needed was more attention to be paid to adoption. While this may be true enough in many areas, it proved more than expeditious to carry out more research on national challenges. Failure in adoption could be a failure of extension or education but also, often, incomplete knowledge. For example, one would have thought by now we knew all there was to know about water, but the more water was researched the more it became obvious that more research needed to be done to avoid making the same or new errors in water management. I always took the view that, where agricultural and natural resource management research was
concerned, Australia was sufficiently unique and different from countries in the northern hemisphere and elsewhere, to require/justify pursuing many fields of research domestically in order to have the capacity to capture the benefits in Australia, at least in the short term. I also had the charitable view that, as an educated developed nation, we were better placed than most countries to research the savannah and semi-arid zone which is so important for many countries in the southern hemisphere.

Other short term critics of agricultural research were of the view that because Australia produces an agricultural surplus there is no need for more research. The fact is we cannot afford not to be involved in international agricultural research. It was also a common view that ‘charity begins at home’ and that we should not spend taxpayers funds to assist developing countries (this was particularly so in Queensland). Both these hard line views fly in the face of the fact that Australia is an agricultural commodity and product trading nation, that food security is an international issue and that Australia cannot avoid being part of the world - or negligent in sharing the benefits of public and private research findings with other countries.

Nor should we do other than adopt or adapt appropriate product of others’ research. Because we can only ever carry out a very small part of the world’s research, we need to have an established expertise so we can translate it for our needs. In the fields of animal and plant diseases and in the transmission of diseases from animals to people we must be involved in international research. Experiments and research into diseases which can possibly be transferred to Australian need to be carried out in the countries of origin. This involves engagement with people, researchers and scientists in those countries. Australia has very few indigenous plant species of food value; the overwhelming majority of our farmed plant varieties and animal species are based on foreign genetic material. The idiotic ignorance of some people on these issues leaves me profoundly shocked.

**Issues in Research Administration**

While the system I inherited was a cosy arrangement, research institutions were and always will become prone to becoming self-justificatory and risk averse. Yet all research organisations need to have a big appetite for risk. Inevitably some spending on research will bring no beneficial result. Research would not be carried out if researchers knew what the result was going to be. Nil results can be regarded as waste and hence attract the attention of governments’ external reviewers, observers and critics. However, nil results can also demonstrate beneficial lessons about which directions not to pursue. It is a reality of the conduct of research that even the best designed projects will sometimes fail due to unforeseen circumstances. Sometimes, if decisions are taken to limit some lines of research, then individual researchers may become very discontented. Asset fixity, in both human and physical terms, is a challenge in managing the conduct of research. It is essential to have the most informed research managers and skilled, experienced administrators to ensure the best results. The decisions to stop current research directions, or initiate new ones, are always the most fraught. It is often important to impose ‘stop-go’ tests on research projects by setting benchmarks and milestones as they progress or otherwise.

Research direction at the programme and project level is best dealt with by peer review, not herd instinct views, political prejudice or the fiscal imperative. But there are also hazards in this; peers can be dismissive of creativity.
It is the selection of programmes and research projects that is the most problematic. It is not possible to engage in research without wasting some money, serendipity is important and a minute of genius is often better than months of hard slog, given that most research success involves very hard work and that gains are generally iterative. Experiments also have to be repeated and be repeatable and then subject to further peer review. It is often the research scientist mavericks who make the media loved research breakthroughs. The recipe for successful innovations, inventions and discoveries requires many ingredients. Experience has taught me that research institutions need to have open channels between the old and the bold researchers and the best and brightest of the coming generation of researchers. I prefer to see peaks of expertise rather than flat structures in the administration of research within organisations. Flat structures are beloved by accountants, not scientists.

The research challenges are constant. With our primary industries so exposed on export markets to external events, to climatic variability, to changing government policies, to domestic and external economic changes and institutional failures, they need to be able to adapt to changing realities rapidly. Australia already has the most variable climate in the developed world. The onset of climate change in the southern hemisphere will require new research emphases and may well require rapid adaptation by Australian primary producers, which in turn may imply increased research effort. Our trading environment requires alertness, nimble responses - and research.

The pressure to adapt to change also included and includes the need for review and reform of our research institutions. During my time the States were also reviewing research, especially Victoria where the most thought was in evidence. This was and is not always perceived as being appropriate by researchers pursuing their special interest or individual farmers facing or ground down by their own individual financial and climatic circumstances. Timing is everything. On the other hand, Commonwealth research expenditure, not so much research itself, was constantly reviewed during my time as Minister and this was to continue to be the case thereafter. It can be argued that agricultural research was over-reviewed, but mainly from a financial, cost-benefit, not scientific or practical point of view.

However, notwithstanding the qualifications above, the expenditure by taxpayers and industries on RD&E (including environmental and social research), and technology, is demonstrably one of the better, if not the best, means to improve the lot of farmers; only expenditure on education is better, in my opinion. It is essential for there to be productivity increase, generally agreed to be about two per cent per annum, to combat the declining terms of trade that goods producing industries, such as agriculture, face. Research is an essential component to achieve this but I am very conscious that not all benefits come from science and technology alone.

On-farm innovation, inventiveness and the lessons of hard experience have always been part of the agricultural scene and needs to be understood and appreciated. Simple observation on how to improve farming practices is a powerful tool. Many inventions and changed management practices occur this way. It is in the on-farm setting that innovation can come into its own. The adoption of the thinking behind environmental management systems and various farm planning techniques, for example cell grazing, relying more on native species for grazing, the planting of perennials into pasture, breeding techniques, stock management etc, can and do have profound results for resilience and enhancing the resource base to farming and profitability.
Legislative Background

In 1983 I inherited over 30 Commonwealth statutory authorities including 11 agricultural research committees and 11 marketing authorities and the same number of principal Acts giving them legislative backing. The research committees provided a co-ordinated approach to rural, essentially agricultural research; they had Commonwealth government chairs, with varying structures. Funding varied from $0.6m (chicken meat) to $11.4m (red meat) per annum. Well outside of this range was the Australian Wool Corporation which, as a marketing body, was co-ordinating wool industry research expenditure at the highest expenditure level of approximately $20m per annum.

The existing research legislation for wine and tobacco had not been revised since its introduction in 1955. However, legislation for our three major export industries, wool, wheat and meat, had been revised by the Coalition governments in 1972, 1978 and 1979, respectively.

Prior to 1983, the Standing Committee on Agriculture of the Australian Agricultural Council (AAC) had made vain efforts to set priorities for agricultural research. There was also a Commonwealth Council for Rural Research and Extension which tried to set priorities in conjunction with the States and existing research bodies. The Industries Assistance Commission (IAC) had conducted an inquiry into the Financing of Rural Research and published its final report in 1976. The Fraser Government (1975-83), no doubt took some notice of all these deliberations?

The report by a Senate Standing Committee on Finance and Government Operations in September 1982 was the fifth in a series (the first was published in 1979) and made recommendations on guidelines for the establishment, composition and administration of such bodies, including research institutions. Academics, affected interests, other bodies and individuals had long expressed their views on the nature of such joint government/farmer financed institutions and advocated methods for improvement. I stress public research funding was and is constantly reviewed by governments, economists and others, as well as being subject to criticism, often unfounded or derived from an ideological point of view (for example, ‘the market will provide’).

As noted, it is clear that Australian agricultural production needs to attain at least two per cent per annum increase in productivity to survive constantly declining terms of trade. Much of this must come from research as well as technological and practice change, scale economies and agronomy in the case of cropping. (Note well: all goods producing industries, except military weapons and medical equipment, suffer from declining terms of trade).

The legacy I inherited was one in which the composition of the controlling marketing boards (where it applied), and the stranglehold of the National Party and agri-politicians in research organisational committees or authorities and on programme and project selection, had led to too great a preponderance of farm level and misguided marketing research. To quote Geoff Miller, Deputy Secretary and later Secretary of the Department of Primary Industry, “It was evident that research priorities were determined more by history and politics than science or economics and that institutional evolution was slow and budgets were constantly under
pressure.” Early on Geoff had briefed me on the difficulties arising from attempts by officials to set research priorities and I knew of his views, not publically published at the time.

I also had the idea that many farm organisations possessed an unbending commodity mind set (production per se) based on the previous model of our colonial dependence on Britain as our main market and Imperial Preference in trade. The wool industry certainly, (due to complacency?) constantly, expressed the view that it should remain a commodity producer only. I never rejected this belief, except at the margin, due to the historical reality of 93 to 97% of production being exported. Other industries were quite different. However with wool I could not see why, with innovatory approaches to marketing, we could not develop niche markets for internationally competitive manufactured woollen products. There was always the opportunity to utilise genetic research to improve the sheep flock and its product. It also seemed to me that agricultural R&D had become institutionalised with research directions being short term and also subject too much to the wishes of the researchers receiving funding. Being commodity based, some research was duplicative. The various research committees were not aware of what was being carried out in other committees - or at least this is what I suspected.

I could have been wrong but I thought marketing boards and those administering research funding needed to focus more on the customer, the consumer. This may involve better understanding of the needs of processors, intermediaries and customers, even when we were only exporting bulk commodities. This may also have involved the search for opportunities for value-adding (I have observed that all primary industry ministers ‘discover’ value-adding, at some stage). Some unpromising research projects had continued for a very long time without practical results, for example the mechanical shearing of sheep, automated cattle processing etc. The deeper I delved, the more I became aware that the development of our agricultural research and development structures had been very piecemeal and that policies, when clearly defined, were rarely implemented or implementable on account of the number of administrative bodies and agencies involved. Despite my prejudices this indicated that more aware farm practitioners had to be closer to the research being carried out.

The decisions of Statutory Marketing Authorities (SMAs) on how much to spend on marketing compared with production or other research was and is always debatable. It is the nature of some primary production that the demands of industry driven research organisations are to fill gaps in overall industry arrangements. For example there has always been vocal industry pressure on fisheries researchers to allocate funds to monitoring catch and stock assessment rather than on more essential biological research directed to sustainability.

But, if a comprehensive, responsible, potentially beneficial and constructive approach, for the farm sector is taken, there are more interests involved in research than those exclusively of farmers, fishers and foresters with a commodity production bias.

The interest groups as far as agricultural research is concerned were and are the primary producers, the R&D providers and institutions, the individual researchers, the agricultural R&D committees, councils and corporations (what have you), off-farm processors, the taxpayers, private research providers and the non-farm private sector. All have a legitimate case to make as long as the optimum outcome is kept in mind. The education and training of

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142 ‘Rural Research Reforms of the 1980s’, G L Miller, an address given to a workshop of the Australian Institute of Agricultural Science, 26 April 1994.
people engaged in farm product derived industries was also a crucial factor and managed with greater or lesser success by the state technical and further education (TAFE) sector. In this respect rural people are vitally important even if not recognised widely by primary producers.

The farm constituency did not understand the concept of embodied research (as with farm chemicals) and disembodied research (specified targeted projects), or that research moneys can be well spent away from the production process; perhaps they did but this was not clear to me. Research funds had been mainly spent on production issues, probably most sensibly when funding was so limited. However, just as important in most circumstances was expenditure in researching inputs to agricultural production, natural resource management, and post farm gate (post wharf and log pile) value adding, storage, transport and so on. The farm gate price is not everything as far as profitability is concerned. I have a particular belief in the need for weed research to reduce farm costs.

To reiterate, I believed that after education, expenditure on research and development and extension, and then infrastructure, were and still are the best ways to assist the agricultural sector, but it has to be carried out well. The useful findings of research when applicable and applied, adapted and adopted, even if over time, added to better management practices and behavioural or practice changes, are all crucially important.

The importance of agriculture in the overall economy has ensured that Australian governments have given and continue to give varying degrees of attention and financial support to agricultural research, perhaps never enough, though this is subject to debate; there are always and always will be forces in our society opposed to research and public expenditure on it. Research expenditure always awaits the budget axe.

There have been four clear, theoretical themes in the Commonwealth’s role in agricultural research funding since the 1920s. Money has been spent to: ensure that farm industries had adequate research and development resources to sustain and improve the sector; stimulate those in the community who benefit from the research expenditure; provide an adequate share of what has been invested to ensure resources are used effectively; and to support areas of agricultural research and development in the ‘national interest’ (generally, undefined).

I have stressed elsewhere in this book the economic history of Australian agriculture and how essential the role it plays to gain foreign exchange; it was more clearly in our absolute national interest in the past. World food security is going to become an issue for governmental and private sector policy makers. Australia is one of only eleven countries which is a net food exporter, still with untapped potential as it is being shown how much more we can produce with less land and water. It is still in our national interest to devise the most appropriate policies for Australian agriculture - and research will play a major part in this.

The policy intention for research in the 1980-90s was to make the agricultural sector more resilient and to pursue economic and technical efficiency, productivity gain and profitability for everyone’s benefit. At the institutional level it was to secure a more certain funding base and to construct the best research institutions. To do this the policy challenges were to try to assess the optimal level of funding and allocation of resources between the public and private sectors; to determine the best organisational processes; to select programmes and projects and general research directions; and to encourage additional research providers.

**History**
Before federation in 1901, agricultural research at public level was exclusively carried out by State governments and some of our then few universities. It was not until 1920, when the Institute of Science and Industry, which later became the CSIRO, was established, that Commonwealth governments became actively and financially involved. Until 1955 there was little direct contribution by producers or the universities to agricultural research. In 1955 a policy was adopted to encourage farmers to contribute through compulsory levies on production with government grants supplementing funds raised, but entailing specified conditions. The levies were tax deductible. Only a Commonwealth government has the constitutional power to levy producers; the States do not. This makes the financial involvement of farmers difficult at State level and ‘free riding’ is common. The States were fully empowered to establish marketing boards which engaged in marketing research and aspects of quality control. Most agricultural research and extension at State level was predominantly carried out publically and fully funded by State departments of agriculture.

By 1967 there were still only the original five commodity based government/producer funded research committees at national level, they being for wool, wheat, dairying, meat and tobacco, with wine retaining a trust fund status. The relevant research committees were dominated by farmers or the elected members and executives of farmer organisations (agri-politicians), but this preponderance was diminishing. The committees were established to make recommendations to the Primary Industry Minister of the day on the allocation of available funds. The projects funded were mainly carried out by scientists and researchers in the CSIRO (which received the largest proportion of funds), State and Commonwealth government departments, and some by the universities. As noted above, the agricultural research establishment became more than just a cosy arrangement. To me, there seemed to be a self-satisfied approach to the administration of research, industry by industry, when farms often produce more than one, if not several, commodities or products.

Due to the scars of the Great War and the Great Depression and the alleged, and probably actual, predations by traders buying agricultural produce at that time, Commonwealth and State governments legislated for producer boards to be the dominant means of domestic and international agricultural marketing. Co-operatives were also strong in some industries, for example, in dairying and horticulture.

The marketing authorities were also known as Marketing Boards or Statutory Marketing Authorities (SMAs). They had very strong legislative backing and became highly regulatory. At Commonwealth level, research was administered by a range of research structures, such as the above commodity-based research committees with strong links to the relevant SMAs. The issue of the philosophy of retaining what is known as the single desk monopoly for Australian wheat exports by the Australian Wheat Board, even though now phased out, is still being debated today. Farmer adherence to organised marketing is still strong in some quarters. The boards, with some exceptions, were paid for by producers and were once typically composed of a majority of producers. The Commonwealth SMAs were very powerful and were very much part of the national effort during WW2. Queensland, the most ‘socialistic’ State at least until the late 1980s, once had a marketing board for nearly every crop and form of livestock production and three boards for eggs based on production zones.

By 1980-81, there were still 34 or 71 (depending on definition) statutory agricultural marketing authorities at State and Commonwealth level. Administered prices; quotas; direct subsidies; subsidised loans; legislated protection measures; production controls; trade preferences; cost of production formulas; underwriting; taxation concessions; investment allowances; subsidised credit and loans; directions to plant, harvest and sell some products (for example,
sugar cane); consumer subsidies to win export markets; and every form of market interference at domestic level were utilised. This was also in conjunction with every form of subsidisation and protection devised by humankind, perhaps except for some of the more innovatory ones devised by the US and more recently the European Union (EU), formerly European Economic Commission (EEC) - for example ‘conservation payments’ not to farm, set asides etc. Subsidies not to produce seem particularly appealing, but are perhaps soul destroying. Farm stewardship schemes being proposed for environmental reasons in Australia could fit into the same mould and be ‘rorted’ unless legislation is well drafted and then monitored.

Marketing board regulations had their origin in historical circumstances relating to the types of production, the realities of the then modes of transport, available technologies and choice of markets. It was and is the conservative nature of farm politics to hold onto the institutional status quo far beyond its rationale. Many of these marketing authorities also had the power to determine research expenditure and projects. A very powerful rural establishment had grown up, with the Country or National Party articulating the principle that it was not for politicians to determine agricultural policy but for the farmers themselves to do so. This 1960s policy view still prevails today among some members of the Liberal/ National Coalition parties and to some extent is reflected in the formation of small nationalist, populist and protectionist political parties.

Agricultural research extension remained the responsibility of the States and was mainly carried out by State agriculture departments, which also managed research stations. These establishments conducted demonstration trials and local adaptation of research findings, and were also devoted to basic and more general, essential research in-house. The States dominated wheat and cereal breeding and held gene collections close to their chests.

Formal farmer tertiary education, if any, was mainly carried out at the technical or diploma level with universities gradually offering degrees in agricultural science and agricultural economics, particularly in the more regional universities. Of course, the universities were offering degrees in physics, chemistry, veterinary science and agronomy and in many disciplines relevant to animal production, including for example, immunology and virology, where, as I have said above, there was a spill-over into human health.

The Bureau of Agricultural Economics (BAE) was established in 1945 (adopting the US model) on the advice of Sir John Crawford at a time when the agricultural and pastoral industries accounted for 80% of Australia’s exports. The Bureau was then mainly concerned with researching the economics of production, commodity analysis and examining farm support policies. Much of its early work was on soldier settlement schemes; the administration of domestic pricing arrangements (such as cost of production formulas); cost-benefit examination of dam building and other proposals; the initiation of farm economic surveys on farm financial conditions and profitability; and some assessment of social conditions and the welfare of farm families. As early as 1957 the BAE was examining the implications of the establishment of the then European Common Market on world agricultural prices and also of US farm policies. The BAE had, and continues to have today as the shrunken Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), regardless of attempts by politicians of all persuasions, to deny the right to independent publication of its findings.

Together with university agricultural economists, the BAE consistently queried the advisability of subsidisation schemes which were shown to be self defeating. For example, the result of charging domestic buyers of wheat a higher price than that gained on export markets
(the home consumption price), was to lift the cost of production of our intensive livestock industries and domestic food manufacturers, a cross subsidy effectively funded by consumers. Some of these industries also sold their produce abroad at lower than domestic prices to earn foreign exchange, for example dairy products and eggs into the 1960s. By the end of the 1960s, the emphasis in Australian agricultural policy had moved from increasing, improving and subsidising farm production, to confronting commodity price collapses resulting from highly subsidised world agricultural production and consequent surpluses and external economic shocks. Much of Australia’s subsidisation was capitalising into land prices and limiting autonomous adjustment. Governments started to place an emphasis on farm adjustment assistance. What had been the wholly understandable subsidisation, protection and cosseting of the farm sector as Commonwealth and State government policy in the late 1940s, 1950s and 1960s came under greater scrutiny.

In 1968–9 some $58m was being spent on agricultural scientific R&D: $25m by the CSIRO including some farmer levies, $27m at State level ($21m by State governments) and $6m by universities.

In 1972 an ALP Commonwealth Government was elected for the first time since 1949. Due to international trading conditions, its own economic policies and profound doubts about the advisability of continuing all farm subsidisation and protection, it established the Industries Assistance Commission in 1974. This was to ensure that industry protection and subsidisation could be independently assessed, taking the economy as a whole into account, outside of the usual ‘clubby’ political process. It was a very significant step because the farm industries now had to openly justify the assistance they were receiving, rather than depend on deals cobbled together with the conservative political parties, with the nodding compliance of the then more than somewhat protectionist ALP.

The Whitlam Government cut tariffs by 25% which helped exporters, including agricultural commodity exporters, but this and a more economically based approach to farm policy was seen as ‘socialism’ by farm leaders. The then ALP Minister for Primary Industry, Senator Ken Wriedt, addressed poverty in the dairy industry where discriminating subsidies had kept some farmers in poverty. A cream subsidy was enough to allow them to eke out a living while they steadily and increasingly went bankrupt and exited the industry. Up to ten thousand dairy farmers were exiting the industry each year. He accelerated the instigation of sounder adjustment measures and funded efficiency measures to improve the financial viability of production.

The BAE had been studying the economics of the dairy industry and the poverty of its producers. The 1970s was the time when the general populace started to become more aware of the macro-economics of our budgetary settings and the micro-economics of industry policy.

In 1973-74 total agricultural R&D expenditure was estimated to be $64m, with up to 80% of the funds coming from public sources and most going to established industries. Topics such as the natural resource base; agricultural engineering; environmental concerns; cross-cutting and cross-sectoral farm issues, were still largely ignored. Regardless of this, by one measure research intensity in real economic terms from all funding sources peaked for agriculture in
While Commonwealth funding fluctuated at various times, it was State funded research expenditure which has declined more steadily in recent years, especially since the changes introduced in 1985. Our cities put enormous pressure on State governments to limit expenditure to assist agriculture. This has been critically important because, as a group, the States have always invested and still invest the largest overall level of Australian expenditure in agricultural research.

The Coalition Fraser Government (1975-83) gradually adopted a more economically sound approach to farm policy by winding back subsidies and protection, examining the structures of marketing and emphasising adjustment and competitiveness. Few, if any, of the Whitlam Government’s measures were repealed. At Commonwealth level, more Rural Industry Research Funds (RIRFs) were established. It was this initiative that I was able to build on. Producers of thirteen commodities were levied to contribute funds for research with an additional non-statutory arrangement for wine production being made. The RIRFs were the recipient of funds from the Commonwealth; primary producers in each RIRF board had the task of deciding which research providers for the programmes and projects being evaluated were to be funded. In 1982-83 it was estimated that $42m would be spent by the Commonwealth Government on agricultural research and development (R&D) and that agricultural and veterinary chemical companies additionally would spend $13m. These predominantly multinational companies have now all but disappeared in terms of expenditure on uniquely Australian research.

However, the amount being spent was less in real terms than it had been eight years before, having declined markedly since 1976-77 and being only partially offset by the States. The estimated total Australian expenditure in that year had been $132.1m. Commonwealth extension services, minor as they had been, ceased during this time. The Commonwealth State Extension Grants (CSEG) system had a great deal of influence in stimulating State based extension and was sorely missed when it also ceased. The absence of a national extension forum of any note amongst Australian Agricultural Council (AAC) standing committees left relationships between the Commonwealth and the States on a bilateral footing; competition was encouraged, often counter-productively.

There were some other bodies relevant to agricultural research and development during the Coalition years 1975-83. There had always been various councils and consultative groups established to advise government at domestic and international level. One of these was the Consultative Group for International Agricultural Research (CGIAR), whose advice, I believe, resulted in the formation of the Australian Centre for International Agricultural Research (ACIAR). This organisation links in with the world’s specialist agricultural science centres such as ICRISAT (sorghums and millets), IRRI (rice), CIMMYT (maize, wheat), and ICARDA (dry-land agriculture, whose headquarters in Syria have been destroyed in the civil war there, as I write). ACIAR mainly targets developing countries in our region and is financed as part of Australia’s development assistance programme. Australia is a contributor to the international agencies and it has recently been estimated that up to 86% of Australia’s wheat varieties have come from CIMMYT’s genetic material (international transfer of research). With wheat breeding, there has always been many ‘cooks’ involved in the ‘cooking’. Australia also

143 Returns to Agriculture from Public Research between 1953 and 1994, John D Mullen, NSW Department of Agriculture, RIRDC 1996. Figures vary greatly; one tabulation showed that the expenditure of the RDCs grew from $56m in 1984-85 to $264m in 1993-94.
contributes to the global seed vault of the world’s genetic plant material held on a Norwegian island in the Svalbard Archipelago located half way between the north of Norway and the North Pole. The collection holds some of the remaining examples of the wild races in nature of our major food crops.

As noted above, there is also a spin-off for agricultural scientists as they learn from international experience and gain knowledge that can be used domestically. By having research expertise in Australia, we are also able to engage with both public and private sector research organisations overseas as well as interrogate and freely adapt available public research findings. For research to be effective in Australia requires that our researchers be ‘in the game’, be specialised and at the forefront of thinking and discovery. Otherwise we go backwards regardless of those who ignorantly say that ‘charity begins at home’.

There had been some discussion in the 1970s about the distribution of benefits of research coming back to producers. For example, it had been estimated that a 10% reduction in unit costs in the citrus industry had resulted in a $66m gain to the economy, but nowhere near this much for citrus growers. The notion of ‘pass-back’ has always clouded the debate about farmers contributing to research and statutory marketing organisation levies and driven the idea that research should be increasingly applied rather than basic, much less ‘blue sky’. However, the problem with limiting research means that more generic commodity or industry wide problems may not be addressed and the fact that it is often the case that basic research has to be built on to make the most progress. The question is always about balance, experience and continuous learning.

If it is seen as necessary to define research in separate ways it is quite simple to work out where the bulk of basic or blue sky research should be carried out. In Australia’s case this should be by the CSIRO and in some of the more capable universities, but not exclusively. For the universities this is dependent on establishing adequate resources (human and capital) to maintain a post-graduate train of professorial supervisors and students. For the rest, I believed in pursuing whichever direction the researchers are led, subject to strong, accountable peer review. I have never believed that politicians, agri-politicians or accountants should determine research expenditure or choose research programmes and projects on a day to day level.

Cost cutting governments generally fail to take function into account.

Through the late 1960s into the 1970s academic and professional agricultural economists had developed a consensus about the necessity of specific policy changes. The IAC had built up a large store of advice which provided a sound basis for policy change which, regrettably, had been ignored by the Fraser Government, often because of farmer organisational pressure. Dairy policy was a case in point where a bad situation was made worse. At the same time scientists and researchers were very frustrated with what they regarded as deleterious farm practices, disregard with respect to the resource base and the slow uptake of proven techniques.

Because of the nature of conducting research, reviewing to improve processes and the research working environment is necessary. But this can go too far. The CSIRO tended to be reviewed often, mainly on political whim or on the basis of the ideology of the government of the day. From the 1970s, the CSIRO has gone from 80 divisions to 11 ‘flagships’ and is moving to nine (2013), this move being to combat the trend to research ‘silos’. No doubt the number of flagships/divisions is now ripe for expansion? In public administration what comes around goes around. The constant reviewing process eased for a while but became worse as re-badging and public relations approaches were increasingly used by governments to assure the public.
that they were doing a good job. This was akin to CEOs of private companies needing to put their imprint on the organisation, as economy wide change, external change and government policy changes were addressed. In some cases, at the private sector level as take-overs proceeded, research expenditure was cut to improve the firm’s bottom line, that is, its profit, and to boost shareholder value, boost quarterly reporting results etc. These tendencies, along with a loss of corporate knowledge, have increased beyond my time: the short term view prevails.

It was also during the Fraser era that some of the tiresome debate on whether or not agricultural and other research should be basic, applied, tactical etc, was initiated. This continued into the 1980s and is still not resolved. The word ‘transactional’ research is now used to avoid unhelpful categorisation. Further, there has been a push to commercialise research and adopt corporate models of intellectual property, licensing, royalties etc, often before full development and often at the expense of a focus on more basic or blue-sky research. The Uruguay Round of trade negotiations gave us new international rules for trade in intellectual property (TRIPs). It is my considered opinion that this only benefits the richer nations; the whole issue of patent rights as it is now practised is an outrage\textsuperscript{144}. Further the cost of maintaining intellectual property by maintaining patents is often not worth the expense; copiers can often avoid paying by, for example, changing one molecule in an Intellectual Property (IP) protected chemical.

The concept of diffuse private benefit let alone public good research seems to have escaped too many policy makers, right wing ideologues and adherents to the business paradigm, especially. The debate on genetically modified organisms (GMOs) in the case of plant breeding was, thankfully, muted in the 1980s. I did not have to put up with the nonsense spouted by the ignorant or the vexatious on this issue.

**Changes 1983-91**

Firstly, it needs to be said that there is nothing comparable elsewhere to Australia’s agricultural research and development corporations (RDC) model as it developed during the Hawke/Keating years. Many nations wish they had it. The Canadians have been interested in adopting it but farmers in the Provinces have been unable to agree; the Americans largely regard it as socialism.

A joint management review of the administration of research schemes in the Primary Industry portfolio was carried out by the consultants, Urwick International P/L, and reported in May 1983. At the time there were two trust funds (for wool and wine) two research councils (for wheat and barley), ten committees for various commodities and a Commonwealth Special Research Grant mechanism. For wool, meat and dairy, secretarial support was provided for research by the statutory marketing corporations backed by a ‘shadow secretary’ from the Department of Primary Industry (DPI), which provided secretarial services for all other committees.

The general findings of the review were that the current arrangements made for a passive approach to research in that committees selected projects from grantee’s submissions, or to suit research providers. There was no pro-active attempt to define what should be researched. In addition, the report concluded that value for money considerations were lacking in the selection of projects. The Review also found that the DPI should divest itself of the

‘administrative distraction’ of providing secretaries to committees. There were four pages of recommendations and observations in all, many being essentially critical and highlighting little concern for the concept of the need for strategic objectives. It was recommended that a task force be set up to implement the recommendations and this was done in DPI.

I also inherited the Balderstone Report into Agricultural Policy, which had just been delivered to the Fraser Government. It was a strong advocate for agricultural research expenditure even though it emphasised directing research to areas of highest likely return. I had some doubts about this on the basis of the picking of winners by outsiders.

The DPI had been advocating reform in statutory marketing to the outgoing National Party Minister, Peter Nixon, for it was obviously abundantly sensible to go down this path. However, the farm sector was in crisis following two to four years of intense drought, particularly in the eastern States but also in parts of Western Australia. When the Hawke Government set about reforming the economy overall instead of applying short term band-aids, the farm sector at organisational level decided that moves to improve economy wide efficiency and international competitiveness by restructuring and deregulating the economy unfairly discriminated against it.

Examples of the broader economy wide policies were the floating of the Australian dollar in December 1983, and later, deregulating the financial sector to some degree, cutting secondary industry protection, and pushing for freer or fairer agricultural trade (with the formation of the Cairns Group). Farmers did not accept, or chose not to understand at organisational level, that many if not most of their problems were the result of a fall in returns from declining commodity prices on distorted world markets characterised by massive subsidisation and fierce protection measures which we could not match. (Perhaps I should have analysed subsidy per farmer rather than be intimidated by the many $billions being spent by our competitors?) One way of dealing with the international trading and economic situation, as far as agriculture was concerned, was to invest more in research to make us more competitive.

Any industry minister has to deal with the fact that policy making occurs in a contestable and adversarial environment. The key co-ordinating departments of government are Treasury, Finance, and Prime Minister and Cabinet, all of which in major or lesser degree were/are opposed to large research expenditure, particularly when annual budgets are being formulated. They were the main proponents of the push to purchase research overseas, taking the view that as the Australian economy was and is so relatively small and that much of our manufacturing industry is derived, the multinational companies would rapidly take over our intellectual property. Ministers as a rule are persuaded by rational argument but my colleagues, and the relevant ministers I discussed research proposals with, luckily, were not stridently opposed to agricultural research expenditure, but were questioning.

There was little appreciation of the fact that agricultural and environmental research can capture the benefits in Australia because of some of the unique situations we were dealing with. Even the Minister for Science in the 1980s, my friend, Barry Jones, believed that because agriculture’s proportion of GDP was declining, less money should be spent on agricultural research. I could sympathise with this from his point of view. Barry was fighting hard for more funds for the CSIRO and scientific research, generally, and also to fund research in areas of rapidly increasing importance to the Australian economy. Interestingly, however, as late as 1988, 70% of CSIRO activity was still directly concerned with the agricultural sector. What was needed was increased funding for research overall. Increased funding for agricultural (primary industry) research may have allowed some resources in the CSIRO to concentrate on new
demands? In any event, the Expenditure Review Committee of Cabinet (ERC) treated Jones wickedly in my opinion: the more he argued the more dollars he lost.

There was also opposition by some scientists to the building of the Australian Animal Health Laboratory at Geelong in Victoria because live Foot and Mouth disease virus was not to be housed in the premises (and still is not as far as I know). Luckily, the contracts had been signed for its construction and, after all these years, it remains the most secure animal health laboratory in the world and engages in research into some of our most virulent human diseases.

To keep agriculture competitive on world markets requires ongoing research, and thereby expenditure, in what remains a sunrise industry. While it is true that research in many industry areas is rapidly transferred overseas, it had been demonstrated that research into Australian agriculture and the environment can be captured here because of Australia's uniqueness or difference. The research findings of other industrially developed and developing nations such as India, are freely available and it is essential, as I have said above, for Australia to have researchers capable of taking advantage of them. As I have also said, there are many trade benefits in having respected scientists and administrators with international reputations. As well, we often have to address research challenges with our neighbours and other countries, for example highly transmissible virus diseases and plant and animal invasions.

**Research Administration at First**

My activities in the research area in 1983 were restricted to signing off on the programme and project selections being put up to me by the various research committees and the Commonwealth Special Research Grant (CSRG) mechanism under the prevailing legislation. Some 35 projects were granted funding under the CSRG process for 1983-84, mainly for minor crops but including soil erosion, mechanisation and remote sensing. While not strictly commodity research based proposals, funding was also made available for such things as a screw worm fly research programme in Papua New Guinea, the drawing up of biological control legislation, and for food standards with the States. Legislation for biological control was introduced in June 1984 to resolve any legal uncertainty about the release of bio-control agents.

In 1983-84 expenditure on research for the major commodities of wool, meat and wheat were $20.8m, $11.8m and $3.4m, respectively. The expenditure on wheat research was extremely low because the 1979-83 drought had limited farmer contributions. In the 1984-85 budget funding for the CSRG was raised by 80% to $0.5m, which hardly seemed much for the 56 projects I approved in areas not covered by the RIRFs. However, it demonstrated that small amounts of funding in well-defined projects were or could be of value.

In 1983, my focus was on reforming the Australian Meat and Livestock Corporation (AMLC) as well as on industries in crisis. The restructuring of the red meat industries’ administrative arrangements were meant to serve as a template for both marketing and research reform (see the chapter on the red meat industries). In October 1984 I announced that an Australian Meat and Livestock Research and Development Corporation (AMLRDC), commencing on 1 July 1985, was to be established along with an Australian Meat and Livestock Industry Selection Committee and an Industry Policy Council.
By 1983, the arrangements in the various RIRFs had become inconsistent. The industry levy was theoretically approximately 0.1% of the estimated gross value of the product (GVP) concerned. It amounted to 25 cents for a tonne for wheat, which was the equivalent of 0.17% of the GVP. For wool it had become equal to 0.5 per cent which became the benchmark used for subsequent arrangements. Horticulture had been left out of research activity because, except in three instances (dried vine fruit, canned fruits and apples and pears) there was a lack of organised research arrangements beyond the three SMAs in an area of production where there were scores of separate and or multi-crop industries (see horticulture chapter). The existing three SMAs and dependent farm suppliers in the three horticultural industries were generally, absolutely opposed to any change. Any research, beyond the three, was provided by the States and the CSIRO, which at the time was strong in horticultural research.

Although I was able to secure increased funds for research through the budgetary process, (up by $10m each year), it was apparent that this was inadequate and that reform had to be more sweeping and based on common guidelines for the various commodities and for commodities not already covered. Funds were being signed off by me as Minister on a very small project by project basis. It was illusory to imagine that I could have input into what I was approving. By 1985 the current Commonwealth contribution to research averaged approximately 0.2 per cent of the GVP for all industries receiving Commonwealth funds.

**First Reforms**

On 3 February 1985 I announced the Government’s decision for a major upgrading of the arrangements for agricultural research. The by then 14 RIRFs were henceforth to be administered by research councils (except the AMLRDC) and the CSRG would become a statutorily based Australian Special Rural Research Fund (ASRRF). The objectives were that each research body be as autonomous as possible; be made up of highly skilled people; have clearly identified goals which were to be encompassed in a five year strategic plan, developed in consultation with the industry and approved by the minister; and that the members were to be selected by a statutory selection committee. The chair and government appointee on each council was to be selected by the minister. In a way I was moving the minister of the day to being more at arm’s length and hoping to set in place a structure which gave industry a better chance to set overall strategic goals from a goal oriented, outcomes directed perspective.

To quote, the objectives of the research councils were:

> To increase commercial returns to the industries concerned by improving the production, processing, storage, transport or marketing of relevant agricultural commodities. The councils will seek to achieve this general objective by clearly identifying specific research objectives by setting priorities for the promotion and funding of research and development, and by establishing research programmes which will meet with the specific objectives.

The boards of the research councils were to be of five to nine members including the chair and the government member. Active involvement in the industry was no longer to be the main selection criterion for board members, but they would have:

> Relevant expertise and experience (which) includes commodity production, processing, and marketing, science, technology and technology transfer, economics, administration of research and development, finance and business management.
I realised that my technocratic approach to have the best expertise on research boards had to be balanced with allowing them to be somewhat industry driven on the basis of needs - this to increase the likelihood of adoption and to ensure that a greater prominence for RD&E to industry generally could be emphasised. On 28 February 1985 I announced that the Government had decided to substantially increase the maximum level of Commonwealth contributions to agricultural research under the RIRFs to 0.5 per cent of annual gross value of product (GVP) over five years. This was to allow a more adequate and predictable contribution to research expenditure by reducing the impact of the seasonal fluctuations of the farmer tax deductible contributions. It was hoped that industry would realise the benefits of increased Commonwealth funding and contribute beyond the matching 0.5% the GVP. This did not occur in practice other than in one or two industries.

The council model was a compromise. While it was in the mind of the DPI and particularly Deputy Secretary, Geoff Miller, and me to consistently move to a corporate model, it seemed that the half way step to a council structure, while each industry’s marketing and other problems were addressed, was prudent or timid? Miller had had charge of the review and reform of the AMLC and was wedded to the corporate model. Some problems with the Australian Meat and Livestock Research and Development Corporation (AMLRDC) in its project selection had caused other industries to stiffen their opposition to the corporate approach. However, Geoff was moved from DPI by the Prime Minister in 1984 to head up the Economic Planning Advisory Council (EPAC) and his drive did not continue in the Department. I do not blame the DPI for not pushing the corporate model harder with constituents but do not know if I would have changed my mind about the path taken, if I had the time over again.

The whole rationale for a corporate not a council model was for the administering board to have a greater degree of autonomy, be expertise based and be able to engage in contracting. As such it could portray the farmers as shareholders so as to try to find a better way of establishing farmer priorities.

At the Outlook Conference in January 1984, Geoff Miller as head of EPAC, advocated a network of rural R&D corporations covering all rural industries. This was neither ignored nor acted upon by department officials in terms of any advice coming to me- it was just taken on board. Perhaps I was too prudent in only going half way? On 6 August the annual Commonwealth DPI budget appropriated an additional $11m to research totalling $68m for 1985-86. Funds under the now ASRRF increased to $0.7m. However, we were not keeping up with the demand emerging.

On 2 July 1985, I released a compendium of rural research and development which was designed to improve communication between research workers by providing information on all current projects within the purview of the portfolio.

Most important was the decision to amalgamate all the RIRFs within one Act: the Rural Industries Research Act of mid 1985. The Australian Wine Research Institute and the Fishing Industry Research Committee were still to one side of the arrangements and the AMLRDC, formed from 1 July 1985, was retained, in the knowledge that negotiations had begun for a research corporation for horticulture, eventually achieved in 1987. Earlier in April 1985 I had announced that research council board appointments were to be streamlined. In October...
1985, following the passing of the bills through the Parliament, I was able to announce all
administrative procedures under the new regime and the levy rates to be paid by farmers,
where in some cases, the industries had volunteered to pay more, unmatched by the
government.

One aspect of the changes was the introduction of a statutory selection process for the
appointment of agricultural R&D boards. I want to emphasise that this was motivated by two
calls. The first, and most important, was to try to ensure that we got the very best boards
possible, without encouraging an organised producer revolt, and without political
involvement. I thought it would be advantageous to appoint board members with specialist
scientific and other relevant expertise. I realised that some, if not most appointees, would have
political persuasions different from mine but this was the nature of the industries the boards
were to act for. More important was that they were the best specialists available: I wanted the
best specialists on boards so that they could ask the most searching questions of researchers
and so that they could use their knowledge and networks to advance the work of the body they
were serving. But then producers were ostensibly contributing up to 50 per cent of the funds
available for research so had every right to be on the boards. What was needed was a mix of
expertise and practical experience. Perhaps agri-politicians and producers would see that a
producer majority was no longer absolutely necessary and that expertise in research and a
wider strategic focus by boards would lift their game.

Secondly, the objective was to set the scene so that friends of the government of the day, or the
usual suspects, or the people with greatest prestige, but not necessarily the greatest expertise,
were not selected. Members of my political party put pressure on me to appoint certain
individuals. One or two people suggested to me I knew to be either vexatious or mates of State
ALP branches, or both. Being of a (rare - now extinct?) non-factional, independent species of
the Labor Party, I was opposed to patronage, much to the disgust of some of my peers. Some
of these people may well have proved to be more than adequate, and we would have helped to
train a broader range of people in research administration than we were likely to get, even with
a selection committee process, but that was not the point. To accept them would have involved
me taking purely political decisions and being subject to the accusation of jobs for the boys (an
appellation which never seemed to bother the conservative side of politics).

Because I was more interested in trying to get the best people possible onto boards than in
their political affiliations, by and large there was improvement, not that it was particularly
measureable. I realised that when the inevitable change of government occurred, organised
farm pressure would ensure that the National Party, would claw the arrangement back. They
did; farmer organisations never give up in their quest for control of statutory marketing and
research organisations. There will always be arguments about government appointments to
boards. For example some will argue that appointment to the board of the ABC should remain
with the government of the day and that it lives with the consequences. Others will argue that
there should be selection processes. Given that both sides of politics wish to stack this board
with people of their ilk I do not see the argument going away.

On 6 November 1985 I announced the composition of the core Research Councils Selection
Committee. It comprised a chair, a representative from the Australian Agricultural Council
and the National Farmers Federation, a person with scientific expertise and, when selections
were made for a specific council, three industry representatives nominated by a designated
relevant industry organisation. The crucial decision was the selection of the actual boards of
the 11 councils which were subsequently established. I appointed Dr Kevin Foley as chair, who
carried out an exacting job exceptionally well, reporting to me when necessary. I had known
Kevin from the days when he was studying for his PhD and worked with him in the BAE. He eventually became a Liberal politician in Victoria. The Grain Legumes Research Council was the first to be announced on 13 February 1986 with the rest being formed through to April 1986.

It took some years to convince the sugar cane growing industry to accept the additional money now available because it was quite happy with its own in house research arrangements and told me that, apart from plant breeding, there was nothing more to research. I spent some time trying to convince its representatives that the dreaded socialist government which I represented was happy to double the money they had been spending on research. The Bureau of Sugar Experiment Stations had been established in 1900 and the industry was happy with that. It had carried out valuable research but when I visited one of its stations, the concentration was on essential plant breeding. The sugar milling sector had another arrangement more concerned with engineering questions. The sugar cane growing industry was a most difficult one to negotiate with (see Chapter 12, Sugar), because its mind-set, at the time, was established by the style of Queensland’s Bjelke-Petersen National Party Government. This can be characterised as national/socialist, corrupt in its failing years and hostile to anything emanating from Canberra. The industry eventually understood that there were indeed additional issues to research such as nematodes, disease and weed control, yield decline, mill efficiency, green harvesting etc, reluctantly took the money and became the twelfth council to be appointed.

The Commonwealth’s matching funding arrangement of 0.5 per cent GVP, meant that, over time, funding was greatly expanded as the new councils came into being. Industries could levy themselves more if they wished, and some did. The Department of Finance (DOF) never forgave me. Accountants do not understand the concept of ‘investment’ or that some spending can bring increased income to tax. I guess that DOF was only doing its always short term directed, closed minded job. I fully accepted that as the Commonwealth’s expenditure on research rose, there would be a need to evaluate its benefits. However, I never thought this was only a job for accountants and economists.

It always seemed that no matter how hard I tried, no matter how many speeches I gave, no matter what I said in the Parliament, I was never able to convince the primary production sector that it was part of an economy wide scene and that it was hamstrung by international forces as well as by devastating direct international trade price effects. The 1980s was a period of transition during which globalised financial markets became dominant. In a pluralistic society, in our kind of political system, interest groups tend only to be concerned with their immediate predicament. This was understandable but the National Farmers Federation had dealt with the rural crisis of the mid 1980s as if the Government’s overall, long term economic reforms were only directed to victimising the agricultural sector, particularly regarding the costs of farm inputs. How much of this was responding to the demands of its members, or was ideological, I could never fathom, but I knew that the Government had to hold its nerve. The facts were incontrovertible. The terms of trade for agriculture and resources had fallen from 106 in 1979-80 to 74 in 1985-6, if one set 1980-81 as the index at 100. Australia was spending 1.2 per cent of GDP on R&D expenditure in 1986, compared with, for example, the US, Japan and Sweden, which were each spending 2.8 per cent.

If we had applied short term bandaids, re-instituted subsidies and protection, or disadvantaged other sectors of the economy, the agricultural sector would only, eventually, have been even worse off. I did not support the elimination of the manufacturing sector as being urged at the time. To try to quieten the demands of the farm sector, I issued a very
comprehensive 89 page document, *Economic and Rural Policy*, in April 1986. The broader macroeconomic picture was laid out as was an analysis of the causes of the sector’s current difficulties. One chapter emphasised technical progress and innovation and the essential role for research. By this time it was estimated that the Commonwealth was spending $220m directly on primary industry research (mainly in the CSIRO and through the RIRCs). In addition funds were also being spent on soil and water research; a 150 per cent taxation incentive scheme for research and development for the private sector had been introduced; $1.5m had been provided for the development of the Australian Network of Plant Genetic Resources Centres; and Plant Variety Rights was in the process of being introduced. This was to have uncomfortable implications for public wheat and cereal breeding; uncomfortable for me and public cereal breeders.

In July 1985 the DPI made a submission to the Australian Science and Technology Council’s review of public investment in R&D in Australia. The submission was extensive, documented changes underway and government thinking on possible future arrangements. It stressed cost benefit analyses and itemised much of the published material on the rationale of and gains from the investment for the agricultural sector.

The establishment of the Research Councils proceeded smoothly enough and there were not many complaints about the boards once selected. The Department carried much of the industry by industry negotiations and explanations of the details and the Government’s policy goals. By 1986-87 the real growth in agricultural research and development expenditure, industry by industry, was 2.6 per cent annually (the range by industry being 2.2 per cent to 3.6 per cent) with a total of $478.2m nationwide. This does not take account of CSIRO spending which is difficult to assess in areas other than in conjunction with the RIRCs, for example on natural resource management.

I had been concerned about previous inconsistencies in the Commonwealth Government’s approach. This problem was not resolved by the implementation of the research council model arising from the differences in the various industries, the time spent in negotiation, resistance to change and those established practices which were hard to remove. The carrot of extra funding was of some but not enough assistance. Five States had wheat and barley committees which wished to continue to regard each State as different. They negotiated to continue the allocation of State raised funds for research while the research councils at Commonwealth level allocated dollar for dollar matching funds. This was a messy process, if you had a tidy administrative mind.

Further, the wool research programme continued under the aegis of the Australian Wool Corporation, consistent with the wool industry’s independent self-perceptions. Fisheries research, via the Fishing Industry Research Council, was lifted to one per cent of the GVP by the Commonwealth so that existing levels of funding were maintained. The new Grape and Wine Research Council was given statutory footing under the Rural Industries Research Act.

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146 *Economic and Rural Policy*, AGPS, Canberra, 1986.

147 Deputy Secretary Noel Fitzpatrick, Peter Core, Alan Newton and Richard Price became the key people, Alan and Richard more on a day to day basis. I also remember Ian Cumming from the BRR and departmental officials such as Carolyn Rattigan and Rick Pickering carrying out a lot of the hard work. Jim Starkey and Frank Meere were two other people I recall. Tony Gleeson was absolutely crucial in thinking the issues through and analysing what was being proposed. Marie Keir, also on my personal staff, was also heavily involved in research matters from 1989.
1985 but continued to administer funds from the Grape and Wine Research Trust Fund, as well as receiving matching Commonwealth funding.

The research council approach, as bedded down, was the best that could be achieved at the time and largely met industry wishes, but was inconsistent if the objective was conformity. It still did not represent the best reform achievable and cross-sectoral issues were still largely disregarded. I was aware of some disagreements within the Department; some senior officials may have been too close to the industries they were serving and shared their perspective.

On 25 February 1987 I announced my intention to proceed with new arrangements for the horticulture industries in an address to the Australian Nurserymen’ Association. I made it clear that I was pursuing a two corporation structure, with one for R&D. By this time some assistance to horticulture was being given through the Innovative Agricultural Marketing Programme, which I had introduced, and $1m had also been allocated to research to overcome quarantine barriers which were thwarting exports.

On 23 March 1987 I announced that Dr George Rothschild had been appointed as the inaugural Director of the new Bureau of Rural Science (BRS). The BRS proved invaluable in many areas including examining the organisation and funding of research for the rural industries. I was concerned that other countries might start experimenting with some of Australia’s native germ plasm in the floricultural area: blue waratahs, purple flannel flowers? Dr Rothschild was a plant crop specialist and later became the head of IRRI, based in the Philippines, where again he did a superb job.

The BRS, which included a National Resource Information Centre and a National Forest Inventory, was a scientific version of ABARE, was within the Department but was not empowered to publish its findings independently. This was because it did not carry out research as such and when set up was directed to the task of advising me on who the experts were in various agricultural disciplines and for them to put together consolidated advice on fisheries, drought, chemicals, micro-biology, genetically modified organisms, or whatever. I wanted current scientific advice, quickly, not discussion about probabilities and where additional research needed to be carried out (always the case). At first, the senior people in DPI were reticent to appoint their best people to the BRS, but it is today one of the strengths of the now shrunken Department, given that bio-security, natural resource management and social concerns are vital issues for agricultural policy. The BRS, eventually, co-ordinated and carried out some research, before it was merged with ABARE, well beyond my time.

Following a report by Professor Alec Lazenby, Plant Variety Rights (PVR) was legislated against the wishes of established State plant breeders and the environmentally concerned community, some of whom in Tasmania promised that ‘bats would drop from the skies, streets would crack and rivers would run with blood’. Strangely, none of these things happened. My motivation was to have a plant register and a process for assessment primarily so that gene pools could be shared (particularly in wheat and other cereals), and that access to horticultural and floricultural varieties from overseas could be facilitated. These were being denied to Australia by other in-country PVR arrangements and this was also denying Australian producers export opportunities. International demand changed quickly, for example, deep red apples were favoured in the Japanese market and then paler varieties. BRS was responsible for the initial register for plants holding or gaining rights.

Following the ALP’s win in the 11 July 1987 general election, the Department of Primary Industry was expanded to take in the Department of Resources and Energy and became the
Department of Primary Industries and Energy (DPIE). This involved the portfolio being responsible for the largest proportion of Australia's exports, by far. As well as coming to grips with Australia's mining and energy industries, it also involved more work on trade negotiations. The portfolio was shared with my friend, Peter Morris, with me retaining responsibility for a larger proportion of agricultural issues, including agricultural research and development and marketing. Direct appropriation to the RIRFs rose to $48.9m with additional research funds in other parts of the portfolio such as reforestation, as a result of the 1987-88 Budget.

Graham Evans became head of the new Department on 24 July 1987 with Geoff Miller now being shunted to Foreign Affairs and Trade, as Associate Secretary, principally in the trade area, but particularly on the Uruguay Round of Multilateral Trade Negotiations. Geoff returned as Secretary of DPIE on 1 September 1988. He had not forgotten about R&D. We were still negotiating with the horticultural industries for an Australian Horticultural Corporation and a Horticultural R&D Corporation in mid 1987. If the sugar industry had not been so stubborn, it could have had a Sugar R&D Corporation, and the additional funding, well ahead of when it was finally established. Horticulture was just as difficult and the negotiations were drawn out.

On 30 September 1987 the BAE was amalgamated with the Bureau of Resource Economics to form the Australian Bureau of Agricultural and Resource Economics (ABARE) as a result of the departmental amalgamation. Dr Robert Bain became the first Director and the Deputy Director was Terry Larkin from the Department of Trade. The BRS was renamed the Bureau of Rural Resources (BRR) to reflect the broader portfolio and its in house research needs. The BRR started to carry out some research, particularly in fisheries and forestry.

The RIRF’s/R&D councils were gradually increasing expenditure budget by budget as the Commonwealth matched producer contributions (which were subject to tax deductibility). However, it was still a small proportion of the total being spent from all sources, some of which could not be estimated accurately. In 1987-1988 an estimated total of $548.2m was spent on agricultural fisheries and forestry research and development within 21 categories. Within the DPIE portfolio, this totalled slightly more than $126.6m with $5m also allocated to energy research. This was still outweighed by State government expenditure of $232.6m, followed by the CSIRO's expenditure of $125.8m and $55.6m by higher education institutions. By 1988-89 DPIE's direct agricultural R&D expenditure was $134.2 but there were other areas of research of benefit to agriculture such as in energy and, specifically, education.

In late November 1987 three bills for horticulture passed the House of Representatives after many months of negotiation. The bills were to establish the Australian Horticultural Corporation, the Horticulture Research and Development Corporation and the Horticultural Policy Council (see Chapter 14, Horticulture). The corporation model as established earlier with the red meat industries had by this time been shown to work well, though I had some

148 I believe we would have made faster and more consistent progress in the area of research and development if Geoff had stayed from the date of his first appointment because he was the main driver of and brains behind the reform of R&D arrangements.

concerns about the directions taken with research. Basically there was still too much emphasis on marketing and advertising R&D as decided by the first board of the AMLRDC.

The most significant event of 1988 was the May Economic Statement. It pushed for general tariff reductions and business taxation reform, both of which applied to the industries we were responsible for. Emphasis was again given to the importance of R&D. Peter Cook, now the Minister for Resources, and I had commissioned an Industry Development Review in the 1987-88 budget and at the time of the May Statement we issued a comprehensive (78 pages) document, Primary Industries and Resources - Policies for Growth. It analysed the financial situation of the farm sector and outlined 45 initiatives for enhancing productive capacity; improving the efficiency of utilisation of productive capacity; more efficient services and infrastructure; managing structural change; marketing; and new opportunities. Tables were included to show the way extra funds for R&D had been dispensed and that funding by the Commonwealth had increased by 150% since 1982-83.

Major expenditure on research in the Murray Darling Basin was outlined as was research to be undertaken into salinity and soil conservation. A Natural Resource Management policy was to be developed and the National Resource Information Centre (NRIC) was also announced at this time. Both were to concentrate on in-house research evaluation and coordination of research activities in the areas of soil erosion, water and salinity management and reforestation.

This was the first time that I stated that we were moving to a grains research and development corporation concurrent with the next Wheat Plan. Special grants for horticultural quarantine research had been announced in March 1988. Work on approaches to the general task of how best to conduct research was ongoing; the key problem of identifying research priorities still seemed elusive but it would have been senseless for me or any one official to think we could have done it better.

The Primary Industry and Energy Research and Development Act, 1989 (PIERD)

Although the research councils were working well enough, the Government and I wanted to work with industries which were more determined to be innovative and flexible and to use new funding and management concepts. In 1988-89 there were 14 RIRF's, the ASRRF, the Fisheries Research and Development Trust Fund (FRDTF), three programmes associated with natural resource management involving some research, two corporations and the Wool R&D Council, which still had a degree of autonomy. The creation of the 'super' Department of Primary Industries and Energy and the return of Geoff Miller to the portfolio enabled us to look at agricultural R&D afresh. The idea was that a corporate model for all the primary industry research organisations would provide operational and financial flexibility including the capacity to enter into joint ventures; opportunities for the leveraging of public funds (more money); gain funds from licences, patents and royalties; and would encourage producers to commit more funds to research. Further, it was thought that the corporate approach would: stimulate the capacity to identify research gaps; enable research horizons to be broadened and become more contestable; facilitate the contracting out of some research; encourage new

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research providers; and remove the bureaucracy of departmental supervision by the appointment of full-time professional staff to each of the corporations to be established.

In May 1989 Peter Cook and I released a comprehensive 105 page document titled Research, Innovation and Competitiveness151. This set out the rationale to move from a council to a corporate model for the administration and funding of research for the agricultural industries, which were all resource based. It proposed 12 R&D corporations plus ones for coal and energy. It was the document that served as a basis for research policy and its administration well past my time and contained well thought through arguments justifying the need for ongoing agricultural and natural resource management research.

Two economic theories were at the basis of the arrangements associated with the corporate model subsequently explained to me by Geoff Miller. These were revealed preference theory (from a paper by the US economist, Paul Samuelson in 1938) and Pareto efficiency or optimality (from Vilfredo Pareto, 1848-1923)152.

Be this as it may, decision making about Commonwealth funding for research had always been hamstrung by the difficulty of judging utility. This could be because scientists were writing the research proposals and they worked in an academic bubble strongly reinforced by myopic peer review. Thousands of papers had been written on some topics but how many had been of use was the real question. How to make research contribute towards more effective expenditure decisions remained the challenge.

Geoff Miller, certainly (it was his rationale and he was crucial in what followed), and economists in the Department may have understood all the theory but I did not think it would have much attraction if I tried to explain it to lay audiences. Me? I just wanted to continually improve our administration of research and to try to find the best ways possible to achieve the goal of excellence. The eminent US economist Kenneth Arrow, also had an ‘impossibility theorem’ and I was reminded of this as I set about to drag the primary industry research organised horses back from the council trough to the corporate one. Having a ‘super-department’ also gave us the rationale for a new approach in a psychological sense with industry.

It was realised that in a decentralised market economy national production systems were determined by the revealed preferences of consumers, in this case, primary producers. These

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152 The first relied on the assumption that consumers (people selecting research programmes and projects) made decisions to maximise their utility. In other words it was a means to reconcile demand theory (based on diminishing marginal rates of substitution) by defining utility functions, by observing behaviour. Pareto efficiency was a way of solving an economic problem where many different parameters need to be changed to get one of the best possible solutions to the problem, that is, the selection of best research projects. Pareto efficiency is very simple: if there is no way of improving the situation of one person, without making that of another person worse off, it is not Pareto-efficient. There can be strong and weak axioms of revealed preferences and Arrow’s Theorem, that no theory can aggregate any possible set of individual preferences into a social preference in a rational and non-degenerative way, also had to be taken into account by the theorists.
preferences are not theoretical but practical preferences apparent only when practical decisions are revealed by practical 'purchases'. Of course, these preferences are far from perfect but they are better than those determined by a centralised commissariat, and any idea that there can be a simple market for something as complex as R&D is also seriously flawed. In some ways the corporate model was moving away from my ideas on the necessity for the pre-eminence of scientific expertise on R&D boards. In terms of an emphasis on revealed preference it was thought that if enough farmers could see the benefits of research, they would encourage their fellow producers to contribute more funds, beyond those available from the Commonwealth's matching grants up to 0.5% GVP. This eventually occurred with some corporations but not to the extent hoped for.

Thus the R&D Corporations came into being, not as government agencies, but as institutions with an original and unique architecture, where every component of the design was put there for a specific and important purpose. There were statutory selection procedures for specialist boards with sufficient producer involvement to attract better decision makers within the industries. It was closer to a clearing house than a market, but this too is an imperfect analogy. Further, it is conjectural whether farmers, fishers and foresters know what they want or if scientists know any better what industry needs. As noted, I always think it best to combine the 'best and brightest' with the 'old and bold', the experienced people. All one can hope for is that organisations free from shackles and composed of good people will become wiser and more effective over time?

Negotiations to form the relevant corporations began once the PIERD Act passed the Parliament. Part of the corporate structure was an umbrella Primary Industries and Energy Research Council, which met several times between 1990-92, under the chairmanship of Secretary Miller. Because many issues such as natural resource management, bio-control, bio-security, extension and a range of small industries were not likely to be specifically catered for under the model, a Rural Industries Research and Development Corporation (RIRDC), a Land and Water Resources Research and Development Corporation (LWRRDC) and an Energy Research and Development Corporation (ERDC) were established to be principally funded by government. All three bodies proceeded to leverage other public and private funds with alacrity and became astute in administering the research contracts on a project by project basis, eventually raising three times the initial, continuing Commonwealth grant. The RIRDC was empowered to recruit small industries to avail themselves of matching public funding if they could organise their industry to agree on a fair, implementable funding levy.

It was the intention that these more agriculturally directed corporations could also carry out across the board research (cross-sectoral and inter-disciplinary) and advance the idea of the public good including by attacking long term issues such as the soil and the land base to agriculture. This was because the relationship between land/soils, water, vegetation, food and fibre is a continuum and we had to establish some cross sectoral organisations as well as find a way to encourage small industries to put up matching funds for their benefit. Both RIRDC and LWRRDC became exceptionally effective over time. ERDC, essentially, researched mineral and energy matters, working with the then Bureau of Mineral Resources, but was of direct relevance to agricultural production in terms of energy efficiency, energy substitution, energy storage, bio-fuels production etc. The 'super' Department now had three research bureaux and three publicly funded corporations in its structure with some hundreds of researchers.

From the passing of the PIERD Act, eventually, came 13 R&D Corporations and the retention of five research councils for some smaller industries such as eggs. The existing councils
concentrating on cereals, oilseeds and grain legumes were merged into the Grains Research and Development Corporation (GRDC) making it the largest and what became the most effective agricultural research corporation. It is now spending up to $180m per annum and its strength is in its priority setting, programme and project selection, its extension activities, its working with local cropping groups and dealing successfully in embracing international research. The methodology used by the GRDC for research priority selection is the nearest one I know to achieving the concept of revealed preference. By consulting widely, including with agricultural consultants and by gleaning the accumulated wisdom of networks of industry practitioners, the GRDC achieves very well thought through research directions. At agric-political level, the grain industries are marked by disagreement and it is for this reason that I would not like to see the GRDC handed total industry control by a Coalition government.

I lost all control of what followed once I left the portfolio to become Treasurer in mid-1991. My successor, Simon Crean, was not as relaxed as I was about the arms length nature of the arrangements vis-a-vis the RDCs. Reviews followed in 1991 and 1993 (two) and agricultural research continues to be reviewed until this day. Other more general reviews, such as the Commonwealth’s Science and Technology Statements were dealt with by the DPIE and its three Bureaus as well as farm organisations, the CSIRO and the Australian Institute of Agricultural Science and Technology. Many other organisations and individuals continue to write on agricultural R&D. The ABARE produced a comprehensive case study in 1994 to re-establish the rationale for the public funding of research, a topic later followed up by the Productivity Commission (former IAC and Industries Commission) twice. I believe very few people, particularly or in detail, fully understood the rationale for the corporate model of 1989. Corporate memory does not travel from minister to minister, let alone from government to government. My former principal adviser, Tony Gleeson, certainly did understand and was a lead reviewer of the model in the 1990s, after I ceased being the responsible minister.

The farm sector now tends to favour that with which they are familiar, in spite of major changes by succeeding ministers and governments. There have been two major changes since my time but some common features remain. Part of this has been induced by the increasing sums of money being spent at Commonwealth, but not at State government level. It is one of the realities in a federal system of government that cost shifting occurs, but the State contribution is still large and provides much of the research infrastructure, which is regularly upgraded. If the Commonwealth agricultural R&D had not been established, I believe the States would still have cut back.

The Howard Government stupidly eliminated the Energy R&D Corporation and renamed the LWRRDC as Land and Water Australia (LWA). The Rudd/Gillard Governments even more stupidly eliminated the LWA. In today’s terms (2013) there is a realisation that food, land, water and energy are as one, yet some of the RDCs have been handed back to industry and remain focussed on commodities and are production based, when we need them to be more directed to cross-sectoral issues.

Further, a major issue with the RDCs is that the funds are specifically commodity based in most cases. This runs in the face of the fact that most of Australia’s commercial farms are engaged in mixed livestock and cropping and possibly other niche production. The GRDC has a wide range of grain, oil seeds and pulses within its purview but many of these farms would also have livestock. The answer to the question a more rational system is difficult to construct. But at least the GRDC, perhaps beyond expectation, has strongly backed weed research and has investigated the role of water and droughts. Perhaps more general types of production...
mixes, relating to broader issues where single enterprise type farms do not exist, could be funded?

Total, purely agricultural fisheries and forestry research funding, was estimated to be $337m in 1990-91 and the allocation of RDC funding to various research providers was estimated to be $230m in 1993-94. Although the primary producers never realised or will never admit it, the taxpayer still pays the lion’s share of research funding despite the matching levy they pay. This is basically because their contribution is tax deductible; one calculation was that the total taxpayer share of the investment was 82 per cent. The percentage depends on the profitability of various segments of the agricultural producing sector, annually. Most cost benefit studies show a range of gains from research and development from the quite small (but sometimes essential) through to the very major.

**Other Agricultural Research**

**The Cooperative Research Centres (CRCs)**

There were other arms to the Commonwealth’s research activities which were of value to agriculture and much developing from the seeds we sewed in my years as Primary Industry Minister. In the late 1980s Prime Minister Hawke established a Prime Ministers Industry and Science Council. Coming from this Council (the best Cabinet Committee I ever served on) and on the recommendations of the Chief Scientist, Dr Ralph Slatyer, came a co-operative research centre (CRC) model. This was designed to ensure that research effort could be collaborative, concentrated and communicated; that duplication could be avoided; scientists and industry understood each other better; tertiary education could be better focussed; and so that the private sector would contribute more to research encouraged by the 150 per cent tax deductibility concession then in place for such expenditure. Eventually some 65 or so co-operative research centres were given grants as core funding over seven to, possibly, thirteen years or even an unlikely eighteen years. The submissions from interested parties were/are from a wide range of industries, such as health, food processing, metal castings, and aeronautics. Successful bids also covered Aboriginal issues and those related to major environmental questions, such as the Wet Tropics and the Antarctic.

Each proponent of the establishment or continuation of a CRC has to survive a rigorous interview on the basis of criteria set by the government of the day. The core funding amounted to approximately $2.5 to $3.5m per annum; other contributing parties were expected to put in cash or in-kind resources. The average CRC has about $6-$10m cash and in-kind to invest each year, but some have quite a lot more. Programme and project selection is at the heart of the CRCs, but sometimes is flawed by being too dependent on the expertise of the people from the contributing parties, or bound by the initial business plan accepted by the Commonwealth. The typical agricultural CRC will involve the CSIRO, State government departments, universities, RDCs, non-government organisations (NGOs) and the private sector. It will have produced 20-30 plus post-graduate students during a 6-7 year life. In many cases its educational programmes are communicated right through the education systems from primary school to post graduate.

In general, the CRCs have been exceptionally successful and have assisted the RDCs, the CSIRO and the universities to spend some of their funds more effectively. Since leaving politics in 1993 I have been privileged to chair the boards of six CRCs (plantation forestry; soil and land management; weeds; tropical savannas; sensor signal and information processing; and
poultry). Before the CRC for Weed Management was established there was only the equivalent of two or three full time weed scientists in Australia’s universities. The CSIRO was also allocating funds by the then entomology division for biological control, but funding was tightening. This is for a problem that costs Australia’s farmers at least $4b annually. It was a case where the RDCs could not, or failed, to engage in combined research across the sector. A third round bid for continuation of the Weeds CRC failed. A case was established for the establishment of a ‘permanent’ Australian Weed Research Centre, because weed research is such a long term game, but so far this has not happened. Well past my time, the Rudd Government allocated $15.3m to weeds research in 2007-8. Governments are yet to wake up to the need for such a permanent body.

The scientific work on environmental, industry and Aboriginal research in the 26-30% of Australia forming the Tropical Savannas was minimal before its CRC was formed in 1995. It has always been the case that the government of the day should have seen the virtue in having at least two kinds of CRC: one that directly related to private commercial industry where the firms are few; and one for agricultural, social and environmental topics, where stakeholders are many. Secondary industry based CRCs, subject to the target of commercialisation, work well by accelerating innovation and the discovery of new products and processes. Commercialisation in agricultural CRCs is far harder to achieve due to the number of producers involved. It has proved that no agricultural CRC has been able continue beyond the end of public CRC funding.

In obviously non-commercial areas it is clear that the beneficiaries are not likely to be able to contribute funding nor can the benefits be commercialised. The Antarctic CRC is a classic example, yet research there is crucial to understand the implications of global warming/climate change. For all the CRCs that relate to industry, cost benefit studies have shown excellent returns. However, the eyes of officials have always glazed over when the calculations are put before them because they think that the consultancy firms employed write what is wanted; those of more economic ilk still maintain that much of the research would have happened automatically, if the need was there.

**Other Relevant Research Organisations**

The Crawford Fund for international agricultural research was established in 1987 and now resides under the umbrella of the Academy of Technological Sciences and Engineering. It is part funded by the Commonwealth from the development assistance budget via the Australian Centre for International Agricultural Research (ACIAR), by State departments of agriculture, private donations and some minor fund raising. It specialises in carrying out agricultural research in developing countries lacking scientific resources. Its activities include extension, training, the conduct of master classes on scientific and generic topics and advocacy for international and national agricultural research, with spin-off benefits similar to those gained by ACIAR.

**Agricultural Organisations Involving Some Research**

The States were pursuing their own registration of farm chemicals. They eventually agreed with me that there was as much variation within States as between them and a National Registration Authority (NRA) was established in 1988 and further legislation introduced in 1992 to establish today’s Australian Pesticides and Veterinary Medicines Authority. The motivation to establish the NRA was to speed registration by ending duplication and
encouraging multinational firms to do more research work here; they all left a few years later. We now have a higher powered organisation to examine the import and utilisation of agricultural chemicals - insecticides, herbicides and the like.

Food safety has also become more of an issue of legitimate public concern and food safety agencies were being formed during my time and now exist at Commonwealth and State level. Again, research is essential into aspects of food quality and nutrition. When out of politics, with some specialists, I wrote three reports from which came the establishment of the NSW Food Authority in April 2004.

By the early 1990s it became apparent that animal health administration and experienced scientific critical mass was becoming tissue thin, particularly in terms of preparedness for exotic diseases. This was the result of a wind down in capacity at state level and possibly due to departmental administrative changes. Animal Health Australia and Plant Health Australia were established after my time, in 1996 and 2000 respectively, and are jointly funded by the Commonwealth and State governments and industry in a programme sense. Both organisations contract research. The institutions lack adequate resources and agreement is not always forthcoming between the parties once additional expenditure is needed quickly to deal with a disease outbreak or in preparedness generally. The area of quarantine/bio-security needs to be constantly reviewed, particularly given new threats arising. The fractured situation that now prevails probably requires a more comprehensive approach to be taken. To my mind the priority agricultural policy issues are now bio-security, natural resource management and coping with climate change (risk management?)

**Evaluation of Agricultural Research Expenditure**

In 1994 the Industry Commission (now Productivity Commission) reported on research and development and recommended that the funds for RDCs be radically reduced. The then Minister, Senator Collins, (ALP, NT) rejected this recommendation. In a report on *Public Support for Science and Innovation* in 2008, the Commission recommended that the CRC programme be returned to its original purpose of being directed to social and environmental questions and to dispersed industry as well as to industries where there are few firms. This was after the Howard Government had changed the criteria for CRC funding, effectively limiting eligibility for those agriculturally based. My remaining problem with the Productivity Commission is that every time it examines agricultural R&D it comes up with a different answer, depending on the commissioners or its terms of reference, set by the government of the day.

For a policy maker, the 2008 Report had a very valuable section on the general rationale for public research funding as well as analysis of the characteristics of various research spending areas to illustrate the long term benefits. The Commission found that there were five strong reasons for public funding support for science and innovation; it ranks ‘spill-overs’ the strongest. The Report contained a great deal of information on public research overall, including one tabulation which estimated that in 2006-07 $341.4m was spent on agricultural and agriculturally related research. However, this did not include the proportion of CSIRO funding or that for CRCs, or minor programmes such as those associated with the National Food Industry Strategy, which may also have represented agricultural research.

In 2008, the RDCs reported on the progress and the benefits of the research being carried out. By this time some $540m per year was being spent. $10.5b in returns had been generated from
36 highly successful projects and the RDCs portfolio overall returned $11 for each dollar invested, with significant social and environmental benefits for all Australia.

The most recent report by the Productivity Commission did not result in the Minister, Senator Joseph Ludwig (ALP, Queensland), dramatically changing the remaining elements of the RDC model in 2012. At the time of Minister Ludwig’s response to the latest reviews, there were 15 RDCs, these being six statutory corporations and nine industry owned corporations. The previous Minister, Tony Burke (ALP, NSW), had established a body, the Rural Research and Development Council, to provide ongoing advice, and there is also a chair of chairs of the RDCs organisation, which provides advice on agricultural research to the Commonwealth.

My earlier ambition to restore the Commonwealth’s role in extension was overtaken by the establishment of the RDCs, all of which engaged in extension to a greater or lesser degree, and the development of specialist and private extension providers.

Some Concluding Observations

Through the mid-1980s each industry engaging in the new general RDC arrangements was dealt with separately to allow time for acceptance and possible adjustment to, first the council then the corporation model, so as not to provoke a sector wide dispute. The changes put in place by the ALP Government 1983-96 have survived, but not intact. As far as agricultural research governance is concerned, there has been some return to populism in board selection under succeeding conservative Coalition governments, for example under Prime Minister Howard, 1996-2007. I am convinced that a strong combined statutorily based marketing and research body will always tend to favour focus on marketing and production research exclusively.

The boards of the RDCs, in whatever form, need to be composed of specialists who know something about the relevant sciences and disciplines and research administration, as well as about production and basic commodity marketing. The RDCs, the CRCs and CSIRO will always be under fiscal attack and review to some degree. This is to be expected as times and external factors change. A class of, once rare, research administrators has been developed but some have not shaken their old shibboleths.

Difficult as it so often was to get the cooperation of the different industries and organisation which part funded the agricultural research effort, new machinery was put in place during the life of the Hawke Government which made for more discipline, focus and accountability in the agricultural research effort. Some of this has stood the test of time. Although Coalition governments loosened these disciplines in some cases and still, in some quarters, carry an ideological objection to the concept of compulsory contributions for research into their industries, there may now, generally, be greater acceptance of the fact that research compliments the industry effort – and profit. The unprecedented pressure on the research dollar in recent years is short sighted and will be counterproductive to Australia’s capacity to compete in the world – and to achieve its full potential in the agricultural sector.

At a time when international markets are opening up, with a rising middle class in our region, where food security is an issue of some concern and when foreign buyers are now (2013) keen to buy our agri-business firms and co-operatives, we are further underspending on agricultural research. From the 1950s to the mid-1990s annual Total Factor Productivity growth was
Australian agricultural productivity growth averaged more than 2% per annum until the mid-1990s. Since 1994 annual Total Factor Productivity growth has been only 0.2%. The drought in the first decade of this century was a major cause of some of the decline. It has been estimated that every 1% productivity gain is worth $500m per year to the Australian agricultural sector, or $4,200 to the average farm.

In Australian broad-acre agriculture there has been little productivity growth overall. Agricultural research expenditure continues to fall as a result of general public expenditure decisions, because research is seen as easy to reduce. Witness, for example, the elimination of Land and Water Australia. Private firms, continually aware of the bottom line and the exigencies of quarterly reporting requirements, are also inclined to reduce research expenditure. One example is in forestry by large forestry firms, but the reasons are more likely due to the fact that Australia no longer has much interest in wood and wood products production.

The most dramatic decline in RD&E funding has been in the States where it was under $200m in 2011, indicating a halving of research investment intensity over the past decade to around 0.4% of GVP. The Australian Council of Deans of Agriculture has shown that annual enrolments in university agricultural courses is in decline, meaning that universities will reduce funding, putting at risk the quality of university agricultural facilities and conduct of research training for agricultural scientists and economists. This could also turn around quickly. As for the private sector, it probably only contributes 10 per cent of the total expenditure on agricultural R&D in Australia but estimates vary as do estimates by the Productivity Commission on how much the States spend.

The economic pressure on the farm sector still encourages agricultural organisations to optimise their position and ‘farm the government’ by making other requests for assistance. While production and productivity have risen over the last 30 years, the real net farm income of the sector has declined. This shows that continuing research, including into agricultural economics and the environment (the natural resource base), and the continued development of research findings is essential. Overall national economic policies, external events and trade distortions always affect the farm sector far more than individual agricultural policies, including expenditure on research, but this is still not perceived as a given by most farmer organisations, as far as I can see as a now outside observer.

The Howard Government did not eliminate the RDCs, to the disgust of its hard right economist backers. It changed the name and functions of the LWRDC to Land and Water Australia (LWA). As already noted, it eliminated the Energy Research and Development Corporation immediately on coming to office in 1996 and gradually changed the initial forms of the RDC model, no doubt being unaware of the thought given to the architecture that went into it. To emphasise, some of ERDC’s work was relevant to agriculture as its people were examining batteries, energy efficiency and could now be working on bio-fuels, alternative fuels and other relevant agricultural matters. LWA was subsequently eliminated by the Rudd Government in 2009, which I regard as inane, if not insane. While the three major co-ordinating

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153 Total Factor Productivity measures the effects in total output not caused by traditionally measured inputs of labour and capital. It can be taken as a measure of an economy’s long term technological change. See Australian Agricultural R,D&E Systems Under Scrutiny, Mick Keogh, Australian Farm Institute, 2013.

154 Ibid
Commonwealth departments opposed the approach being taken during my time, the Prime Minister and the Cabinet I was a member of were supportive.

The Coalition turned the AHRDC into a private company, Horticulture Australia Limited (HAL), which made some sense given the fractured nature of the many horticultural industries: vegetable growers versus fruit growers still an issue? The RDCs now take three forms: the corporation model I introduced as with the GRDC; grower owned organisations such as Horticulture Australia Ltd; and Meat and Livestock Australia now part of the Australian Meat and Livestock Corporation.

Today's Grains Research and Development Corporation (GRDC) is still well regarded by its industry backers. As I write (2013) the droughts in this century have reduced its reserves and income will again be lower in coming years. It had been spending up to $120m per annum in my time. However, before the most recent, and possibly longest drought, its funds may have declined from wheat, but other crops have raised its available funding. The quantum of funding allows it to engage in very valuable research for the industries it serves. As I have already said, the GRDC puts an enormous amount of thought and intelligence into its comprehensive programmes, project selection and communication/extension with its levy paying grower members.

Thankfully, the GRDC was not combined with AWB Ltd, which had its own problems once the Howard Government put in place a half-baked privatisation of the Australian Wheat Board (AWB) to appease wheat growers and hold off the US, which wanted to eliminate it on ideological grounds (lobbyists run US politics). I suggest that other RDCs do not perform as well as the GRDC, for example, Australian Wool International, sometimes due to the personalities in charge. If this is so, it is to be regretted. The 1988–89 reports by the RDCs showed that the then AMLRDC and the Wool Research Council were spending well over twice the total of what all other RDCs were spending on research. On this basis, it can be said that the GRDC has proved to be the star performer of all.

I still believe that a current problem with the RDCs is that they do not interact enough with each other when the pooling of resources may help address some shared challenges such as weed research. It is the general fracturing of research outputs or outcomes and directions, along with rising priorities and challenges that require review of existing processes.

The CSIRO, like ABARES, is now required by government to raise 30 to 50 per cent of its funds from outside sources, division by division. Scientists now spend a lot of time chasing funds - constant submission writing rather than carrying out research. This is the modern way and would be on fiscal advice and that of private sector management consultants, who are adept at creating new words or concepts coming from different industry structures. The problem is that if 30 per cent of funds are not raised externally, the organisation loses researchers, high priority research may not be embarked on and priority setting becomes chaotic. The stage will soon be reached as to whether or not the CSIRO can perform its remit.

Counter to this observation there has been some increase in private sector consulting firms with specialised expertise ensuring that project selection is competitive, allowing the research corporations to think of them as valuable and independent research providers, particularly in economic and broader areas. I would be overjoyed if such firms and consultants could give primary producer research agencies ways and means to sell our services in research, externally. No agricultural CRC has been able to continue beyond its period of government
funding. It would be simple for the Commonwealth to change this situation by the provision of quite small funding to act as core glue for administration and then based on competitive bidding for funds alone, or by way of leveraging. On the other hand, it is best that some CRCs fully understand that they need to be sunsetted- if after 13 years the industry concerned cannot see the benefit in continuing. This is the industry’s problem, not the government’s.

The frustrations of agricultural economists have diminished but not so much those of agricultural scientists and thinking people who wish for research and the situation of farmers to be seen in a wider context - and for farmers to do so too. They cannot demonstrate a monetary return to short sighted bureaucrats in anything like the short term. The structure of the farm sector is changing with fewer but larger farms, but also accompanied by new entrants in smaller enterprises bringing with them large human and physical capital. The 80:20 rule whereby 20 per cent of the farmers produced 80 per cent of all production, seems to be changing, but I have not examined this. The multi enterprise nature of most farms is not sufficiently comprehended. Land use change and its structural elements and the peri-urban environment are issues requiring attention and I understand some studies on the implications of this have been carried out. Many more farmers are now seen as smart but there is no way of accurately quantifying this. The financial pressure and other pressures on the farm sector are such that there are very few farmers who are silly (if they were, they would be out of business), though some still survive on a very frugal basis because they enjoy the life style.

Technical innovations are still taken on board by farmers far more quickly than institutional changes but change in thinking is slower, as is the case, for example, with the adoption of environmental management systems. Exceptional research work of a broader nature carried out by research organisations such as the RIRDC and the now defunct LWRRDC, then LWA, does not seem to have been appreciated by policy makers. The multitude of industries that RIRDC has carried out research for has been remarkable and its work taken up and much appreciated its clients. RIRDC has developed an expertise in responding to industry requests with sound selection and administration of contracts with research providers, just as the LWA was doing.

There is a debate about the utility of the body of work centring on adoption theory, but it needs to be remembered that there is always a lag in adoption and that the benefit may continue for many years. State governments, with a small growth funding base, are cutting back on agricultural research and giving priority to the demands arising from large city populations and the need for improvements to education, health, transport, policing and infrastructure. Yet, there is a surfeit of information available to farmers and it is essential for State agricultural departments to package this for the industries concerned. Old fashioned extension has all but disappeared though some is being taken up in a disjointed way by agri-industry service providers.

Overall the research effort in Australia is still low by international standards. Despite strong real increases in R&D spending over the past two decades by the Commonwealth, Australia’s R&D intensity of 2.28 per cent of GDP in 2012 remains well below that of the Organisation for Economic Cooperation and Development (OECD) average, falling short of the EU GERD target of 3 per cent. We are currently 18th out of the 30 OECD countries - and have been well below the average of 2.2 per cent in recent years (it was 1.64% in 2002). It is hard to estimate how much of our overall research expenditure is spent on agricultural research. Nationally, private sector research and that by the universities far outweighs public investment. Whereas Commonwealth public expenditure on agricultural research has kept up, that of the States has declined but is still higher overall. The aim of policy makers for the private sector to contribute
more to agricultural research has not been successful for a number of reasons, but again it is difficult to accurately calculate.

I have little understanding of the research situation in our secondary industries. Many of these are multinational and therefore derived so that innovations are only introduced slowly? We do not have large economies of scale and there can be much free riding by many industries on the publicly financed research infrastructure in place. Secondary industry was contributing more when there was a beneficial tax deductibility scheme in place, which the Coalition Government (1996-2007) removed for fiscal or ideological reasons.

Whichever way future policy develops it would seem that there is little alternative but to continue to use public funds and producer levies to fund agricultural industry research unless the national government decides to fund all research on budget, which is extremely unlikely.

Finally, there is another dimension to research in Australia, which needs to be kept constantly in mind. Governments under budget pressure, real or imagined, will always cut research expenditure, but the cost of the lack of investment in research is rarely if ever examined. As our commerce and business investment fall more to the edicts of the finance sector, private firms will perhaps spend less on research for short term gain? Australia adopted a set of agreed National Research Priorities and Strategic Research Priorities during the time of the first Rudd Government and the words are fine. In Chapter 15, Forestry, I included an explanation of my role in the Ecologically Sustainable Development Process and the Resource Assessment Commission. The concept of sustainability is still real and a valid one for agricultural policy, even if we are talking more about resilience. To continue to achieve any notion of sustainability will take constant expenditure on research, for example, on soils. There are many discourses about sustainability and we need to put them constantly under the microscope.

**Statutory Marketing Authorities (SMAs)**

I turn now to our determination to reform Statutory Marketing Authorities (SMAs) which in 1983 individually dominated the different agricultural industries, including their research efforts. The definition, quoted in Chapter 5, footnote 1 of what I call ‘McEwenism’, is even more apposite for statutory marketing in this context.

**Policy**

The ALP’s policy taken to the March 1983 General Election was as follows:

*After consultation with the relevant industry, a Labor Government will clearly specify the role and function of every statutory marketing authority under Commonwealth control.*

*A clear division will be established between the Board of the authority and the management. The Board will be responsible for framing policy and overseeing general administration, while the management and marketing functions will be undertaken by professionals.*

*In keeping with each authority’s role and function, the composition of the Board and the responsibilities of Board members will be made clear, after consultation with the relevant industry.*
In keeping with the particular characteristics of each industry and its authority, the method of election or appointment of Board members will be specified in the relevant Act.

For all authorities the level of Ministerial control, delegation of authority and responsibility will be specified; the Chairman will be responsible to the Minister.

Public Service Board staffing requirements will not be mandatory for the marketing arms of any authority.

The Government representative on the authority will report to the Minister.

The Act applying to each authority will specify how, where and when the Authority will be accountable to the Parliament, to the Government and to the relevant industry.

I was interested in reforming the Commonwealth SMAs, not in their abolition, though some agricultural economists could see the wisdom in this, based on some of the flawed assumptions that farmers held about the benefits of them, for example, maximising farm gate prices rather than profitability. The policy was somewhat naive in its wording, for example not mentioning the word ‘corporate’. However, the bones of the policy were sufficient for departmental professionals to build on and reflected thinking that was not new to them.

I had certainly indicated that the ALP’s policy was one that advocated the need for reform though the Rural Policy Speech by Bob Hawke in Griffith, NSW, on 20 February 1983 did not feature SMA reform. By this time, with my staff of Julienne McKay and John Tanzer, I had been writing and releasing sufficient policy documents to provoke the Fraser Government to releasing some policy - on the run and too late as it turned out. Compare this with the five sentences from the major political parties which now suffices as enough agricultural policy in an environment of presidential, poll driven politics.

**The General Case for Agricultural Statutory Marketing Reform**

Pro-business, not pro-market ideologues will argue that there is no longer any need for SMAs and, ironically, that the market will provide. While I have no doubt that the SMAs will disappear and that multi and transnational firms will gradually take over Australia’s agri-industry in the fullness of time, this was neither an economic nor political reality I needed to face in 1983.

The essential purpose of any SMA is to market, or facilitate the marketing of the relevant commodity or product by, for example, promotion, trade negotiation at customer, business and government level by better product description, by quality control, by innovation, packaging etc. There needs to be a customer focus not one only based on the interests of the producers. The SMAs set the level of the levy on producers to maintain them and therefore had to be accountable to levy payers. As we have seen, some SMAs also administered research expenditure. In short, the focus of SMAs has to be on their explicit statutory functions, not on appeasing the political or vested interests of any one part of an industry.

Politically, the big difference between the farm organisations and me on SMA reform was that I wanted them to be more commercial, not just fiefdoms for the relevant agri-political organisations. I well understood why farmers wanted control of SMAs, based on history and a lack of trust, but the international trading world had moved on. We had to be smarter and
more professional as marketers. The degree to which SMAs could adopt marketing skills in winning new or niche markets was always limited by the commodity nature of our agricultural trade and where actual ownership of the product was not involved.

In general, the principles for SMA change and reform were that, firstly, there was a need to establish the best assessed degree of independence without sacrificing their accountability to their levy payers and the Parliament. The implication of giving SMAs statutory independence is that the people on the boards of SMAs and those professionally employed, need to be highly qualified. Secondly, the organisation as a whole needs to be responsible to the Parliament and to those who pay for it. The chairs of the boards of SMAs are crucially important.

It is a reality that ministers are dealing with the organisations representing industries, their component parts and the people in the industries. However, not all farmers belong to the farm organisations, those who do basically wish to control the agenda and ‘own’ the SMA in question. In this realpolitik setting, it is essential to try to build trust between minister, producers and the relevant SMA. However, from a government point of view, the needs and views of all farmers and graziers, processors, consumers and other stake holders in an industry must also be considered and there should be an identification of the public interest by the government. SMAs owe their existence to government legislation; the public has an interest. Legislation needs to clearly identify the relationship of the SMAs to the Parliament; the relationship of the SMAs to industry and set out the nature of the composition and process for selection of boards and committees. It needs also to set out the administrative procedures re financing, borrowing, purchasing, etc, and the means to ensure transparency. Those who pay the levies to maintain the SMA should be able to see that it is accountable to them.

A general paper on SMA reform was issued in June 1984 which built on the experience gained from and the changes envisaged and gradually being agreed for the Australian Meat and Livestock Corporation (see Chapter 8, Red Meat). It took until 1989 to put an umbrella Act through Parliament to codify what had been established by then. Following the release of a White Paper on statutory marketing in 1986, I also commissioned an independent review of SMAs, conducted by Dr Jeremy Davis, UNSW, to keep the issue on the agenda. He reported in October 1990. Reform is a slow and time consuming process, especially when the government of the day does not have a majority in the Senate, which we did not. Negotiating with the all-things-to-all-men Democrats was probably easier than dealing with the zealots (Greens) and surprise senators of today?

**Background**

On becoming Minister, I became responsible for eleven Commonwealth agricultural SMAs, but legislation had already been passed to abolish the Australian Egg Board, effective 31 December 1984. Each, with the exception of the Australian Tobacco Board, engaged in quasi-commercial operations in relation to overseas promotion and in several cases domestic promotion. Four of the SMAs were engaged in trading: the Australian Wheat Board; the Australian Canned Fruit Corporation; the Australian Dairy Corporation; and the Australian Wool Corporation. Five had unexercised trading provisions: the Australian Meat and Livestock Corporation; the Australian Apple and Pear Corporation; the Australian Honey Board; the Australian Wine and Brandy Corporation; and the Australian Dried Fruits Corporation. Those for wheat and dairy administered government underwriting provisions as did the three fruit corporations and the Australian Wool Corporation’s reserve price scheme, which had a stabilisation function. The Commonwealth also had an ‘associate relationship’
with the Queensland Sugar Board, that is, the Commonwealth used legislation to maintain the Board’s monopoly powers.

There were also 24 separate committees or panels (mainly advisory), which were paid for by the relevant SMAs or by levies or by industry, all with boards and representatives and many with funds to allocate. It was a large ‘establishment’ and part of the marketing and consultative apparatus, which had grown to service Australia’s highly dispersed agricultural, grazing and fisheries industries. Fish marketing was carried out by co-operatives (some having developed export markets) or in large capital city auction markets. Forestry operations were carried out by the states and engaged in their own marketing strategies to supply local sawmills or licensing firms to take timber and collecting royalties. The licensed export of timber such as logs and wood chips was a Commonwealth prerogative (see forestry chapter).

The SMAs were generally funded by legislated industry levies with the exceptions of wheat, wool and eggs, which were funded from sales proceeds (it was still a cost to the producer). The government of the day was represented on all statutory bodies, mainly as board member but sometimes as observer.

Politically, the SMAs were favoured by the National Party and agri-political organisations, but not so much by some of the increasingly, economically rationalist, market fundamentalist, right wing ideologues of the Liberal Party. This is not to say that there were no real issues to debate. The conflict in philosophy within the Coalition parties was usual but sublimated for electoral reasons. I was not in the business of eliminating them (the SMAs, that is) but believed that effective and innovative marketing held the key to a better economic performance by the farm sector. There was a need to produce to consumer needs, to fine tune our products for specific markets, to improve quality and standards and to develop new markets. I shared the well held view that more financial expertise was needed on SMA boards and within the organisations now exposed to a rapidly changing financial world and, after late 1983, to the floating exchange rate.

On the basis of evidence and economic analysis, reform of the SMAs was needed but the issue that bedevilled governments was being able to strike a balance between the conflicting interests involved. Some SMAs were unsure when their accountability lay to the Parliament and when to their industries. The marketing function, the reason for the Parliament to give them legislative backing, was being confused with policy, a policy setting based on the status quo. At the same time, there were justifiable doubts whether some authorities had been sufficiently commercial in their approach.

I had concerns about the operation of State marketing boards but these were out of my control, even though they had the capacity to hinder reform of Commonwealth SMAs, for example State milk boards/corporations. The Commonwealth’s involvement in SMAs primarily concerned exports where two issues were of absolutely prime concern. The first was the struggle for control in a situation in which, historically, control by producers was part of the implementation of overall earlier government policies of subsidisation and protection. Some SMAs were perceived by farmers as part of a powerful infrastructure and safety net for their industry. Some farmer groups saw their SMA as a forum for quasi-policy debate and a mechanism to make policy demands. The second was the choice of devolved statutory control over other options open to government and industry, including privatisation.

Market economists, academics and consultants had been criticising SMAs on several grounds and there was a growing literature pointing to the deficiencies, or otherwise, of quasi-
autonomous non-government organisations (QUANGOS) here generally, and overseas. There was a litany of criticism by market economists, particularly, included on issues such as vesting; consumer transfers; public subsidies; cross-subsidisation; and cost effectiveness. They also complained that levy funds were being spent on self-justification; that there was debilitating and profit-sapping competition between State boards in the same product; the building of bureaucracies; absence of market transparency; and non-innovatory producer board majorities standing in the way of innovation and progressive marketing strategies. Forums I had attended in Opposition gave me a good feel for the depth of the criticisms. Analysis by the academic, Dr Roger Wettenhall, was particularly convincing.

Reform and Change in the 1980s

Commonwealth SMAs had been under examination for some time and the bureaucracy was well aware of the external debate. A discussion paper was developed in DPI in preparation for a Conference of Chairmen of SMAs scheduled for January 1985. I was not sure much good would come from it by way of reform or meeting the legitimate complaints of economic analysts, observers and critics including producer critics. Not much did, but the attendees were put on notice.

The red meat chapter in this book records that the crossfire of agri-political debate had paralysed the Australian Meat and Livestock Corporation (AMLC). The efficiency of the Australian Dairy Corporation was in question with accusations of illegality regarding some export arrangements, and the Australian Wheat Board’s accounts were said to be in an unacceptable state. Initiatives in many of the SMAs had been stifled by red tape. The AMLC was to be the test bed of the approach I was to take.

Briefly, the model was to have separate marketing and research corporations, selected by knowledgeable, skilled selection committees including industry representation. The object was to appoint the best board members with relevant expertise, and create a separate policy council of broad industry representation so that marketing and industry policy/agri-industry politics could be separated. The case of the AMLC, where there was conflict between producers and processors about levying for the costs of inspection and ongoing concerns about meat quality, made it also necessary to establish an Inspection Policy Council. A council was also established for live exports. I accepted that each industry served by an SMA was generally different and could require additional elements in its organisational structure.

Some additional funds were provided to the AMLC for market innovations. In April 1986 I announced that the Government had decided to advance $25m for an Innovative Agricultural Marketing Programme as well as provide a 50 per cent increase in wool promotion funding. We had upgraded our trade representation overseas and appointed agricultural counsellors in key embassies and extended the finance facilities of the Export Finance and Insurance Group (EFIG). The new Trade Commissioner Service, Austrade, was established in the Department of Foreign Affairs and Trade. Details of these and other policies were set out in the Economic and Rural Policy Statement referred to above.

A Government Policy Statement, Reform of Commonwealth Primary Industry Statutory Marketing Authorities, January 1986, telegraphed the direction in which we intended to go. This comprehensive document covered the essential aspects of the reforms we were gradually to put in place in terms of five principles:

- the role and objectives of SMAs would be clearly set out in their enabling Acts,
- the governing boards of SMAs will be constituted on a corporate basis,
SMA Boards will have responsibility and authority for performing their tasks,
SMAs will adopt modern corporate and annual planning procedures, and
SMAs were to become more accountable for their performance to the
industries they serve and which provide their finances. These industries were
to be given the opportunity to question and assess the performance of SMAs.

The document detailed the responsibilities of SMAs with emphasis on their statutory role,
accountability to industry, funding of industry organisations (only for consultation, not for
private agri-industry organisations) and administrative matters. I was not averse to auditing
being carried out by private sector auditors rather than the Commonwealth Auditor General
on the basis that broader experience may prove of value to the SMA concerned. Particularly
pertinent was the constitution of boards, the necessity of boards being corporate in nature,
board size, membership, responsibilities, selection, appointment and tenure of office of board
members. As Minister I was to continue to select board chairs. Ministerial responsibilities
were highlighted, including agreement on annual and operating plans and any variation, and
retention of a general reserve power of direction. Accountability to the Parliament was ensured
by the responsible minister being subject to questions, the inquisition of parliamentary
committees and the tabling of annual reports. In my various discussions with the officials of
the organisations it was apparent that the reforms were broadly welcomed, if they were to
result in stream-lined marketing and less industry politics.

The Policies For Growth document issued in May 1988 was a comprehensive exposition of
Australia’s trading performance, the environment in which trade was conducted and an
analysis of our economic situation. Again, marketing was highlighted. In terms of the
commodities now within the portfolio’s enlarged remit, by 1986 Australia was the world’s
largest exporter of wool, coal, live sheep, mineral sands, zinc ore and refined lead. It was the
second largest in beef and veal, mutton and lamb, bauxite, iron ore and refined zinc. It was the
third largest in wheat, coarse grains, sugar, nickel and unwrought aluminium. Of course, our
mineral and energy exports were carried out by the private sector, with the government of the
day playing a facilitating role in terms of broader trade policy matters, some subsidisation (off-
road fuel prices) and enhancement. Some farmers believed that the private sector could be
better placed to gain new markets than the established SMAs. I had no problems with this, if
it could be done, but first I had to reform what we had so that new concepts and ideas might
emerge. The reforms were gradually introduced, one by one, to the industries concerned.

These changes were not without political contestation. The dairy industry had been in crisis
for some time and, as I have written in the dairying chapter, was one of the first industries I
gave attention to when I became Minister. The changes I introduced were accompanied by a
restructuring of the Australian Dairy Corporation (ADC) and, as I have written, resulted in
violent confrontations in Victoria.

Partly because of declining commodity prices, Australia, by 1986, had slid to 22nd place among
the world’s trading nations in terms of the value of its trade. Much of this was due to our
competitors having a higher valued added content. We experienced a fall of about 30% in our
terms of trade during the 1980s but a large depreciation of the Australian dollar after 1985
improved our competitive potential (see chapter on economics). As I write, (2013) Australia is
at the end of a resource investment boom which has had a major impact on the farm export
sector because of the higher Australian dollar. We have gone through all this before, though
the irresponsible media will always blame the government of the day for matters, nearly totally, beyond any Australian government’s control.

Producer subsidy equivalents (and the competition we faced in exporting agricultural products), amounted to 75% of the income of agricultural producers in Japan, 49% in the European Community and 35% in the US. We could not engage in competitive subsidisation with these giants; simply producing more was not going to be beneficial because markets were either glutted or demanding increasing specifications, which we were slowly responding to. With 0.003% of the world’s population, and declining as a percentage, we do not control the world’s economic trade, economic and security conditions at any time, nor do we have the financial resources to avoid reality. The evidence was there in the 1980s; we had to become more efficient, more customer focussed and a lot more clever.

The issue of criticism of SMAs did not go away but, increasingly tended to be directed to State based SMAs. At a meeting of a Rural Marketing and Supply Association forum in Sydney in June 1989, I took the opportunity to remind the States that they should seriously examine the relevance of their agricultural marketing authorities, of which there were then 60, on one count. I did not think all were best suited to the commercial realities of the 1980s, especially those in Queensland and NSW. Political patronage was rampant and the organisations were viewed by farmers as either sacrosanct or for agri-political contest and ownership. I announced that I would shortly call for a review of the progress of SMA reforms, which had been put in place in 1986.

The Government accepted the thrust of the SMA review by Professor Davis, released on 18 October 1990. Efficiency of SMAs as marketers of agricultural products was to be achieved by a further relaxing of government controls on SMAs and the tightening of accountability of SMAs to industry levy payers. The Review recommendations moved towards a pure corporate model, for example the loosening the controls on borrowings, making it clear that the taxpayer was not responsible, except where guarantees had been given. This was seen as introducing a right to fail element in the activities of the SMAs, and provided closer comparability with the private sector. I thought the AMLC’s practice of having annual general meetings was well worth trying for larger industries but would have to involve consultation and negotiation. The Davis recommendations were not opposed to the possible transformation of SMAs to fully private entities. I thought this would be hard to negotiate and the Australian Wool Corporation’s (or my) failure in 1990, guaranteed no action, for the time being.

I also announced at this time that the Government had made no decision about the recommendation to reform the Australian Horticultural Corporation (AHC), the Australian Dried Fruits Corporation (ADFC) and the Australian Honey Board by placing them in an Australian Marketing Corporation. It had been decided that the ADFC was to be placed in the AHC. There was also a recommendation to incorporate the pig industry into the Australian Meat and Livestock Corporation. Professor Davis still had some concerns regarding undue influence of industry politics in selection processes for board members. The Government’s response to this was for me to discuss options for change with industry leaders and SMA board chairs.

Gradually we worked to win change, particularly in the culture of the industries and the mindset of industry players. But I knew that the agricultural fundamentalism of the National Party would always prevail. I then ceased being Minister in June 1991 and the world moved on.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Australian Agricultural Council</td>
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<td>AAHL</td>
<td>Australian Animal Health Laboratory</td>
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<td>AAHQs</td>
<td>Australian Animal Health and Quarantine Service</td>
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<td>ABARES</td>
<td>Australian Bureau of Agricultural and Resource Economics and Sciences</td>
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<td>ACIAR</td>
<td>Australian Centre for International Agricultural Research</td>
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<td>ACT</td>
<td>Australian Capital Territory</td>
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<td>ADFC</td>
<td>Australian Dried Fruits Corporation</td>
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<td>AFS</td>
<td>Australian Fisheries Service</td>
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<td>AHC</td>
<td>Australian Horticultural Corporation</td>
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<td>ALP</td>
<td>Australian Labor Party</td>
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<td>AMLC</td>
<td>Australian Meat and Livestock Corporation</td>
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<td>AMLRDC</td>
<td>Australian Meat and Livestock Research and Development Corporation</td>
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<td>ASRRF</td>
<td>Australian Special Rural Research Fund</td>
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<td>AWB</td>
<td>Australian Wheat Board</td>
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<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>BRR</td>
<td>Bureau of Rural Resources</td>
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<td>BRS</td>
<td>Bureau of Rural Sciences</td>
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<tr>
<td>CGIAR</td>
<td>Consultative Group on International Agricultural Research</td>
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<td>CIMMYT</td>
<td>International Maize and Wheat Improvement Centre</td>
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<td>CRC</td>
<td>Cooperative Research Centre</td>
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<td>CSEG</td>
<td>Commonwealth State Extension Grants</td>
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<td>CSIRO</td>
<td>Commonwealth Scientific Industrial Research Organisation</td>
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<td>CSRG</td>
<td>Commonwealth Special Research Grants</td>
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<td>DOF</td>
<td>Department of Finance</td>
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<td>DPI</td>
<td>Department of Primary Industry</td>
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<td>DPIE</td>
<td>Department of Primary Industries and Energy</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>EU</td>
<td>European Union</td>
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<td>EFIG</td>
<td>Export Finance and Insurance Group</td>
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<td>EPAC</td>
<td>Economic Planning Advisory Council</td>
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<td>ERC</td>
<td>Expenditure Review Committee (of Cabinet)</td>
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<td>ERDC</td>
<td>Energy Research and Development Corporation</td>
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<td>FIRDTF</td>
<td>Fishing Industry Research and Development Trust Fund</td>
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<td>GERD</td>
<td>Gross Domestic Expenditure on R&amp;D (EU measure)</td>
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<td>GMO</td>
<td>Genetically Modified Organism</td>
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<td>GRDC</td>
<td>Grains Research and Development Corporation</td>
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<td>GVP</td>
<td>Gross Value of Production</td>
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<td>HAL</td>
<td>Horticulture Australia Ltd</td>
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<td>IAC</td>
<td>Industries Assistance Commission</td>
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<td>ICARDA</td>
<td>International Centre for Agricultural Research in Dry Areas</td>
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<td>ICRIASAT</td>
<td>International Crops Research Institute for the Semi-Arid Tropics</td>
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<td>IRRI</td>
<td>International Rice Research Institute</td>
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<td>LWA</td>
<td>Land and Water Australia</td>
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<td>LWRRDSC</td>
<td>Land and Water Resources Research and Development Corporation</td>
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<tr>
<td>NGO</td>
<td>Non Government Organisation</td>
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<td>NRIC</td>
<td>National Resource Information Centre</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>PIERD</td>
<td>Primary Industries and Energy Research Development Act</td>
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<td>PVR</td>
<td>Plant Variety Rights</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>RDC</td>
<td>Research and Development Corporation (agricultural)</td>
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<tr>
<td>RD&amp;E</td>
<td>Research Development and Extension</td>
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<tr>
<td>RIRC</td>
<td>Rural Industry Research Councils</td>
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<tr>
<td>RIRDC</td>
<td>Rural Industries Research and Development Corporation</td>
</tr>
<tr>
<td>SMA</td>
<td>Statutory Marketing Authority</td>
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<tr>
<td>TRIPs</td>
<td>Trade Related Intellectual Property (Rights)</td>
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Chapter 20: Economics, agricultural economics and agricultural science

“The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it.” Adam Smith, The Wealth of Nations, 1776.

“My belief is that every good cause is worth some inefficiency.” Paul Samuelson, eminent US economist.

I should have been some species of a ‘bush scientist’, not a ‘bush economist-cum-researcher’, which I became before entering the mists of politics and challenges of ministerial responsibility. I am certain academic and ‘proper’ mainstream, professional economists will disagree with much of what follows. Having been a politician, it is to be expected that I would not unflinchingly accept the current neoclassical economic dogma of the day. While I was always somewhat besmirched by economics, I was always questioning. Yet as I have said earlier in this book, I approached policy from an economic-cum-technocratic angle. However, this did not stop me from being aware of the contradictions and conundrums I often faced in what was, sometimes, a fevered political and economic environment.

Economics establishes the notion that everything is related to everything else in a modern economy/polity. To an extent this is largely true but people living in a pluralistic society find it hard to understand. However, I believe that every aspect of living does not involve a price or that every exchange of goods or services needs to be envisaged in ‘commodified’ forms. There is a lot to living and wellbeing outside of economic relationships. Politics is not just economics, or vice versa. Economies are there to serve people; people are not there to serve the economy or those with power that control it.

This is my story- the way I saw it.
I believe political economy and the study of economic history still have some virtues, if only to expose the economic heresies which have existed due to a lack of empirical analysis. Or, alternatively, have been manipulated by the powerful to advantage their cause in some herd-like way, while generally leaning on some macro-economic, theoretical model, such as the new classical economics, rational expectations, monetarism, supply side, efficient markets hypothesis etc. It is important to remember that until the 1950s, macro-economics lacked sufficient available data and evidence to properly test its theories. Theories were not able to be empirically tested. Statistics are still abused by the ideologues, politicians and people too lazy to analyse them properly.

The large, growing and all-encompassing finance sector in modern economies has little to do with economic theory. It is more about forgetting the lessons of the past and about greed and possessing sufficient knowledge and power to act unhindered by government or the public interest. Further, I do not believe that the Anglo-American neoclassical (‘neo-con’)model is the only model of economics to study in our universities, nor do I believe, when we see so much theory at odds with reality, that economists can continue to adopt their value free pose, on the basis of flawed assumptions, but must try to deal with the actual and political reality of the various types of markets in our economy. If we are not to continue to deplete our capacity to produce food and fibre, we also need to find better ways to value the environment from an economic point of view.

Politics is like farming; no-one is forced to do it, but someone has to. However, if you are in a national parliament you cannot ignore the plight of the disadvantaged, domestically or internationally, particularly if you are from a major agricultural trading nation and enjoy a very high standard of living. In less industrially developed countries, many men, women and children have to farm, fish and live from the forests to survive, some at a subsistence level. They have no choice. Even with sufficient food, adequate nutrition is also an issue. The billion to a billion and a half or so of the planet’s poorest people will have to produce their own food for a long time yet and try to produce an agricultural surplus to increase their standard of living and possibly develop their economies. The rich world can help them, if it has the will to do so and if the powerful in the rich countries could be politically ignored by legislators.

I do not believe that preaching the joys of the data free theories of David Ricardo or Adam Smith to people living in less developed economies will do much to ease their plight. Similarly, countries riven by war, religious fundamentalism and a lack of resources have little chance to join the developed world economies. Yet, other than in subsistence economies, many of the poorer people live in market economies, economies more pure than many markets in the developed world, village markets. We are lucky in Australia because we produce a food surplus, but this blinds the majority of us to the problems of world under-development and poverty.

**Some Observations on the Economic Paradigms of the 1980s-1990s.**

The quotations at the start of this chapter give some idea of the range of views of two prominent economists. Conservative economists and politicians tend to quote Adam Smith,
without having read all his works but endlessly citing the silent hand of markets. The world has changed since 1776 not just politically, but basically in terms of production, technology and trade. Keynes is denigrated by the powerful in the rich economies but to my mind both Smith and Keynes need to be read and analysed. Today’s world is different from that of Keynes, as it is from that of Marx, who made no allowance for productivity growth in what was his observation of post Industrial Revolution England. Eminent academic economists are often widely disagreed and an active debate is to be encouraged in a discipline still gaining new insights. To my mind economics can be regarded as a social science (a branch of social psychology?). What brings ruination to the discipline and its projections are the vagaries of human kind, the way power, income and wealth is distributed, developments in technology, the changing fortunes in the development of other economies and the unforeseen (the unknown, unknowns?).

The discipline in economics is that it is a way of thinking about relationships - if ‘x’ then ‘y’ (maybe), never do ‘a’ if the outcome you are seeking is ‘b’, (most of the time) and so on. It is not than I am always a doubter, but a questioner.

Policy

In hoping to become a new minister in an incoming Labor government in 1983, the Australian Labor Party (ALP) policy platform had been a key starting point for me in approaching the election campaign. On the subject of economics and primary industries, the ALP’s 1982 Platform stated:

Labor believes that general economic questions, such as interest rates, access to finance, the exchange rate, taxation, the level of inflation and differential levels of protection, have a greater effect on the rural sector than the implementation of commodity-specific economic policies. Inter-sectoral economic pressures on the rural sector are creating stresses, such as record high interest rates and problems of access to the finance necessary for the sector to adapt to changed economic circumstances.

This was straightforward enough. What followed in the Platform were 14 pages of general, specific and somewhat prescriptive classifications, such as for various commodities, marketing, research and development, resource use and conservation. Sifting through all of this as Labor’s spokesperson on Primary Industry, my staff of two and I were able to develop the more specific primary industry policies for the 1983 election. In the two meetings I convened with the ALP’s State agricultural ministers and State and Territory shadow ministers, plus other one-on-one meetings, it was apparent that the issues of the day - farm commodity issues, the weather and markets - were of the most concern, but neither macro nor applied industry micro-economics, in any disciplined sense. Short to medium turn ‘fixes’ of the day were their priority.

In those days the ALP was criticised by the conservative ‘commentariat’ for having too much policy, some of which it was said ran the risk of giving rise to debate and analysis instead of the preferred conformity and consensus, usually the one shared by stale conservatism and what I call the dominant business paradigm. NSW State annual ALP conferences, in the days when policies were actually discussed (to some limited degree), were always greeted by the tabloid media in terms of horror and publicised as ‘splits’ in the ALP, not that agricultural policy was that much discussed by the dominant metropolitan media.

Today, part of the reticence to formulate comprehensive policy is that the conventional media will attack it, especially if it is seen to touch on any vested interest or offend the ideology of
proprietors. The government of the day will also either attack it mercilessly with the asset of incumbency and the advantage of APS expertise, willingly assisted by the conventional media or, alternatively, adopt it. It is a pity that it has come to this. The media constantly pleads for leadership but it seems unable to deal with any idea that is new or rocks the boat of the established business paradigm. The wish is always for long term policies, but the result is that short term ‘fixes’ are always more popular.

In terms of economics and agriculture, agricultural fundamentalism ruled the day.

In 1982-3, we needed to think about policy carefully. My staff and I were of the belief that primary attention should be given to Australia’s overall economic settings, believing that building a more resilient long term macro-economic foundation for agriculture, fisheries and forestry was absolutely essential. We were not interested in playing the games of politics in some undergraduate sense. The natural resource base to agriculture, fisheries and forestry policies had a clear scientific/biological/ecological foundation on which policy should be built, but at the time, micro-economic analysis was even more critically important. During the almost eleven years I was in the ministry, I somewhat regretted that we gave the impression of over-prosecuting the case that scientific research was only there to service industry as its main rationale when the reality is that it was always generic. To get the maximum benefits of scientific research, one must invest well beyond applied research. There was also a corporate view within political parties that somehow science and technology were something to the side of agricultural policy. This could have been due to the fact that economics, finance and commerce tended to dominate political debates from the 1980s.

Integration of agricultural economics and agricultural science has always been difficult in a policy sense because as has become clear in earlier chapters, the States have the Constitutional power for production, land and water, while the Commonwealth is mainly concerned with macro-economic management, structural reform and adjustment and trade policy and negotiations. Further, economics tended to take an axiomatic approach, whereas science tended to express uncertainty and the need to hold only to provisional certainties. In other words there was a clash of cultures. Long term more synthesised policies would always take time to put into effect, if they were to have enduring benefits, by definition. I also knew, deep down, that only about two or three per cent of the population may have some knowledge of economics and perhaps fewer in the farm sector. Indeed, given that more than a small proportion of our population is functionally illiterate and innumerate, this estimate may be too high. As well, the general public’s view of scientists was of people in white coats working in laboratories in some ivory tower.

I have always resented the fact that academics are to be decried as either being too theoretical or not mainstream in wanting public exposure and analysis of serious issues. The wealth of information generated in our universities and learned institutions, exists in a nether world ignored by the political classes. In day to day politics this means that the unscrupulous can always endorse glib populist economic solutions and slogans, which have no basis in fact or for which little evidence exists - the classical race to the bottom on any issue. Where science is concerned, and now particularly with climate change, it has long been the case that the most powerful in our society denigrate or ignore scientific research, if it does not suit them, ironically including the mining and energy sector, which depends so much on science and technology. To deny the existence of climate change is to ignore the need to use research to best address it. This kind of resistance was reflected in the farm sector in the early 1980s in the context of environmental and natural resource management questions.
Despite my questioning of the slavish adoption of the macro-economic policy du jour, I have long held the belief that an economy’s macro-economic settings are of fundamental importance to agriculture. However, I believed macro-economic theories, when subject to the realities of government, international trends and powerful interests, become subject to band wagon and herd instincts, which governments need to be wary of. Most business people have little appreciation of the vagaries of politics, which is one reason why I was cautious about adopting or applying what was known as the current business paradigm in economic policy formulation. I was often not impressed by the views of business people on boards outside of their expertise, the problem being that in the making of public policy, business bottom lines were not there to be discovered and certainly not on a quarterly basis to maintain investor value and shareholder confidence. The invention of the joint stock company as a device to spread risk does not mean all economic and financial relationships have to be diverted to this form. Companies make just as many mistakes as do governments, but they can, generally, be covered up more easily.

Be this as it may, I was not hesitant to adopt business approaches if agricultural production could be carried out more efficiently and profitably and I also conceded that big and small business always had justifiable complaints about government economic policy. However, homo sapiens is not only an economic animal. At the margin and in many fields of enterprise, the strictures of the market do not apply, if one is to have a cultured, thinking society. There are choices in economic policies and in some senses economics is a branch of social psychology, because it entails a specific way of thinking, not the only way of thinking.

For a politician, a beautiful economic theory of the benefits of deregulation can totally ignore the impacts on people, which can’t be ignored in a democracy.

Although I have doubts about the assumption of perfect competition and the utility of the simple supply and demand graph to explain concepts such as utility, marginal costs etc, applied micro-economics is essential in formulating industry policy reform. This is because it can assist the optimisation of the allocation of resources and possible outcomes. In the case of agricultural policy, much is dependent on the findings of agricultural science and technology before a broader, sounder, economically based optimisation of findings and techniques can be put in place. When dealing with natural systems and resources, science and informed management come strongly into play. There is an intersection between economics and science in agricultural policy but other disciplines are also very important in formulating policy, for example rural sociology.

The overall policies of fiscal and monetary policy at any time require close management and reform, and will, quite likely, affect different sectors in different ways. As I write, monetary policy is the exclusive preserve of the Australian Reserve Bank (ARB). Even with its independent powers it is not able to avert major trends and influences on Australia’s economy due to external conditions and domestic events. One example is the way the mining boom of the 2000s has affected the exchange rate and badly affected other export and import replacing industries. This has caused the ARB to hold the cash interest rate at a very low level, possibly provoking a housing ‘bubble’. But because the rest of the world is in a bigger mess with almost nil interest rates as a result of the global financial crisis (GFC), now known as the Great Recession, and the stupidity associated with the adoption of the Euro, funds are flowing into Australia and thereby exacerbating the current high, harmful exchange rate. Also, it certainly can happen that particular sectors of the economy, such as agriculture, are adversely affected by particular policies which are seen as desirable, on balance, for the economy overall.
Further, goals will always be disputed by those economically aware. For instance, a target for monetary policy could be to achieve full employment or alternatively to manage inflation? At one stage, say about 1989, I was of the view that the current account balance should not have been a target for monetary policy. I could have been wrong. If the macro-economic policies that affect employment, saving and investment are appropriate, then the actual current account balance, which is the gap between national saving and national investment, is also the ‘correct’ account balance. In demographically old countries like Germany and Japan, the current account will always, probably, be in surplus. In demographically younger countries such as Australia and New Zealand, it could well always be in deficit because we are investing for the future and lack capital.

Australia has long had a current account deficit (CAD). The CAD tends to become politicised and be emphasised as an issue of major concern, propaganda-wise, particularly in Australia when the Coalition is not in government. CAD figures can always be represented as bad, despite their characteristics at any particular time, as can the overall national debt; in fact Australia’s foreign debt, despite our continuing net borrowing requirements, has always been relatively low. It has always been seen as acceptable for companies and foreign companies to borrow or invest capital in Australia for future growth, as occurred in the mining boom of the first decade or so of the latest mining boom. This is no different to governments borrowing for the future in terms of capital goods and for the provision of publicly owned infrastructure, which also benefits the private sector.

For much of the time of the Hawke/Keating Governments, indeed through the 1980s and 1990s, inflation was the main concern; when it was high, interest rates were high and investment depressed.

Of absolutely fundamental importance in the 1980s, in my area of portfolio responsibility, was that primary produce exports accounted for 70% of our total agricultural production (95-98% for some commodities, such as for wool and cotton). Further, agricultural production composed a large proportion of Australia’s net exports, 35-40%. Australia also derived a high proportion of its gross domestic product (GDP) from trade, which meant post the 1982-3 recession the stimulus to our economy could come from the international economy as trade increased. This meant, politically, that the current account, investment, the inflation and interest rates and the budget deficit or surplus were always a matter for debate, and for politically motivated accusations of mismanagement, to an economically ignorant electorate. In the late 1980s the total annual value of exports of all merchandise and services was about $48 billion, of which primary products (including minerals and energy) made up nearly 70%; agricultural products were still 37% of the total in 1988-89.

Despite this aspect of the agricultural economy, the sector was one of adaptation and resilience during my time, but because of world agricultural surpluses and corrupted markets from the late 1960s, Australia’s net farm income rose very little in real terms. This was a feature despite production in some commodities, such as grains and oilseeds increasing substantially. For example, the real value of world agricultural trade rose by 32% between 1950 and 2010. During the same period the volume of Australian agricultural production rose by close to 300%. Yet the real gross value of Australian agricultural production rose by less than 25%.

**Economics (Economic History Now?)**

Much of the policy discussion which occurred in Cabinet when I was the Primary Industry Minister was taken up with overall economic policy and with designing policy to secure long
term economic reform as well as responding to circumstances quite out of our control. I was often concerned to see that these policies did not impede primary production or fail to take primary production’s unique, or substantially different, characteristics into account. As I have noted, at the time we came to office, primary products provided nearly 40% of our export income; agriculture was important. Exports are essential so that there can be imports to improve our standard of living (try to convince mercantilists and protectionists of this). I was part of a government bent on major long term macro and micro economic reform; the biggest challenge was to get our economic policies right. I was determined to fight for the farm sector, not to win farmer votes (a nearly impossible task) but simply because it was in the national interest to do so and because of the impact on the fortunes, or otherwise, of the farm sector, on farm families and on people and families in non-metropolitan areas.

It is little remarked, but one of the problems in taking an economic approach to agricultural policy, stressing efficiency and productivity gain to ensure greater profitability, is that it leads to the difficulty of reconciling both pro-business and pro-market policies, which most people think are the same. Agricultural, fishing and forestry pursuits comprise business enterprises, which imply policies to support them in some way, including the removal of impediments to their successful functioning. At the time, it was obvious that opportunities for agri-business were being recognised. On the other hand pro-market policies imply maximising gain for consumers by ensuring that competition between industry players takes place. The responsibility of the three major co-ordinating departments of the Commonwealth government (Treasury, Finance and Prime Minister and Cabinet) and their ministers was and is to take a sensible pro-market rather than an insensitive pro-business approach.

At the time, I knew of no organised primary industry organisation or lobby group that ever said a word about the need for an economy to take into account consumers/the general mass of the population. The urgency of their short term predicament and production per se mind set were the main drivers of their demands and determined their ethos. An export and commodity production focus fortified this view. Where I rebelled was when advisers in the above departments had the idea that there was no need for any industry policy. Their general view was that the market would sort it out and once the Australian dollar was floated, the exchange rate will adjust by way of providing assistance to primary industry. My view was that other factors intervene, both processes are too slow to be sufficient and that the transitional and human costs were too high.

There is a distinction between naive and sensible pro-market policies. The situation of agriculture is that it has an atomistic industry structure and, because Australian agriculture is so export oriented (but also subject to import competition for many commodities and processed foods), it was different from much of Australia’s then manufacturing industrial structure. The exception may be for small business at enterprise level (typically retailing and service provision, which do not produce physical goods), regarding, say, access to credit and cost pressures. This is not to say that the imposition of ‘red’ and ‘green tape’, and excessive regulation, is not an issue for many primary producers, as it is for large, small and medium enterprises. Many industries servicing primary production were very competitive, for example, road transport, farm chemicals, packaging etc, and some not, arguably state railways.

In general the perceived and the real enemy of small business is, often, big business. The dominant largest two retail chains are in competition with corner stores and also, increasingly, smaller primary producers and agri-business as they squeeze margins in their buying activities. However, if direct financial assistance is given to small business, this generally tends to encourage more entrants into a crowded field where bankruptcy and failure is constant for
a number of reasons including over-participation, for example, restaurants in Canberra. In some agricultural pursuits where the cost of entry is relatively low this effect can also be a feature, for example, the succession of impecunious farmers moving onto small irrigation blocks in Sunraysia in Victoria. Many industry players pay lip service to the benefits of competition and the joys of the market, while working in every way possible, including rent seeking, to gain assistance or a quasi-monopoly position. Similarly, production of some goods and services is held to be giving more choice, when in fact it is restricting it, such as 500 brands of breakfast cereals but only two or three manufacturers? This may be because the size of many markets in the Australian economy leads to the formation of duopolies.

As Minister for Primary Industry, I did not accept the idea that there was such a thing as ‘the market’ and only ‘the market’, particularly when markets can be manipulated or mishandled, for example, duopolies, restrictive trade practices, tax avoidance and evasion, and in the case of financial markets, insider trading, predatory short selling, hedge funds, junk bonds etc. I have long thought that the international finance scene is a house of cards. Hedge funds particularly worry me because the activity of the players in them is often beyond scrutiny. One has to analyse the market under consideration because there are such characteristics as market failure, market structure, market power and market behaviour, which have to be taken into account. The market we were most aware of in the 1980s was the financial market and we were enjoined not to take any steps to upset it or say a word against bank practices; politically it was a no-no to say the mildest word against bank practices. Events from the late 1980s until this day show how imperfect the finance market is and the products of the financial markets were. I believe that the finance sector in 2013 acts is a major distortion to the most effective working of capitalist economies and is grossly distorting the distribution of income and wealth. This, in turn, is limiting the efficient working of economies such as that of the United States.

Despite the bleatings of the economically pure, I believe markets need to have rules and regulations and that the notion of ‘market design’ is important. The difficulty for governments is in determining what level of regulation or intervention is needed so that competition is free, particularly since the organised business sector has constantly held that we are over-regulated and over-taxed. The sector refers to overseas examples to justify its claim. I do not think we can have the income taxation rate of Saudi Arabia and the wage rates of Mali, but as developing economies grow, more and more pressure will be put on a small economy such as Australia's. There is not very much that we can't get cheaper from abroad.

It is surely quite obvious by now, since the 1980s, that poorly regulated financial markets, world-wide, have cost consumers billions of dollars, thrown at least 300 million of people out of work and brought countries to their knees. The taxpayers have had to subsidise the rich via government intervention because it is essential, for an economy to function, to have a banking system, which has to be supported or bailed out when it and its managers, governments and regulators fail, as they regularly have over the past 30 years. While ever banks are too big to fail, they will do what they like unless subject to regulation. The fines being imposed on US merchant banks due to knowingly having sold faulty mortgage securities have done little to change their behaviour.

It is intriguing that we have witnessed a Premium French wine bubble first in the US and now China which matches that of the tulip bubble in 1637. Governments were active participants in the failures of the finance sector in the 1980s. The latest diktat (2013) from the Basel Committee, (the international institution that acts as rule setter for central or reserve banks), for a leverage of only three per cent in lending, is evidence that the financial sector has again triumphed over government.
Since the 1980s it became increasingly evident that there was much more money to be made from manipulating financial markets than there was from investing in the actual production of goods (particularly) and most other services. This was how we got the housing bubble. Those parts of our society controlling capital, property and wealth were well aware of this and inflation often benefited them to the cost of others. This is part of the reason why agricultural land is always over-valued, if you are simply buying a property to make a living. Why spend $4m to, say, buy a sheep property, when the return from putting the money in a safe interest bearing product would yield so much more, without the need for work or worry? There is a limit to the imputed joys of a farm life-style.

When economies run into trouble, for whatever reason, the choices are (1) austerity, (2) allow inflation to take over or (3) tax the rich. The latter solution has always been too hard for governments to implement.

Competitive markets are seen to be essential for a free working economy, but there are many distortions. Where agricultural policy is concerned, it is impossible to encourage competition between 20,000 individual wool growers to increase the benefit to consumers, yet they, the wool growers, are still subject to market forces. In this case, each grazier is individually engaged in producing for export markets, and it is hard to envisage any consumer benefit from producers being in competition with each other. They are in a competitive environment on international markets with other producers from exporting countries. In this context they try to increase their productivity by cutting costs and better farm practices. With competition, not at the individual farmer/grazier level, the consumer can benefit if the good can be produced and then sold more cheaply, but this then assumes the next players in the chain pass the benefit on.

As noted the industry structure for agricultural production is atomistic. Price setting mechanisms are market based, but increasingly subject to world market prices, the power of middlemen and sophisticated financial options such as futures markets. Long term contracts, exporting country to importing country, are a thing of the colonial past. Our wheat growers are in competition with other nations’ wheat growers on world markets and we can sometimes gain on our competition, for example in terms of freight costs, quality, product specification and provision of credit. At the same time, increasing competitive pressure is imposed on primary producers from those with market power in the domestic economy. Bread makers, the intensive livestock industries and food manufacturers compete on the domestic market and price setting mechanisms in other food markets, such as in fruit and vegetables, to give consumer benefit. However, this was and is one step removed from agricultural policy within my portfolio area, beyond trying to stimulate freer export markets. Australia’s domestic market is so small that it is inclined to the establishment of duopolies with respect to businesses past the farm gate. Because farmers are price takers, they possess little leverage beyond the farm gate, hence their uncritical reliance on co-operatives and statutory marketing authorities (SMAs) under their influence.

In most instances, it is the price per unit of production that determines the level of competition and profit between agricultural producers, particularly on the domestic market. There can be a short term and a long term picture of this, for example, thrash the country to death by overstocking or build your soil producing capacity for the future. Primary producers also face competition from other domestic industries and borrowers in terms of access to capital. Profitability can be improved when producers cut costs (better management versus thrashing the resource base?); increase productivity; adopt new agronomic practices; engage in better
product specification and diversification; improve value adding or compete through different market structures.

The example of competition in the poultry industry is apposite. In this industry, a new market now exists because of competition between free range egg production and cage egg production and intensive broiler production and free range, because there are consumers willing to pay a much higher price for a particular product, regardless of disease risk (free range eggs rather than cage laid and free range broilers rather than intensively reared broilers). Demonstrated buyer preference and the marketing of free range eggs and poultry is based on imputed consumer feelings for the chooks - a marketing ploy, but one where the industry is meeting the market demand.

During my time world agricultural commodity markets were corrupted by the subsidisation and protection policies of the major economic powers. Australian producers on export markets were always price takers. When attempts were made to set or influence the price of our produce, disaster struck, as with the wool industry. This is why the Hawke/Keating Governments put so much effort into multilateral, bilateral and regional trade negotiations, to level the trade playing field for our exporters. The structure of our agricultural industries is changing with a trend to larger units (scaling up), though, at the same time there are entrants at a lower scale, for life choice reasons. The agricultural sector still has a large capacity to scale up, is doing so and will. Large scale enterprises can also bring diseconomies of scale which implies that such enterprises need to be managed well.

Similarly, and partially in response, the role and structure of agri-industry is assuming more importance now that our agricultural industries’ marketing arrangements are being or have been de-regulated and SMAs and producer co-operatives disappear. Where producers retain equity in privatised structures and have shares, these are negotiable and, as I write, many of our agri-industries are being bought by large overseas interests, but with what implications? Are we training enough skilled people to work in larger farm enterprises? Is this only because our financial sector is not willing to invest for the long term in larger farm areas? Is it propelled by overseas countries wishing to secure additional food and therefore Australia need only take an ad hoc approach to the processes under way? What scale may threaten the viability of our existing primary producers? Will our traditional farmers and agricultural producing firms be closed down so that there is no competition with producers in the foreign owning country?

Where goods are traded at the current world market price, there may be no concern. As for land purchases, the land will remain in Australia. Where products are able to be stored, the timing of sale may be manipulated and it is possible overseas firms may extract more rent, or favour producers or shareholders from their country of origin, which is not passed back to Australian producers.

**Politics and Economics**

Let me repeat that I do not believe that politics is only about economics. I am not a Marxist. The Liberal Party seems to believe that governing is only about economic management and kowtowing to the most powerful in our society. Many players in our economy constantly argue that farming should be regarded as any other small business; sometimes the National Farmers Federation (NFF) has said so. Quite apart from the long held physiocratic notions of the primacy of food and fibre production\(^\text{156}\), this is a difficult requirement to put into practice.

\(^{156}\) The physiocrats were a group of eighteenth century French economists who believed that the wealth of nations derived solely from the value of land and that agricultural products should be highly priced.
unless one believes in the survival of the fittest. Politically, the Nationals and its Country Party predecessors have always supported subsidising and protecting our farm industries, and concurring with the wishes of farmer organisations, with a strong, understandable emphasis put on ‘development’ and production per se. These ideas continue to this day in the minds of many if not most primary producers and their representatives. They are largely opposed by economically hard headed people in the Liberal Party (being the party of big business and the petty bourgeoisie and now, in 2013, also the party for the perpetuation of increased economic ignorance and dismissal of science) and generally by larger, corporate or more successful farmers.

While Coalition governments sublimate this difference internally, or have the odd brawl, it means for a reforming ALP government, that the opposition political parties in Coalition will be able to successfully promote contradictory policies to gain the support of constituents, particularly rusted on Nationals supporters. A good example of this is where the Nationals tend to oppose overseas investment in agriculture whereas the Liberals are not so inclined. The Nationals are inherently protectionist, economically populist and socially reactionary. In contrast, the Liberals are generally free trading and often not quite so populist and reactionary. Indeed, a diminishing handful of Liberals may even be liberals in the philosophic sense of the term.

The flame of industry protection still burns brightly on both sides of politics. However, worse are conservative slogans such as ‘national governments need to be run like a household’; ‘budget deficits are always bad’; ‘all taxes are bad and taxes should always be cut’; ‘there is a set proportion between taxation and spending by the public and private sector’; ‘wages must be set on the capacity to pay principle, industry by industry, or, preferably be deregulated’; ‘reform cannot be achieved by regulation’; and ‘foreign debt is owned by every man woman and child and is always bad’; and so on. These are constant themes run by conservative governments and political parties – Cicero is alleged to have said much the same things in 55 BC. I either dispute or would qualify these slogans to a greater or lesser degree.

In government I noticed that ideologues and critics cherry pick the performance of other countries to justify a political claim. An example is simple comparison of the rate of income tax, when, in fact, taxation revenue as a percentage of GDP is a more honest measure. On this measure in 1984, Sweden’s, Norway’s, Denmark’s and Belgium’s percentage of tax to GDP were 50%, 46%, 48% and 47%, respectively, when Australia’s was 31% (the UK’s was 38% and the US 30% at the time). Are we to assume that people in the above four high taxing countries were living in poverty or that they were not internationally competitive? In fact, post the 2008-....? global financial crisis/great recession, the Nordic economies did well, despite the ongoing derision of many US economists and political ideologues, and all possess vigorous and innovative public and private sectors. Denmark is assessed as one of the best governed countries in the world. Norway even possesses a massive sovereign wealth fund due to its sensible stewardship of its oil and gas resources. The oil majors did not get hold of the lot.

Of course countries have different social structures, different cultures, different histories, different natural resource endowments, and do not blindly follow what is now known as the Anglo-American model of economic management (sic) and can be internationally competitive. The Australian public sector is neither large nor small by the standards of comparable countries; the optimum size is more of a value judgment than an economic one. It is simply macro-economic dogma to say that there has to be a set proportion of taxation or split between the private and public sector. If it is seen that we should follow the US model of public and private market shares of national wealth, income and taxation, does it follow that we should
spend the same proportion on defence and pay twice as much for health services, further reward our billionaires and ignore the practices of the finance sector and ignore massive inequalities in income and wealth and enhance this?

Our federal system leads to costly duplication in the provision of services, but the country is so big and governments fail if they become too remote from the people. The public has the perception that the Commonwealth government devours money, when most Commonwealth outlays are transfer payments to other governments or individuals. Given the form of (semi-democratic) government we have in Australia, an industry minister has to deal with populist slogans as well as dealing with pure self-interest and rent seekers. Most political pressure on a reforming government or minister comes from uncomprehending individuals and interest groups (the glories of pluralism), or from the pressure for short term solutions, or from a failure to understand many fundamental economic realities.

To take one of the constant charges made in the public market place of politics, I will instance overseas debt. By 1987, forces opposed to the Commonwealth, including farmers, were making extreme allegations about the doom Australia faced because overseas debt had risen. There had been a depreciation, which had benefited the export sector. If there had been a 30% currency depreciation, then, automatically, there is an increase in the debt of 30%. The increase in measured debt showed at the time that there had been a switch from equity to capital debt inflow. This reflected more efficient capital markets resulting from financial deregulation. At the time world prices for dairy products had fallen by 33%, for wheat and feed barley by 32% and sugar by 28%. This was the cause of the farm problem, not more access to capital or rising debt. Ironically, the depreciation was of some assistance to farm exports.

I also failed to convince primary producers that they were part of the wider Australian economy and that they were trading in a world of corrupted markets where the latest form of globalisation - financial deregulation - was ensuring that the Australian economy was going through a transition in the 1980s and 1990s. Being in Cabinet from November 1983 brought this home to me. When one enters the field of macro-economic management, one enters the field of politics and competing economic theories as well as ideology. Facts do not get in the way of politically driven economic beliefs. Even as a lowly agricultural minister, I knew I needed to be fully aware of world trading situations and the actions of major economic powers. The US at the time was the absolute hegemon in matters of world economics, finance and trade.

The 1980s followed a decade of stagflation, partially as a result of the US not adequately financing its war in Vietnam and the collapse of the Bretton Woods Agreement on foreign exchange. This was followed by the disaster of ‘supply side’ economics (the Laffer curve157) during the Reagan years (1980-88), only to be exceeded by the ‘efficient markets thesis’, the result of the economic non-policies of Presidents Clinton and George W Bush. The 1987 stock market crash, the savings and loan disaster, the Asian meltdown, the Dot Com crash etc, taught the ideologues in the US Republican Party, many Democrats and their big business backers, nothing to dissuade them from their belief in monetarism, deregulation, cutting taxes for the rich and increased spending on defence (offence) as the answer to all the US’s economic

157 Often used as a shorthand to sum up the entire pro-growth world view of supply-side economics, but the Laffer curve itself simply illustrates the trade off between tax rates and total tax revenue.
problems. “The government is the problem not the answer” was the oft-repeated dogma – and there was not very much difference when the Democratic Party was in office.\footnote{President Nixon announced a New Economic Policy, centring on a wages and price freeze in the early 1970s. (Lenin, some commentators noted wryly at the time, also had a New Economic Policy in the 1920s). Coming from the halls of the academic economists, the Republican Party (and the Democrats to a lesser degree) in combination with big business and Wall Street was influenced by such ideas as ‘Balance the Budget Period’, the theory of ‘Rational Expectations’, then ‘New Classical Economics’, the ‘New Economic and Political Centrism’, ‘Supply Side Economics’, ‘Monetarism’ and finally massive deregulation of financial markets on the basis of the ‘Efficient Markets Thesis’. President Reagan’s success, as limited as it was, was not due to monetarism or supply side theories but a cruel kind of Keynesianism, of massive budget and trade deficits, which, due to tax cuts and increased defence spending, resulted in the rich becoming richer and the disadvantaged poorer. The welfare dependent, the lone-parent families, the less skilled, the ethnic minorities and so on either benefited less or suffered absolute losses in disposable income. How any economist could propound an absolute belief in monetarism and yet think there was nothing wrong in the merchant banks in the 2000s creating ‘pixie dust’ products and thereby ‘money’ is beyond me.}

The key trade bloc for Australia in 1983 was the trilateral relationship between the US, Japan and Australia. There was declining trade with the European Economic Community, growing trade with Asian markets, but without China on the scene to the extent that soon it would be. The Bureau of Agricultural Economics (BAE) established a major research project into China’s recent agricultural policies and started to engage with the Chinese Ministry of Agriculture Animal Husbandry and Fishery in August 1985. By this stage I had signed an Agricultural Co-Operation Agreement with China, in the mid-1980s, but China was only just starting down the reforming socialist/capitalist road.

At the time, we imported our recessions from the US. We still do to a large extent, because the US was and still is the world’s largest economic power and the US dollar is the world’s reserve currency. Although Australia is a rich middle power, we are very small in the world economic scheme of things. Australia’s 1982-83 economic recession certainly came from the US and was accentuated by Australia’s four-year drought (1979-83) at a time when farm exports were such a large proportion of our total exports.

There is one other matter I should raise in the political context as an industry minister in an ALP government. As I have made clear, it was in the national interest to have as vibrant and profitable a primary producing sector as possible. The people in agricultural and rural Australia need not only to be regarded as constituents, but governments and ministers need to have grasped the concept of governing for all, whether they voted for the governing political party or not. This was always a good counter to some of the demands by lobby groups pressuring the government. Reflecting on this, I was always conscious that my constituency of Werriwa which contained two commuting, service based cities, Campbelltown and Liverpool, and included a small portion of primary industry on their outskirts, had many staggering social problems and above average unemployment. I was aware of poverty in the cities as well as in the bush. I was also aware that unemployment in non-metropolitan areas was always higher than in the cities. I was more than well aware of the financial predicament of many farm families.

One of the ways to enhance the competitive position of the farm sector was to reduce the level of protection for manufacturing industry to reduce costs. However, I was not inclined to follow some ideologues in the farm organisations, who were bent on eliminating the manufacturing sector. The reform of the manufacturing sector also had to take time to effect the longer term
goals of the Hawke/Keating Government, especially through the work of John Button, Minister for Industry and Commerce, 1983-93. In May 1984, the Government introduced a new car plan, promising to eliminate quotas and reduce the penalty tariff on cars imported outside the quota to 57.5% - less than half the rate under the Fraser Government, with a further concession for four wheel drive vehicles, all of which was of some benefit to the farm sector.

Both John Button and I believed in the need for industry policies rather than simple reliance on the market. We knew about all the challenges Australia faces - economies of scale, distance from market etc - but there are some basic manufacturing industries which are essential (chemicals, paper, glass, steel, timber) or else you limit your capacity to have any at all. Manufacturing means a more complex society and with complexity comes the opportunity for innovation. It is certain that we will lose our older manufacturing industries, but for the sake of people and local economies, wind down has to be managed. We cannot all become baristas, tour guides or players in the financial markets.

I apologise for daring to hold the above such sacrilegious beliefs and am prepared to do penance.

Economics and Primary Production

The ALP was elected to government in March 1983 during a time of economic recession. Comparing 1982-83 with the recessions or downturns of 1960-61, 1974-75, and 1982-83 using peak to trough decline measures of GDP or other standard measures, the worst recession for output was 1960-61 and the worst recession for a rise in unemployment was 1982-83, when GDP growth fell by 0.6%. In June 1983, the consumer price index was 10.3%, down from 12% a year earlier, unemployment was 10.2%, interest rates were above 10% and the government faced a budget deficit of $9.7b (5.5% of GDP) with an estimated deficit outlay figure of $54.6b. The Hawke/Keating Government made too much of the budget deficit, politically, but the Coalition had always promoted itself as being the party to keep the books balanced and had misinformed the electorate on the state of the economy. The economic picture was not all the fault of the Fraser Government, nor was it all the fault of the Whitlam Government, which was the Coalition's claim. The 1974-75 recession or slow down was not as severe as the earlier or later one, both during the stewardship of the Coalition. The two oil shocks and world economic stagflation of the 1970s did not help.

The Hawke/Keating Government set out on major long term economic reform, which takes time, regardless of what our opponents and the critics were claiming, in and out of government. As an industry minister, I became a member of the Structural Adjustment Committee of Cabinet, where much of the decision making took place after the hard work had been carried out on our instructions, by the Australian Public Service (APS) and our advisers.

As I have said, we usually import our recessions but perhaps the 1961 credit squeeze was home-grown? The supply side policies of the US did not work as projected by the ‘New Right’ during the Reagan years, 1980-88. US interest rates were 10.7% in 1982 and only slowly reduced, unemployment was 9.7%, the budget deficit grew from $US145b to $US205b by 1986 and the US trade deficit started to climb ever upwards from 1983. The performance of the US and world economy had and has a major affect on ours and the then better performing Japanese economy saw us with little negotiating power to increase our trade, due to the reality of US power, its exchange rate policies and the protectionist policies of Japan. We were in thrall to the Japanese economy and it was thought that Japan’s economic managers could do no wrong. I always thought that under-employment in Japan was evident and that their decision making
procedures at some levels were too dependent on consensus. Their powerful bureaucracies were mercantilist in view and in operation. However, it is a great mistake to think that other countries of far different cultures think the same way as Australians do. Language is a very large barrier to understanding.

When we formed government there was already a farm problem. This is discussed in detail in the commodity based chapters in this book. The prospects in both the short and medium term were bleak. The BAE’s farm surveys made clear the number of farms with negative farm income, high debt and low equity levels and the domestic sources of cost pressures. For example, in 1983-84, 39% of specialist sheep farms had zero or negative farm incomes, wheat had 23% and specialist beef, 39%. Farmers in the dairy, sheep-beef and horticulture sectors were not much better off on this measure and the dairy industry faced more severe prospects. Equity levels were not bad but needed interpretation, for example 33% and 21% of sheep and wheat farms, respectively, had 100% equity, but a significant proportion had a debt exceeding $100,000. Off farm income was starting to rise and provide some buffer. Non-farm income was not as marked as it is now (2013). Land values were falling, which was a problem for farmers with high levels of debt and low levels of equity.

It was not possible to devise a separate policy for each segment of a very complex farm structure. Policy solutions had to be across the board, industry by industry, except when dealing with welfare problems. The more research on the bare figures, the more apparent the so-called 80:20 rule (or perhaps 70:30), whereby 20% of the farmers were producing 80% of the product. The implication of this is that the farm sector has always had a large capacity to scale up, if the capital could be amassed. The situation told Cabinet and me that there would be no easy solutions: the ALP Government had not created all the problems on the morning after the election.

The major source of the overall problem was low world prices for our produce. Low world prices in the period 1983-87 were the result of sharply reduced import demand by developing countries, combined with policies in the major agricultural producing and consuming areas of the world which shielded producers from depressed world prices. Consequently, world stocks of most commodities which could be stored were at historically high levels. To correct this would require a considerable increase in world economic growth, an easing of the debt problems of developing countries and a reduction in agricultural protectionism. Australia did not have a war chest sufficient to counter the agricultural subsidies dished out to farmers in the European Economic Community and the US. If we had tried they would simply have upped the ante.

Agricultural Policy in the Context of a Relatively Economically Astute Government

In my statement to the National Economic Summit of 12 April 1983 I stressed how the policies proposed by the Treasurer, Paul Keating, would contribute to the farm/rural recovery and how the rural recovery would contribute to the strength of the domestic economy - but stressed that it would take time. I said that Australia should not run an over-valued dollar as an anti-inflationary weapon and that balance was needed between monetary and fiscal policy management to allow interest rates to be kept as low as international conditions permitted. Further that the Prices and Incomes Accord, which had been negotiated by the ALP when in Opposition with the Australian Council of Trade Unions (ACTU), was central in putting together the policies for recovery. I also emphasised the role of the exchange rate and the success or otherwise of the export potential for the farm sector.
It was obvious in 1983 that I would not be able to meet the demands of agricultural industries for assistance by way of subsidies, even if justifiable - the cupboard was bare. More importantly, in practice, across the board subsidies always benefit the better off or larger producing farmers. While there are often good reasons to assist wealthier farmers, or those who are the most astute and best managers, I was not disposed to accelerate the process of farm exits. It is a political reality that many farm leaders have a dismissive approach to the plight of some of their fellow farmers. Not that I could ever publicly emphasise it, but the fact of agricultural farm performance was that there was and is up to a 50% difference in the financial performance of the best and worst farmers, even where production circumstances were similar.

The Industries Assistance Commission (IAC) had educated the farm sector, or at least some of the elites, to some degree regarding the situation primary producers faced economically and trade wise. What I did not anticipate was that many of the longer term policies being put in place, mainly by Treasurer Paul Keating, would be so vehemently opposed by farm organisations, where they only touched on their interests, such as general taxation matters, tax quarantining for farmers, assets tests, etc. The NFF, being the most economically astute of the farm organisations, took a lot of my time with their demands for prompt cures for the woes of the sector. Many State based agricultural farm organisations were simply acting politically. We were later able to point to the benefits of the progress being made in reducing interest rates, the reduction in the rate of inflation, the containment of wage rises easing cost pressures (due to the wages Accord with the ACTU) and the floating of the dollar etc, but without much success.

The BAE, later the Australian Bureau of Agricultural Resource Economics (ABARE) supplied me with regular analyses of those macro-economic issues of particular reference to the farm, fisheries and forestry sector. These included taxation; the exchange rate; interest rates; debt and equity levels; foreign debt; the balance of payments; employment and unemployment; wage rates; short term market indicators; commodity prices; monetary aggregates; economic activity; consumer prices; etc. The BAE issued Quarterly Reviews of The Rural Economy and Quarterly Economic Reports, which were publically available to all, and a treasure trove of information, analysis and facts. I also received a weekly summary of Macroeconomic Developments and Issues from the various directors of the Bureau (mainly written by Paul O'Mara, who also had a sheep property at Yass) and briefing on issues as they arose from Julienne McKay and then Jim Groves on my staff, as well as the BAE. Typical of these issues were briefings on the Government’s assets test, capital gains taxation and the fringe benefits tax. The Bureau also supplied me with think pieces on the farm and rural economy as well as its analyses at its Outlook Conferences and relevant papers arising from academic economic conferences. The BAE made major submissions to the IAC and the Economic Planning Advisory Council (EPAC).

I knew I would not win every argument to give the sector some extra consideration but my intent in cabinet discussions was to ensure that my colleagues understood the situation of the farm sector when considering policy options and before arriving at decisions. This is what cabinets are for and what responsible cabinet government is all about: but I sometimes got into trouble when the consensus was clear; I believed I had a responsibility to put the case. The problem was that when the Government engaged in major reforms, packages sensibly had to be delivered in total. This meant that ministers were on the back foot because we were not able to consult and prepare the ground for such major reforms. This was particularly so with reforms of the taxation system.
Before Prime Minister Hawke promoted me to Cabinet in November 1983, I was a member of the Monetary Committee of Cabinet. Most of my effort in July, August and September, 1983, was directed to urging attention to the rising exchange rate, which was harming our export sector, including agriculture. The ‘dirty float’ (or ‘crawling peg’) in operation at the time was rewarding raiders on our currency. I had been well briefed by the BAE and had been naive enough to baldly submit one of their papers to the Committee. After my attempts to have the situation examined were twice rebuffed, John Button, Industry Minister, joined with me and the issue received more attention. What I didn’t know at the time was the background work being given attention by Paul Keating and Bob Hawke. The Treasury was opposed to floating the dollar. My concerns were addressed by the decision of the Prime Minister and the Treasurer to float it at the end of 1983. The farm sector benefited by about a 10% devaluation, once this occurred.

Once I was a member of Cabinet, much of my time was taken with matters of general economic policy and reform, particularly as it affected the farm and rural sector. My participation in Cabinet debates, where science was to the fore, was mainly on quarantine; agricultural and veterinary chemicals; plant and animal diseases; fisheries, forestry and natural resource management more generally. Scientific knowledge became important in some economically directed commodity policy, for example our emphasis on clean and green products. My establishment of the Bureau of Rural Science (BRS), which then became the Bureau of Rural Resources (BRR) was of particular assistance in policy development. When the portfolio was enlarged in 1988, 59% of Australia’s exports were agricultural, minerals and energy - to be an even higher percentage later.

There was an all-party consensus on the need to develop policies on the greenhouse effect and greenhouse gas emissions in the 1980s. In 1990, the Hawke Government committed the Commonwealth to the goal of reducing carbon emissions by 20% below 1988 levels by 2005. All States started to formulate plans and there was an all-party consensus at least until 2009 - before the vested interests, sceptics, ideologues not prepared to read the work of relevant scientists, short term focussed media and populists got to work. The BRR was, again, of great assistance to me in this area, though at the time I erroneously thought that adaptation rather than amelioration would be the best strategy to pursue for agriculture. Agriculture’s contribution to Australia’s greenhouse gas production at the time was calculated to be about 8-16%. Limiting deforestation, world-wide, was known to be one of the best strategies to reduce greenhouse gas emissions. As I write, the latest Coalition Government’s goal is to reduce carbon emissions by 5% by 2020. The target of the ALP Government, in 2007-13 was to reduce the emissions by between 5% and 20% by 2020, first using a carbon tax and then moving to an emissions trading scheme, which is considered the best way to address dependence on fossil fuels, the production of CO2 and its effect on climate change, internationally.

As an aside, once minerals and energy became part of the portfolio, I could not understand why it was the convention that Australia’s coal exports should be calculated as part of Australia’s contribution to global warming/climate change. If we ceased exports, the importing countries would have to buy coal elsewhere. Surely the need for ameliorating policies should fall on consumers not producers - polluter pays?

With the Bureau of Mineral Resources also added to the portfolio (now Geoscience Australia), more reference to scientific matters, such as in mineralogy, geology, petrology and nuclear power, was involved. The many studies by the IAC and EPAC were also of much assistance on micro-economic reform. I also continued to use the Parliamentary Research Service as a
source of policy advice. EPAC was established following the National Economic Summit Conference held in April 1983. I was very much in favour of having a medium term economic advisory body. EPAC carried out exceptional work and its reports were of great value. The word ‘planning’ was anathema to the three central co-ordinating departments and I was surprised that it was used. Perhaps this is why EPAC did not last very long; it was later eliminated by the Howard Government.

Because the Commonwealth Government’s Primary Industry portfolio does not have a remit as such for physical primary production, the concentration had always been on agricultural economics and trade matters, where the Commonwealth’s Constitutional powers were clear. Australia’s agricultural export industries have been commodity based and as such always needed some government attention, involvement and support. One of the difficulties for smaller agricultural exporters was the classic infant industry problem. Further, when the domestic market proved more profitable, exporters were inclined to return home rather than continue to build the export market. For these industries, agricultural science could help in solving various problems such as quarantine aspects of access (phyto-sanitary rules), disease and pest control, methods to prolong shelf-life and product specification, thereby improving marketing.

**Some Specific Economic Issues**

**The Exchange Rate**

It is best to discuss the exchange rate in terms of the current account, monetary policy, market sentiment and the real exchange and interest rates, as well as the implications for the farm sector. Economic analysis always involves dependent and non-dependent variables hence economists are always accused of being two-handed because they are fond of talking about issues ‘on the one hand and on the other’- parameters change. I do not intend to provide a running commentary on Australia’s macroeconomic performance or all the changes that occurred once the dollar was floated in late 1983, through to 1991. I will select the years from 1985 to 1987, as example, to give an insight into what happened at the worst time for agriculture’s fortunes and farm profitability.

The real exchange rate and the real interest rate are probably the two domestic macro-economic variables with the greatest potential to affect the Australian farm sector; the forces that drove these were of the most interest for it. The exchange rate was always substantially affected by movements in the US dollar exchange rates. It is generally quoted in terms of the US dollar and other exchange rates rather than the more useful trade-weighted index, which relates to the value of the basket of currencies of our trading partners. When the US dollar weakened, our dollar increased and any tightening in our monetary policy usually caused the Australian dollar to overshoot, temporarily.

In the early 1960s the current account deficit averaged approximately 2%. From the late 1970s it averaged around 5% peaking at 6% in 1985-86, by which time it was expected to be around 3% in 1988-89. These developments mirrored a sharp decline in the terms of trade during the mid-1980s, but which had always been subject to volatility. The real exchange rate fell dramatically by about 37% between the December quarter 1984 and September quarter 1986, after which time it rose until the September quarter 1988, but was then still around 20% below its 1984 level. These two factors contributed to the rise in Australia’s net foreign debt from less than 10% GDP in the early 1980s to around 30% in 1988.
The fall in the exchange rate, then rise, the collapse of European communism and the first Iraq war, had a dramatic affect on the Australian wool industry. On the other hand, the fall in exchange rates during 1985 and 1986 was accompanied by a marked increase in interest rates with many rates reaching record levels during this period. The nominal 90 day bank bill rate peaked at 20% and the real rate peaked at a little over 10% before returning to being broadly in line with rates in 1984. I felt powerless to do anything about these changes. In terms of the Government’s overall economic management I could only point to the fact that we may have increased the money supply too much to combat unemployment. Perhaps the Reserve Bank and Treasury shared my lack of powerlessness?

The implications of the 1985–86 budget strategy were to have an influence on important variables such as economic growth, interest rates, the rate of inflation and exchange rates. These in turn were to affect the performance of the farm sector. The budget predicted an increase of 4.5% in real GDP; an overall deficit of $4.9b, with a domestic deficit of $1.4b; no increased taxes; the lowest real increase in expenditure at 1.3% since 1979–80; an expected rate of inflation of 8.0%; and the CAD to remain unchanged at $10.6b. The unemployment rate was almost 9% and interest rates were between 13% and 15% with the rate of inflation being 6.7%. The nexus between interest rates and the rate of inflation was the Government’s and the farm sector’s greatest concern.

The relevance of these developments to primary industry was that while the decline in the real exchange rate in 1985 and 1986 was large enough to cushion much of the effect of the world wide slump in primary commodity prices, the very high interest rates eroded part of the benefit by adding to cash costs of indebted farmers and by depressing farm asset values. The factors that drive exchange rates are numerous and complex but a simple model makes it clear that both traded and non-traded goods have to be taken into account. In the short run, the major influences on exchange rates are likely to be monetary factors and expectations driven by sentiment. As noted, at the time (mid-1987) I thought the money supply had been too high, but the Government had many challenges to deal with. Whichever way it moved on macro-economic policy, I knew I would have difficulties in my negotiations with the farm sector. It says a lot for the sector’s resilience that it survived to the extent it did.

By the end of September 1987, Australia’s net foreign debt was $82b or 28% of GDP and gross debt was $107b or 37% of GDP, this the lowest level since 1976. Commonwealth net debt amounted to 13% of total net debt, the rest being owed by other public enterprises and with by far the highest proportion being owed by the private sector. In the game of politics, Australia’s debt is rarely split between public and private and the general public is always given the idea that it is all government debt. The October 1987 stock market crash was not helpful to the Government and this too had been ‘imported’ from the US.

The NFF made pre-budget submissions which needed a response. There were two problems with this, one being inadequate time to fully explore in detail the complexities involved and the other the fact that the whole budget could never be prepared with only one sector in mind. Moreover, the extent to which the NFF’s open public criticisms were mounted on the basis of politics or economics was always debatable.

The politics of the NFF is covered in earlier chapters and the fact noted that NFF president, Ian McLachlan later entered the Parliament as did its CEO, Andrew Robb, both of whom became ministers in the Howard Government.
Economic Management 1985-1980: the Crucial Years

As economic manager the Hawke/Keating Government was not doing too badly. Our policies helped us hold our nerve until various economic parameters began to turn for the better. Real GDP grew by 4.1% in 1984, investment was expected to be higher in 1984-85, retail and car sales and building approvals were improving. For the first two full years of our stewardship both outlays and the deficit came in under the Budget estimate. This was something which had rarely been achieved - and not achieved at all in the previous decade. However, inflation grew by 4.4% during the year ended March quarter 1985 and interest rates were still too high. On 22 April 1985, the Prime Minister announced the Government’s intention to cut $1b from the 1985-86 forward estimates of Commonwealth government outlays. This became known as the first of the May Economic Statements. It still gave a growth in real expenditure of 1.7%, but reduced stimulus to the economy, which had been essential to respond to the rate of unemployment. The agricultural/rural specific measures were a combination of minor pluses and minuses. The reduction by four cents a litre in a fuel freight subsidy increased the costs, to my discomfort, for the wheat and fishing industries. But the overall macro-economic approach was sound. The increase in the GDP for 1986-87 was forecast to be 2.25%, which of course, like any forecast or estimate, was always contested. The BAE experience had long taught me that estimates are estimates.

Nonetheless, it was estimated that the real net value of rural production in 1985-86 would fall by 24% to its second lowest level since 1950-51. Many meetings were held on the problems facing the farm sector and right wing lobby groups were, as is the way of any lobby group, keen to whip up discontent.

I sympathised with the predicament of the farm sector. From a political point of view, now was not the time for wide ranging reforms. Because I was sympathetic - and under pressure - I had made public statements on two occasions which, on further scrutiny, were inconsistent, and did not address fundamental inequities in the way farm businesses were treated compared to other small and medium sized businesses (I was not always perfect!). Despite the value of the farm sector to exports, it was a fundamental reality that it composed only a small part of Australia’s GDP. In looking to the Australian economy as a whole, the Government was not discriminating against the farm sector, which was the constant charge I had to combat. To achieve lasting reform, the Government had to move when it did. Following initiation by my staff, principally Tony Gleeson, and in my harried state of mind at the time, we decided to present an Economic and Rural Policy Statement to the Parliament. This was on 15 April 1986, after I had placed a submission before Cabinet, which had been agreed. Prime Minister Hawke and the Cabinet understood the pressure I was under.

Economic and Rural Policy Initiatives April 1986

The policies agreed by the Government in the Statement of April 1986 included changes to the Rural Adjustment Scheme (RAS); fishing adjustment assistance; action to retain fertiliser arrangements; the passing on of a drop in oil prices in full; replacement of tariffs on farm machinery and agricultural chemicals with bounties; a review of marketing arrangements and strategies; rationalisation of horticultural arrangements and the handling and transport of wheat; relaxing the limit on the off-setting of farm losses; and reducing the Brucellosis and Tuberculosis Eradication Campaign (BTEC) levy. As well, attention was to be paid to rural and provincial affairs and a Rural and Allied Industries Council (RAIC) was to be established. The RAS became more directed to limiting the cost of interest. Many of the measures are dealt with at greater length elsewhere in this book.
A report on the implementation of this comprehensive set of the eleven policies, costing $312m in a full year, was made publically available in April 1987. Some 33 topics were covered in full. The farm sector started to move into better times with wool prices picking up (not for long as it eventuated). Farm protests became more limited and not so ideological, but many of the constructive and beneficial policies, long term, were resisted to a greater or lesser degree as they were negotiated, but not so much in the Parliament.

**More on the Inflation Rate the Exchange Rate and Interest Rates**

The Australian dollar was floated from December 1983. The Australian Reserve Bank had the most influence on the setting of interest rates but at the time was not acting, or trying to act, to keep inflation at less than 3% per annum. The ARB had been running a tight monetary policy. The financial system was being deregulated, in keeping with world financial reality. The rate of inflation meant that interest rates were high. The influences on interest rates are monetary policy; inflationary expectations; household savings; corporate borrowing; public borrowing (including state government borrowing); capital inflow; the CAD; overseas interest rates; flow through financial institutions; and the efficiency of the financial system. The relative importance of each factor varies over time and the unstable currency was beyond the Government’s control as were many of these variables. The sharp depreciation of the $A in 1985 had seen interest rates increase. The depreciation explained nearly all of the increase in inflation.

To put some of these variables against the situation the diverse farm sector faced, I relied on the BAE’s Farm Surveys and analyses as well those by the DPI and my staff. Average farm incomes were estimated to improve by 30% in 1986-87, but from a very low base in 1985-86. The real rate of return, including capital appreciation, was to remain below trend and negative at -6.9%. Cropping farms continued to be in financial stress with farm incomes per person of family labour to be below $4000 per annum. It was estimated that land values would decline in broad acre agriculture, on average by 25%, in real terms over the period 1985-87. The drop in asset values was affecting equity levels and the ability to repay loans due to poor liquidity and high interest rates. Institutional farm debt was expected to remain at $8b, to which could be added $2b non-institutional debt. Average indebtedness per farm in the farms surveyed was $73,000, but highly variable between and within various commodities. Twenty five per cent of farms carried no debt and average equity levels remained at about 90%. Five per cent of farms were believed to be at risk of severe financial difficulties - some 53% of wheat farms were in this category.

A sustained reduction in interest rates was dependent upon developments in several macroeconomic areas, namely improvements in the CAD, a reduction in the budget deficit and an associated improvement in sentiment in financial markets. There were limits to how much fiscal policy could be tightened because of the unemployment situation but, with the Accord in place, wage rates were not responsible for inflationary pressure. The quick fix remedies being put to me by farm organisations were not likely to succeed and were anathema to any government concerned to govern for Australia as a whole, not just for one sector.

**Taxation and Specific Issues**

The Government proceeded with some measures the Fraser Government had agreed but not legislated, which mainly improved tax averaging and depreciation for farm assets. An Economic Statement was made on 19 May 1983 which was designed to improve the efficiency of tax averaging and income equalisation products and make some minor changes to
depreciation rates. The farm sector was the only one which could claim a full year deduction under the depreciation schedule in the year in which the plant was purchased.

In 1985 and 1988, the Labor Government introduced major business taxation reforms. All delivered major personal income tax cuts and concessions, including full imputation, which removed the previous double taxation of dividends, as well as addressing inequities and tax shelters in the previous system. Tax avoidance, and some evasion, had been widespread in the 1970s. The BAE made a major submission on, ‘The Implications of Taxation Reform to the Rural Sector’ to EPAC in 1985. The research on this project was supported by a grant from the Wool Research Trust Fund and the Australian Meat Research Committee. I did not, consequently, regard the report as tainted and it was helpful in giving my staff and me some time to evaluate the many issues being discussed within government.

The Assets Test

In May 1984, the Government established an independent nine member review panel, chaired by Professor Fred Gruen, to report on a proposed income and assets test for the community as a whole. Its concern was to ensure that the entitlements of all pensioners (not just, but mainly age pensioners) were directed to those in need and to remove inequities. I had no concerns about the principles behind the Government’s move to target need for greater tax equity and to remove inequities. The farm sector was only marginally involved, but farmers could not be exempt from any change or reform in this area because a tax shelter would be created that would increase land prices, which is discussed below.

The Panel was not able to agree that an income and assets test was a desirable element of Australia’s social security system. This was because some of its members adopted a representative role, representative of the organisations or interests they came from. Some of the panel were firmly committed to income and assets testing as necessary to ensure that welfare resources were directed to those most in need. The Panel accepted that the cost of replacement of the then current needs-based system with a system of universal pensions would be too high. It agreed that many of the problems evident in the social security area were, properly, problems with the taxation system. As a preferred option the Panel advised what it saw to be the fairest income and assets test. This was the retention of the existing income test and the introduction of a separate supplementary assets test to affect only those people with total assets worth over $150,000 (for a single pensioner) and over $200,000 for a pensioner couple with no exemptions or ‘lifestyle package’.

These figures seem low by today’s standards but, to illustrate their impact, note that the average farm income in 1984-85 was $16,400, paying an average tax rate of 22.3% (the average of all taxpayers was $17,200, paying an average of 23.5% of their taxable income). In 1985-86 average farm income was estimated to be $6,700. Note well, too, that farm incomes in the following years were far lower. It was estimated that there were approximately 250,000 people engaged in agriculture and that 10,000 may be on, or would seek, the old age pension. In Australia at the time there were 2.5m pensioners and it was estimated that the assets test would only affect 40,000 of them. Some farm organisations were lobbying for a flat tax, but it was not difficult to show that a flat tax of 23.5% would cost them more - and certainly more if the flat tax was to be 25% as some advocated. The problem I had was that data on asset holdings did not exist. I did not know how many farmers would be affected, nor could I find out.
After a long debate, Cabinet decided that the principal residence would be completely excluded from asset calculation and for pensioners living on farms, with an exemption related to home and cartilage of two hectares (estimated to be valued at least $50,000 at the time). The threshold limits were set at $100,000 for pensioner couples reduced at the rate of $20 for every $10,000 thereafter, with the pension cutting out at about $175,000 value. For single pensioners the threshold was $70,000, cutting out at $115,000. A minority on the Gruen Panel had advocated “an additional $100,000 exemption for long time farmers whose farms are family concerns”. The assets test was to be applied by the Australian Tax Office which would make valuations. Farmers who transferred the ownership of their farms to their offspring five years prior to reaching the age eligibility for the pension, could do so. However, where assets were divested in this way, or once the pension was granted, the value of an asset owned by the person was reduced by 10% every 12 months. For those farmers with substantial illiquid assets - 75% or more - and hence ineligible for a pension, there was the option of being paid an income equivalent to the pension as an interest-bearing loan recoverable from the estate. It was not likely that farmers would run the value of their asset down to receive the pension and they had the option of leasing or share-farming. Several hardship provisions were also available.

I could understand the confusion at the time, confusion spread by mischief makers, as well as the usual concern about any change or reform. But it was a change based on inadequate data, which could have affected many people. It did not in the event collect much revenue from the farm sector and in the end was forgotten once other alleged tax reform ‘horrors’ were unleashed on the farm sector by the ‘socialist government’!

**The Capital Gains Tax**

The Government’s decision to levy a capital gains tax (CGT) and a fringe benefits tax (FBT) caused a major upheaval. This was, firstly, because they were both misunderstood in principle and detail and, secondly, they led to speculation and allegations on the possible introduction of death duties, wealth taxes, inheritance taxes etc. The assets decision had already excited the farm sector and tax reform was not on organised agriculture’s agenda for acceptance unless concessions were involved.

Prime Minister Hawke enunciated nine principles in announcing the taxation review on 31 October 1984. They were basically about equity and efficiency, not revenue. Both subsequent taxation packages followed from this announcement. In summary, they were to make the taxation system fairer and more conducive to economic growth by, among other things, reducing marginal personal tax rates and improving and simplifying the tax system, not least by increasing the tax burden on those engaged in tax avoidance and evasion.

The reform package when announced in May 1985 included substantial tax cuts, an FBT by way of disallowing entertainment expenses and tightening the provisions governing living away from home allowances. Further, the package included the introduction of a CGT on prospective real capital gains, without imposing any adverse effects on the incentive for the accumulation of productive capital. The availability of tax shelters included two for primary production losses and for water conservation, both of which were being used by Pitt Street/Collins St farmers. The package, covering 22 areas in all, included major company tax reform. I was personally most concerned about the removal of deductions for water conservation, given that the estimated revenue gain may be only $20m in a full year. The immediate deductibility for capital expenditure on water conservation was to be changed to a
write-off over five years bringing it into line with other capital expenditure by farmers. The immediate deductibility for soil conservation work continued.

The CGT was the measure most opposed by the farm sector. There was already a debate about tax averaging for farmers. The NFF, the peak farm organisation, was giving much attention to taxation once the review had been announced and maintained that there were flaws in the existing system.

The underlying rationale for a CGT is associated with the concept of full income. Full income for a particular period is defined as the amount which could be spent on consumption without changing the real value of the taxpayer’s wealth. If income is to be used as the tax base, it can reasonably be argued that its treatment should not vary according to the form in which it accrues. The then current income base for taxation purposes took into account income from some sources only; it could be argued that the resulting structure caused inequitable incidence of the tax burden. At the time, section 26AAA of the Income Tax Assessment Act 1936 taxed nominal capital gains for gains realised within one year of purchase; gains made by individuals were deemed by the Taxation Commissioner to be trading for a profit. Extension of the Act at nominal rates could not be envisaged and the provision was eliminated in the Treasurer’s May 1988 Business Tax Reform Statement.

Farmers took the view that while they were asset rich and had to steadily increase the equity in their farms from borrowings and occasional bursts of profitability, they were generally cash poor. Their asset richness was in the value of their properties and was their superannuation. Overseas experience had shown that capital gains taxes collected only a relatively small part of overall taxation, particularly from agriculture, but that each country’s taxation structure would have to be investigated to judge what impact the tax would have on Australian farmers, if overseas examples were to be used. The economic theory on capital gains taxes was intimidating in terms of its extent, but not the basic validity of the principle.

The tax announced in the tax reform package was on prospective real capital gains only, so as to tax income received in the form of capital gain without imposing any adverse effects on the incentive for accumulation of productive capital. It applied to real realised capital gains after 19 September 1985, with nominal gains deflated by the increase in the consumer price index. Taxation was to be at the taxpayer’s ordinary rate, so that there was no incentive for conversion of income into capital gains (many farmers pay no tax). There was to be no deeming at death; the family home was to be exempted including curtilage of two hectares; deductibility of improvements and income losses could be offset against capital gains. Estimates by the BAE showed that between 1953 and 1984, land in the sheep industry had only increased by 0.4% per annum, but there were substantial variations in land values over time and across regions. It was estimated that only $2m revenue would be collected in a full year by the CGT from the farm sector.

With respect to agricultural land, three broad elements of capital gains or losses can be identified: systemic gains on land and natural resources; periodic gains and losses arising from changes in expectations and discount rates; and systemic gains arising from the existing taxation structure. In assessing the long term impact on the farm sector the concern was only with the latter systemic gain. The problem arose with rural land prices where there was the potential for various forms of urban and recreational development, and where farm and grazing land’s value was influenced by profitability. The NFF took the view that the CGT would discourage risk taking and investment in activities such as farming, but I believed the Government’s package had been designed to minimise the impact on the farm sector. The NFF
also said that the CGT would induce a significant fall in land values. Quite apart from the fact that land values would not fall (they did not) because the tax only applied to real capital gains under certain circumstances, it could not actually reduce land values. The NFF also said that there was inequity in the family home exemption. This surprised me because the farm home, the principal residence and curtilage provisions benefited farmers compared to other home owners.

My staff and I spent some time analysing land values in farming and grazing (much grazing land is leasehold). Farmers with debt and wishing to exit want land values to hold or increase. Farmers wishing to gain additional land and people wishing to enter farming and grazing pursuits want land to be cheaper. The use of farm enterprises as tax shelters had led to speculation and pushed up land values. At the same time it is rare for farming enterprises to make a sufficient percentage return on the value of the land, compared to other investments. When the trends in nominal and real land prices were examined, no coherent picture was available. For the period 1976 to 1984 real land prices dropped by 20% in the Singleton area (mainly dairy farms) and by 4% in the Copmanhurst area (grazing) in NSW. For the same period they rose by 199% for wheat/sheep farms in the Carrathool area - from a low base? An examination of the real capital gain or losses for the sheep, beef and wheat industries for the same period as a percentage of the asset cost base, showed that the range annually was from -5.8% (1982-83) to +14.0% (1980-81). None of the dire results predicted by farm organisations regarding the CGT came to pass.

Farmers face fluctuating incomes under Australia’s progressive income tax system (period inequity), hence tax averaging provisions, based on a five years cycle, which take farmers circumstances into account. There has, however, always been some debate about how effective this is and alternatives such as income equalisation deposits have been proposed, and not only as a drought measure. The bounce in the net value of rural production in 1983-84, after the 1979-83 drought broke, was accompanied by a near record drop in 1985-86. As far as the CGT tax was concerned, this was of far more concern to farmers because of issues arising from inter-generational transfer of properties. But, again, the qualifications to the CGT took this into account.

The package limited the availability of farm losses as a tax shelter for other incomes in certain limited circumstances, while extending the averaging provision for genuine farmers. This was known as quarantining and it was designed to remove a tax shelter whereby high income earners could avoid paying tax by offsetting farm losses against other income. This was only available up to a certain level, $15,000 shading out to $30,000, or the aggregate of the previous five years income, whichever was the greater. This was to ensure that genuine farmers were not adversely affected. For a farmer to be affected by the tax, he or she would need to have both non farm income exceeding that level and farm losses. At the time the average farm income was only $5,087, only 9.5% of farmers earned any off farm income and there was a benefit in the increase to $15,000 which could be taken into account for tax averaging. Criticism centred on the need to attract capital into farming, whatever its source, but critics could not have it both ways. The argument was also befuddled by the whole issue of what were the ‘proper’ land values.

The FBT was designed to bring to account for tax purposes income received in forms other than direct wage payments. The effect on primary producers related to any imposition on employee subsidised housing, where the benefit was actually received by the employee. Housing rents in rural areas tend to be relatively low, particularly on isolated properties, implying a minimum tax burden. Where the accommodation qualified for the existing remote
area housing concession, the taxable value was based on two thirds of the market rental value, and where the accommodation was away from the employee’s usual place of abode, the benefit was to be exempt. Because only 30% of the then 369,900 persons employed in agriculture were wage and salary earners, the incidence of the tax would be less than for other industry sectors and was more than offset by the overall tax cuts. What the provision did induce was the fly in, fly out housing situation in the mining industry.

The various tax reform measures introduced did not materially harm the farm sector. The principles of equity, ending tax avoidance and simplification were wholly worthy. Nevertheless the heat generated by the issues was somewhat extreme; for a long time it had been an article of faith to fight a capital gains tax, or for that matter any tax. The NSW Livestock and Grain Producers’ Association (LGPA) was particularly strident during this period and claimed that the impost on the farm sector of the FBT would be at least $152m annually. The estimates of Treasury and DPI, assuming no cashing out, were that the actual figure would be well below a quarter of the LGPA’s figure, and even with cashing out would be about $8.9m.

The Government also decided to introduce a provision limiting the availability of farm losses as a tax shelter for other income in certain limited circumstances, while extending the averaging provisions for genuine farmers. A random sample of 116,000 individual taxpayers in 1982-83 included 47 taxpayers with primary production losses in excess of $100,000. In the absence of primary production losses, the average taxable income of these taxpayers would have been $365,000. For this group there would be a cost to revenue of $5.5m. The measure introduced became known as the ‘quarantining’ provision which operated by restricting write-off losses on farming activities against non farm income up to a certain level. To be affected by the tax, a farmer would need to have both a non farm income exceeding that level as well as farm losses. Any farm losses affected by the quarantining provision were able to be carried forward and offset against other income, including capital gains, indefinitely. The level was $15,000, shading out to $30,000, or the aggregate of the previous five years’ farm income, whichever was the greater. This reflected the Government’s determination to ensure that genuine farmers were not adversely affected. It was estimated that only two per cent of farms may be affected and that nineteen per cent of farmers would benefit from the increase in the amount of off farm income able to be taken into account by the averaging provision.

We thoroughly examined this provision. I believe that the pursuit of off farm and non farm incomes were legitimate strategies to ensure farm viability, as long as tax was paid and any latitude was not exploited by people able to afford tax lawyers and smart accountants. There was a special concern about farm forestry which I shared but could not do much about.

On 25 May 1988, the Treasurer introduced another business tax reform package as part of the May Economic Statement. Five of the 23 measures announced had implications for the farm sector. They were the company tax rate and imputation; 5/3 accelerated depreciation; research and development expenditure; livestock valuations for tax purposes; and income equalisation deposits. Some farms were registering as companies; the measure announced was accompanied by a reduction in the company tax rate estimated to cost revenue $1.45b in 1989-90. The depreciation arrangement was designed to bring all depreciation rates more into line and included some specific benefits. The research and development decision only marginally affected agricultural research and development and was designed to remove the 150% taxation deduction by 1991 to be replaced by another measure. The livestock valuation issue was only a minor adjustment in the very concessional rate. The Government had decided to restore the tax linkage to the income equalisation deposit (IED) scheme, which had been removed in 1983 because of drawbacks in its design and effects. Under the new scheme deposits were to be tax
deductible in the year of deposit and assessable in the year of withdrawal, interest was to be paid at the appropriate government bond rate, adjusted to remove unwarranted tax benefits. Deposits in any year were required to be made before 30 June in that financial year. The new arrangement involved a cost to revenue of an estimated $40m in 1989-90.

**Income Equalisation Deposits**

The usual argument for IEDs is that they were to provide an incentive for self help and that they were of assistance to drought policy. Farmers know that their incomes are unstable. If fluctuating (after tax) incomes were a problem, then that in itself provides a sufficient incentive to save in good years. With financial sector deregulation at the time, many more saving opportunities had been made available. In some ways, the scheme could be regarded as paternalistic: farmers do not know what is in their best interests? There was also regressivity in tax related IEDs because the greatest benefits went to those on the highest marginal tax rate.

The existing IED scheme had been revised by the outgoing Fraser Government. The latest proposal/decision was less regressive than the old scheme because interest was only to be paid on the after-tax component of the deposit, so that high income depositors would receive less interest than low income depositors. However, high income depositors would gain a much greater reduction in tax. Only if the deposits were held for a number of years would the two effects cancel out. The justification in terms of period equity remained but the political grounds were strong: the NFF was the strongest advocate for the return of the old scheme. As a drought measure, the aim of drought policy was helping those in need and conserving the resource base to farm activity. The new IED scheme was a general voluntary measure and not targeted to either goal. The pre-1983 scheme had been exceptionally generous but flawed and yet only six per cent of farms had availed themselves of it. In subsequent droughts it was shown that very few deposits were withdrawn from the IEDs. We decided to leave it as it was because it was neither worth getting rid of nor amending compared to other approaches to fluctuating incomes. However, IEDs were always kept under review to see if they could be made more attractive to the bulk of the farm sector.

**The Farm Costs Issue and the NFF**

There had been some differences between the Government and the NFF over the methodology to be adopted in working out agreed figures on which to base discussions on the level and impact of Commonwealth imposed farm and fishery industry costs. There was mounting concern about further increases in farm costs in 1984-85 and a projected substantial decline in real farm income for the year. At the general election held on 1 December 1984 the ALP was returned. During the election campaign the Prime Minister had advised that the Government would hold a meeting on the farm costs issue. A meeting was held with the NFF attended by its President Ian McLachlan, Winston Crane, Vice President (also later to become Liberal members of the Commonwealth Parliament), Senior Vice President Michael Shanahan and John McKenzie, Treasurer. The Government’s delegation was the Prime Minister, the Treasurer, the Minister for Finance, Senator Peter Walsh, and me. We met on 5 March 1985 in Canberra.

The NFF indicated its appreciation of the general direction of the Government’s policy in terms of trade initiatives, foreign bank entry, low domestic deficits and the floating of the $A, but was impatient for faster action and becoming strident. However, it was not as strident as the NSW LGPA which was inclined to organise demonstrations against the Government. Other
State based farm organisations and commodity councils shared the demands in the campaign by the NFF but were more reasonable to deal with than the LGPA.

During the 1984 election campaign, the Government had clearly stated that it would continue its strategy of economic restraint. In 1985-86 the Commonwealth had undertaken that over the life of the Government’s second term: the Commonwealth budget deficit would not increase as a proportion of GDP; Commonwealth tax revenue would not increase as a proportion of GDP; growth in Commonwealth budget expenditure would not increase as a proportion of economic growth and would be further reduced in nominal terms in 1985-86. This was known as the Government’s ‘trilogy’ promise of basic economic policies. Together with the agreements being negotiated under the Accord, this policy was the foundation of the Government’s economic approach. To be effective it required time - and no savaging of any one sector of the economy.

The main purpose for the meeting with the NFF from the Government’s point of view was to provide an opportunity for an exchange of information and thereby achieve an improved understanding of the relative positions of both industry and government. The NFF made nine specific requests and the fishing industry one. The main request was that there be an immediate manufacturing industry tariff reduction of 10% with a further commitment of a 5% reduction in each of the next three years. It was the contention of the NFF that the cost to farmers of general tariffs and import quotas averaged $19,694 per farm; Treasury’s estimate was $3,238. The second request was that tariffs on inputs to agricultural production be removed or replaced with a bounty (this proposal was already before the IAC). The third request was that the Government support the principle of capacity to pay and this be a major factor in wage decisions to be endorsed by the Commonwealth before the 1985 Arbitration Commission’s review of wage fixing principles.

The Government was firmly committed to supporting the centralised system based on full indexation. I believed that the NFF’s approach would have sabotaged all chance for the wages Accord with the unions, which were in any case already limiting wage pressures. Inflation had been cut dramatically from the double digits of mid 1983 to 5% and the unemployment rate had been reduced from 10.4% to 8.5% with the creation of 250,000 jobs. The NFF and the fishing industry were as one in requesting rebating excise paid on fuel.

Understandably, as lobby groups, the NFF and fishing industry wanted to be treated as if they were the only industries to be taken into account. Whether or not they had been lobbying the previous Coalition Government with the same zeal was unknown to us, but obviously they had not been successful, nor were they likely to be immediately successful with the Hawke/Keating Government. What came from the meeting was the realisation that the NFF’s estimates were much higher than estimates by advisers in the key government departments. Government ministers at the meeting had a 115 page briefing which in many cases was at odds with the figures being put forward by the NFF. To resolve this it was decided to establish a technical group to work with the NFF, involving Treasury, BAE and the IAC.

On 19 April 1985, the NFF submitted a petition to me on farm costs while the study was under way. I drew its attention to the fact that we were making progress and that while farm costs rose by 17% per annum in the years 1975-76 to 1982-83, they had only risen by 5-6% during the ALP Government’s last two years.

The Technical Group published its report on 22 April 1985. It was not able to agree on a single estimate of net cost to the farm sector or to individual farms, of government activity. The NFF’s
original estimate of the cost of protection to manufacturing of $19,694 was found to be based on faulty methodology, but there was agreement, using the Orani model of the Australian economy, that value added in the farm sector might be 17% higher in the short term in the absence of manufacturing industry protection. On this basis the estimated cost per farm was $9,302 but the group had different views about how this estimate should be converted to an annual cost. Officials estimated the cost to be $6,031 based on returns to capital and operator/family labour.

When all aspects of the NFF’s requests were examined, officials identified the net cost per farm of the various forms of government intervention to be in the range of $450 to $7,200, depending on the commodities being produced. Treasury pointed to the high levels of assistance to the dairying and sugar industries and distortions in resource allocation and took a firmer line than the BAE or IAC in its estimates. (I had a more qualified view on the levels of assistance to the dairying and sugar cane industries - see relevant chapters). Agreement was not reached, but the exercise was worth it to my mind because the NFF probably gained a better insight into the competing demands being made upon the Government and also the way the Australian Public Service saw its task to provide independent advice.

While it is essential for the farm sector to have a national organisation representing its interests in our kind of society or economy, and while the NFF took a broader economic view than State or commodity based farm organisations, it had a clear ideological agenda during the time I was Minister. This was especially so when Ian McLachlan was President of the organisation. The NFF kept up its campaign, wanting ever faster government decision making as we reformed and restructured the economy, necessarily at a slow enterprise. There was one unfortunate meeting with the NFF, the Prime Minister, the Treasurer and me where the NFF’s president had pulled a media stunt before the meeting and earned the wrath of both Bob Hawke and Paul Keating.

The NFF under the leadership of Ian McLachlan was clearly directed to doing everything possible to break union power and to bring about wage deregulation. I have referred to one such campaign in the chapter on the red meat industries. The donations made during the 1985 protest in Canberra were put into a fighting fund to wage various campaigns, one of which was to privatise the stevedoring industry in the Howard years (1996-2007). The steady work of the Hawke and Keating Governments on workplace reform, and the concessions and productive co-operation of the union movement involved in the Accord, was never enough for the NFF. It gave little credence to all that was achieved, much of it benefiting the business sector. While the Hawke and Keating Governments were economically rational, they were always social democratic in their policies - and this depended enormously on the cooperation of people such as Bill Kelty of the ACTU on union reform and on matters such as the social wage and superannuation.

On the waterfront, I spent a day on the wharves at Port Botany, Sydney, and had been advised by some friends about the situation at the Webb docks in Melbourne. Nearly all Australia’s farm commodities were and are exported in bulk with little if any stevedoring. Further, during any strikes, foodstuffs being exported in refrigerated containers were never put at risk during my time, despite NFF claims to the contrary.

In late 1985 I announced a more thorough review of DPI’s administrative regulations to consider those that may be no longer necessary and may be imposing unnecessary costs on industry. By early 1986, real unit labour costs were at their lowest level in a decade having fallen by more than 10% since the Accord had been negotiated. Most business groups,
including the NFF, were still of the basic view that wages should be deregulated but failing that, that wage decisions should be decentralised - the recipe for a wages blow out. By mid 1986, the overall economy was growing strongly, there had been no wage blow-outs and 670,000 jobs had been created in the first full three years of the ALP Government. The Economic and Rural Policy Initiatives statement I tabled in the Parliament on 15 April 1986 was my considered response to many of the farm sector’s claims outlined above.

Agricultural Science

Much of the Commonwealth’s involvement in science relates to research and development. However, there were other motivations for me wishing to see created the Bureau of Rural Science (BRS), which probably should have been named the Bureau of Agricultural Science at the outset. It is fair to say that there was bureaucratic resistance to the establishment of the BRS because the Commonwealth does not have constitutional powers over production, land, water and forests. But agricultural production and the Commonwealth’s role in it clearly showed that there was a need for an interdisciplinary approach to science and economic management. Further, it is clear that if problems can be properly analysed, it is often the case that science and research can come up with solutions and enable us to better manage challenges. Climate change would be a classic example of this.

The Commonwealth had been involved in agricultural research, mainly scientific, since the 1920s via the CSIRO. The first five Commonwealth agricultural research and development bodies had been established in 1955 (see Chapter 19, R&D and SMA Reform). History explains a lot and after World War Two it was seen as sound economic policy to produce as much as we could for the export market - hence the introduction and enhancement of protection policies. WW2 had also seen the development of a larger manufacturing sector in Australia which was also protected by tariffs and subsidies. In our colonial guise, Australia was seen by the rest of the world as a farm and a quarry, with good reason. However, Australians have always been inventive: our unique environment ensured this. William Farrer’s work on wheat breeding and the invention of the stump jump plough are cases in point. Readers are referred to one of the best summaries of Australian agricultural innovation, science and research in Dr Ted Henzell’s *Australian Agriculture* published in 2007. At state level, Noel Fitzpatrick’s *In Response to Need* is an excellent work on all that was and is still being carried out in Western Australia from 1894 to 2008.

As noted in Chapter 19, the States were by far the largest investors in agricultural research and provided much of the infrastructure needed to carry out research, whether it was laboratories or research and experimental stations. Most of this State based research was addressed to State challenges. It occurred to me that the creation of the CSIRO resulted from appreciation of the need both for agricultural (and some secondary industry) research to be carried out at a national level as well as to fulfil the need for the pursuit of more basic research. Historically, agricultural research was by far the largest proportion of research performed in the CSIRO until at least the 1980s. Gradually through the 1970s and on there was more of a merging and expansion of agricultural research institutions without any clearly defined requirements for

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161 *In Response to Need*, E N Fitzpatrick, Department of Agriculture and Food, Western Australia, 2011.
who did what research or how, accompanied by various investment models. I have also covered this in other chapters.

At the outset of this chapter, I said that there is an intersection between agricultural economics and agricultural science. The simplest way to describe this is to say first comes the science and technology to give birth to the production function, and its constant improvement, and then comes economic research and analysis to optimise the possible gains and to address the needs of export markets. My BAE experience taught me this so well, particularly in the case of the wool industry. From this experience came the view that all Commonwealth departments directed to policy formation and analysis should have within their structure research divisions or branches. I was always in favour of testing various theories empirically. Further, my strongly held view that the natural resource base to agriculture had to be given national attention had resulted in me stating in my first speech as minister (on soil conservation) that I was intent on establishing the BRS. I was also more than aware of the pressing need to emphasise the resource base to agricultural production and our natural environment when addressing agricultural policy. At Commonwealth level, our involvement in water management with the creation of the Murray Darling Basin Commission was at the initiation of Gareth Evans (see Chapter 16, Land and Water) though I was fully aware with the need.

My experience in the Whitlam Government on the ALP’s Conservation and Environment Committee and the references it examined, confirmed me in my views. The notion of biodiversity had not yet come into vogue, nor was there much comprehension of the many world-wide environmental issues which we have only slowly come to realise confront us. However, it was apparent that environmental issues were internationalising. Australia’s conservation and environment lobby groups had not yet become vociferous and ideological in the 1970s but they certainly did in the 1980s. Various of the sciences and the findings of scientists were at the basis of concern by many citizens and organised environmentalists. It became essential for the Commonwealth to have an informed appreciation of the reality of the need for concern and how to proceed, to assess the public interest and the legitimacy of claims and to formulate policies which were feasible. For example, while some may believe that all forestry operations should cease, this may not be politically feasible. We needed to understand what alternatives were available, for example plantations, and what the science behind such alternatives was.

As with any issue subject to scientific inquiry, there was an enormous amount of information available - the scientists and academics were always well ahead of the politicians. I thought it essential for the purposes of policy formation that I had a group of informed people to educate and advise me and mine of the best way forward. This was particularly so with land, water, forests and fisheries, but also on aspects of commodity production and marketing, such as when we had chemical contamination in our meat exports. I relied heavily on our in-house expertise and on the capacity of DPI scientists to converse with relevant scientists and administrators around the world.

Many issues in the portfolio had a scientific overlap. The brucellosis and tuberculosis eradication campaign (BTEC), for example, had built up scientific expertise in the department. A core of veterinary scientists already existed in the Australian Quarantine and Inspection Service (AQIS) when it was formed. I asked for two independently chaired reports into quarantine, once responsibility for all Australian quarantine came to my portfolio. In my time bio-security did not have the prominence it now has, but phyto-sanitary rules were being discussed in the GATT and later incorporated in the World Trade Organisation’s rules. Animal and plant health issues were major concerns for our trading capacity. Biological control is one
of the best approaches to the control of weeds and is of use in animal and plant disease control. Although the Commonwealth continued to use the specialist expertise of State scientists and technologists, it was essential to have people conversant with the issues in Canberra for the better formulation and administration of policy and liaison with the States.

There are always known threats of disease which we need to deal with. In the 1980s, and before, examples of concern were for the introduction of diseases such as foot and mouth and the introduction of pests such as screw worm fly. Climate change will see the spread of some vectors of animal diseases more widespread, for example midges coming further south with blue-tongue, a disease of sheep. The concerns of our plant industries today include the introduction of UG99, a devastating rust in wheat, and Karnal bunt, similarly a devastating disease of wheat. Research on these diseases needs to be carried out in the countries of origin and Australia needs the tightest quarantine controls in place. Other disease threats such as the varoa mite in bees can be carried out in Australia in well designed laboratories.

The Offshore Constitutional Settlement (OCS) made it important that I, as Commonwealth Fisheries Minister, had more than a coordinating and dispute settling role in fisheries management because some fisheries were clearly under Commonwealth control. Again, we relied on State expertise while we built up our own in the BRS. Both the States and the Commonwealth continued to use the fisheries expertise of the CSIRO.

My introduction of plant variety rights (PVR) and the National Registration Authority for agricultural and veterinary chemicals through legislation in 1988, along with the establishment of the secure bird quarantine facility on Torrens Island in South Australia, all made it sensible for the DPI - and me - to have a better idea of the science involved. The National Registration Authority later became known as the Australian Pesticides and Veterinary Chemicals Authority in 1992 and still resides in today’s Commonwealth Department of Agriculture.

It is difficult to identify examples to illustrate the significance of the word ‘intersection’ in cases where cabinet submissions directly involved both agricultural economics and science. But the Cabinet coordination process (in operation when Australia still had effective cabinet government) quietly but persistently ensured that a whole-of-government perspective, taking all factors into account, was brought to bear on each and every submission. Often science underpinned proposed legislation even if framed in an economic context. The intersection occurred where agricultural economics and agricultural science could be employed to optimise efficiency and productivity gain. This was particularly the case for natural resource management approaches such as integrated pest management, integrated weed management, farm business advice and, more latterly, environmental management systems flowing from Landcare and the National Action Plan on salinity. The submissions I was taking forward for the funding of BTEC had at their base the science and research essential for the campaign to reach its conclusion – and this was the essence of their success.

There was always a view that the BAE and the BRS should be merged. I opposed this because I was mainly worried that the combined body may be changed by future governments, among other things preventing each organisation from independent publication – and there is a clash of cultures between scientists and economics. The amalgamation has now taken place. Let’s see what will happen with the new organisation. I have often remarked that some macroeconomists are always sure of their latest theory, whereas scientists are never sure their most recent finding is necessarily the last word. This is the nature of scientific research and we would not carry it out if we already knew the answers.
In Short:

Agricultural science was increasingly a critical input to policy but seldom an exclusive determinant of it. The fact was that science had moved from a purely problem solving role to one which contributed to conflict resolution and risk management for the benefit of agricultural producers. The portfolio encompassed many issues and policy challenges in which science was playing a role and thereby itself becoming subject to controversy and dispute. This was all to the good in sound policy making. Whereas there had been an earlier, vapid debate on our scientific research, its standard and relevance to the needs of Australia, this had not gone far enough. But we changed this with our initiatives in the 1980s.

For an optimum future, it is essential that we increase the numbers of highly qualified, politically aware scientists who communicate scientific advice well with both its promise and its limitations. Further, such advice needs to be understandable and it needs to be applied, to assist address the practical questions being faced by decision makers of the day. It is also essential that agricultural scientists and those in the more specialised divisions address the question of what kind of world we should be developing, for whom, and how we can achieve it. I would like to think what was put in place during the time of the Hawke/Keating Governments gave rise to a reappraisal of the role of government in research, and that we have since developed a new approach to the provision of research infrastructure in order to meet national rather than institutional goals. Given that research funding for agriculture has been dramatically cut over the last 10-15 years, I am not sure this is so. Policy makers have to be imbued with the notion of research being a necessary part of the solution and be aware of its function, and not just see it as an inevitable item for budget paring as the first resort.

This chapter provides only a taste of the pressing economic issues causing many farm families (and me) so much distress. My heart wanted me to do more to represent the farm sector in Cabinet, but my head told me that there were neither short term solutions nor those that could be implemented quickly, especially in the case of one small, but vital, sector of the economy. It was a draining experience and one which did not prepare me well to become Treasurer in mid 1991 when I inherited the ‘recession-we-had-to-have’; the 1991-92 budget strategy, which I had doubts about (it was designed to burn inflation out of the system and did so at a great cost to unemployment); the sale of the government owned Commonwealth Bank; the sale of the Fairfax media empire (the issue being foreign investment); and the introduction of the superannuation guarantee levy. Simply put, I did not have enough background on any of these pressing issues to make quick decisions, but was put into a position in which I had no choice.
GLOSSARY

APS  Australian Public Service
ABARE Australian Bureau of Agricultural and Resource Economics
ACTU Australian Council of Trade Unions
APS Australian Public Service
ARB Australian Reserve Bank
AQIS Australian Quarantine and Inspection Service
BAE Bureau of Agricultural Economics
BRR Bureau of Rural Resources
BRS Bureau of Rural Sciences
BTEC Brucellosis and TB Eradication Campaign
CAD Current Account Deficit
CGT Capital Gains Tax
EEC European Economic Community
EPAC Economic Planning Advisory Council
FBT Fringe Benefits Tax
GATT General Agreement on Tariffs and Trade
GDP Gross Domestic Product
GFC Global Financial Crisis
IAC Industries Assistance Commission
IED Income Equalisation Deposits
LGPA Livestock and Grain Producers Association
NFF National Farmers Federation
OCS Offshore Constitutional Settlement
PVR Plant Variety Rights
RAS Rural Adjustment Scheme
RAIC Rural and Allied Industries Council
SMA Statutory Marketing Authority
Chapter 21: Politics and policy and what I learned

“Opinion is the Queen of the world” and “We understand more than we know”, Blaise Pascal, French mathematician, physicist and philosopher (1623-1662).

“There are in fact two things, science and opinion, the former begets knowledge, the latter ignorance.” Hippocrates.

“They don’t want to know how much you know until they know how much you care”. President Theodore Roosevelt.

Addressing the National Press Club 8 November 1990. Media advisers say that if you are being televised, never show your hands.
Some General Thoughts

Firstly, the answer to the question of did I learn anything is, of course I did - I was not totally uneducable, just slow to learn. There was and is so much to learn and I will always be grateful to those I learned so much from. There is always a lot more to learn in the diverse agricultural and rural sector, in such a large continent, so at the frontiers of science and so important in the necessity to maintain life. Politically, I grew to understand the notions and realities of power but I would need more study to come to grips with it. There are still areas of politics that I do not understand, for example, how significant are the business communities of Sydney and Melbourne and attendant legal advisers working in conjunction with the business owned media in determining political decisions in Australia?

However, in the field of agricultural policy, and as I have said in earlier chapters, for the most part I was into policy ‘catch up’. Nevertheless I can conclude with some confidence that what the Government and I set in place has proved to be of some utility since. Readers can be assured that solutions reached at one time will never suffice for the longer term no matter how much emphasis is placed on the longer term in policy making, but some policies can provide a sound base to build on. What is far worse are short term fixes to known issues or those that arise rapidly.

Secondly, the need to adapt to change and to pursue change and reform was and is constant. Change management involves the people affected, an understanding of transition and transaction costs, the importance of timing and the need for effective consultation and implementation. What was achieved in the 1980s-90s could have amounted to so much more if the organised farm sector and the ALP’s political opponents were more inclined to be forward looking, less negative. It would have been constructive if opponents had understood the underlying rationale, inevitability and factual basis for many of the decisions taken - and also understood what policy directions should have continued to be emphasised after the end of the ALP government in 1996. Sadly it is predictable in a society as politically conservative as Australia’s that change and reform will always be slower than it could be. Depending on the view of the particular constituency, governments will always be accused of ‘sitting on the fence’ or ‘not living up to expectations’ or ‘being too far ahead of the pack’. I always favour the latter but it is not a good vote winning strategy. There are not many votes in the future.

Thirdly, what now (2013) or still absolutely terrifies me is the immense store of proven factual knowledge we have at our fingertips to deal with so many ongoing and critical issues which governments seem unwilling or unable to take on board and to tackle. Our best trained minds are racing further and further ahead of what politicians can or will sell to electorates. The gap between what may be achieved on the basis of what is known and what is achievable is widening. Research should inform policy; policy should be evidence based, but so often the political system fails. The yawning gap I see is possibly due to the adversarial, conservative, uninterested nature of our polity and the growing power of interest groups and ever larger private firms and entities beyond the control of government. That said, I retain my absolutely basic view of the importance of education, of research and development and of an emphasis on resource management as being the essential elements of all agricultural policy.

Probably the best example of this for the future of agriculture is climate change where it has been shown that the political system rewards the negative and the self-interested, and where the impact of slogans has come to outweigh decades of scientific research and analysis. However, in Australia there is also an internal political dynamic to this because we now know
that the Coalition came close to splitting on the issue of putting a price on carbon - the easy, irresponsible way out was taken. I predict adaptation to climate change in Australia will be a major challenge in the years ahead. At world scale, the inevitability of climate change and the actions of water deficit countries added to the impact of sea level rise may drastically affect the availability of water for agricultural production, particularly in the world’s great Asian river basins and in continents as dry as Australia. At some stage world food security will become more pressing than it already is.

Fourthly, the trends we see today were evident enough in my time if one thought about them and I became increasingly aware of the impediments to constructive change. Yet, the farm sector is subject to constant change, domestically and internationally. The potential of the future can only be maximised by discerning international trends, tracking market demands, backing expenditure on research and by being awake to the changing intellectual base to agricultural production such as in cutting edge science and technology, agronomy, systems analysis, coping with environmental issues, holistic management, the prime importance of land and water etc. I fully realise that it is an impossible task for a sector as a whole to be engaged in some futurological study or be involved in the equivalence of university tutorials (this is for policy makers), but the innovators in agricultural production are cognisant of the potential, are innovating, are making large gains and are not consumed by agricultural politics. We do have many innovative agricultural producers; they rarely are known because the media only features bad news, celebrities or prejudices and stereotypes. It is often farm organisations that also rely on the comfort of past certainties and delay adaptation to change. The broader the vision, even if misplaced unless constantly tested, the bigger the chance for success. Agriculture is a long term game.

Fifthly, while what I faced is not what a Primary Industry or Agriculture Minister would face today, I have said elsewhere that the major issues now are that agriculture is scaling up and the crucial policy issues tend to fall more into the area of bio-security and natural resource management, plus the usual litany of scientific specialties and technical areas of relevance to production and the need to face the overall domestic and world economic situation. Although there are any number of analyses telling us how large the food supply challenge will be between now and 2050, if one examines the profitability of and constraints in Australian agriculture, we see many disconnects. So far the world seems to be providing enough food and, without being a technological determinist, we seem to be coping - the real price of food is so far not rising fast enough to stimulate more supply. The current form of globalisation cannot be avoided. As ever the economics of production are absolutely crucial.

As I write agricultural productivity is slowing. This could be due to falling research and development spending, problems with capital deepening and resource allocation, with rising energy costs a crucial factor. From 1974-75 to 2010-11 average Australian agricultural productivity rose by between 2% and 2.8% per annum, allowing the sector to cope with the continuing decline in the terms of trade. Since then the average rise has been only 1% per annum. Many observers attribute this to falling levels of investment in research as governments and firms cut spending, as well as the impact of drought.

Further, to our situation in Australia has been added the reality of increased overseas investment in our agri-industries and farming lands as populations rise and living standards improve in other countries. Most of us now live in cities on planet earth, and it is projected that, soon, this will be the case for 60-70% of our total population. This is having the effect of
taking some land out of production. Agriculture faces many threats, not just political, commercial, financial and economic. The demand to produce more from less can be set against the impact of capital movements and the world finance sector, absorbed with short term gain; the manipulation of established wealth based on market volatility may disguise or disrupt what are the best ways to conduct farming itself. I have tried to briefly explore this in the previous chapter.

Sixth, we are or have been producing more on less land, using less water and fewer chemicals - productivity gain. We are also finding ways and means to get a better idea of water availability at farm as well as catchment, underground and landscape level. Yet I often think that we are not concerned enough with our soils and landscapes or with novel and proven ways to increase productivity. I readily concede that lower expenditure on research does not necessarily impede innovation but the correlation between such expenditure and productivity gain has been well demonstrated.

Seventh, in Australia there were and are constant constraints in dealing with the agricultural and rural sector at Commonwealth government level. As I have constantly stressed, the principal of these is that the Commonwealth does not have the Constitutional power over production, land, water, forests and fisheries - the State and Territory governments do. While I think that the Commonwealth should have the overall power to legislate for our natural resources, this will not happen. My partial defence of what I define as ‘McEwenism’, is that in meeting earlier, compelling national needs, the Commonwealth had little choice but to assist agriculture and increase production by the means of subsidies and protection. For the Government of which I was a member, to effect change and reform involved taking away what had been props no longer of utility but still relied upon and cherished by many in the farm sector. To do this was not easy. Otherwise, the Commonwealth can only influence the fortunes of the agricultural sector with overall economic, science, education, social, environmental, research and trade policies and the provision of non-subsidising financial incentives and penalties. No one is taken seriously who suggests that we should go back to the kind of subsidisation that characterised the 1960s.

Eighth, the Commonwealth-State/Territory balance is always an unsteady one and all governments, of whatever political complexion, face a very politically conservative sector, which is more prone to being strident on the few occasions when there are ALP Governments in office.

Finally, it is my general view that a strong National Party in a Coalition government generally holds the unthinking populists and reactionaries in farming and rural areas to some level of common sense and political reality. As with any group in Australian society, you meet the best and worst people in the farm sector with some of the worst being very authoritarian and ignorant. Often this centres on the attachment to land and the attitude of being free to do what they like, regardless of evidence. General farmer attitudes and the more authoritarian ones tend to have a blow back effect on ALP governments, in as much as a less measured and less patient approach is taken by farmer constituents than when under greater control. This is emphasised at times of crisis when instant solutions are demanded. There will always be an inability of stressed farmers to understand that the demands of the farm sector are not the only ones governments have to address and that, while ever we are an agricultural exporting nation, they are subject to national and international factors beyond their, and the government’s, control.
It is well understood that an ALP minister for Primary Industry can take decisions that a National Party minister cannot because of the institutional closeness of the Nationals to constituent farm organisations. The reality of this is a two-edged sword for an ALP Primary Industry minister. While it is essential for there to be agri-political organisations, I have doubts as to their efficacy, while ever they convince themselves of their own propaganda, rely on slogans based on comfortable myths or the recitation of folklore, and do not adapt to the realities of the situation they are in.

On the basis of what I regarded as evidence and analysis, I would have thought that the National Party could have agreed with much of what I was doing. During my time as Minister for Primary Industry, opposition in the Commonwealth Parliament was not so strident from the Liberals and was often muted from National Party members, except when they had to respond to their own constituents or sensed opportunistic chances to inflict damage. For example, ministers in the Northern Territory’s almost permanent government of Country Liberals proved to be, generally, reasonably sensible on such issues as the Brucellosis and TB Eradication Campaign, the cattle industry and fisheries, which were their main concerns in my area of responsibility. It was evident on many occasions that the Liberal Party was not so opposed to the ALP Government’s market based policies. But as it was, it seemed not possible for the National Party to adopt bipartisan attitudes to farm policy, quite apart from expected National Party spokesmen and politicians playing political games or just solidifying their rusted on farm vote. There are constant features associated with agricultural production - the weather and the now changing climate and other matters beyond their control - which gives farmers a sense of vulnerability, if not persecution, which can be politically exploited. If farmers, or their organisations, start with fixed views about ALP governments and Primary Industry ministers, they will be hostile.

Overarching Themes

The four issues following are issues I have tried to draw out throughout this body of the work.

(1) Assessing Reality

Firstly, I learned that you have to try to convince players in the sector of the absolute reality of the situation they are in from a policy perspective, knowing full well that some people will never be persuadable. Policy has to sensibly adapt to change in an environment where agricultural production and conditions are constantly changing and adjusting. Where producers and practitioners hold to set patterns of thought and behaviour, you have to learn how to negotiate - or wear them down. It was a given that the farm sector at organised level will always prefer the status quo - and always will? A policy maker has to listen and try to bring the various issues and points of view into a coherent whole, but always taking the best assessment of reality into account. There were no magic bullets but there were some features of agricultural production that were constant, mainly the cost price squeeze, resource base issues and how to adapt to the changing weather, market realities and the agricultural and trading policies of competing countries.

It is easy for outside observers to say that longer term economic policy formulation has to be foremost. I learned that the reality is often that events, markets, overseas and domestic, impose short term solutions. Although I have described my approach to policy formation as being technocratic, it was always in a political setting, often fraught, because of the nature of farm politics. Policy making at government level, by definition, is a totally political process and
I have not shrunk from stating where agreement was easily reached and where so much time had to be taken, due to the politics of the situation. I learned a lot in the process.

A large part of the problem I had with the farm sector was that by being obsessed with a production per se motivation and a commodity producer/exporter mind-set, farmers at organisational level were not inclined to take consumers/buyers into account. I always thought it was essential to be cognisant of the customer perspective, even if the consumers were those non-knowing city people. On the other hand, it is the ignorance of city people of the realities of agricultural production that leads to some ill informed campaigns, for example, opposition to the genetic manipulation of crops.

Another fundamental reality that I learned was that, because we are an agricultural exporting nation, we cannot ignore the world. Having visited some 78 countries and observed the way agriculture is carried out in so many of them; having the privilege to meet some of the most powerful people in the world; signed agricultural trade and research exchange agreements with many countries; engaged in international conferences and negotiations; been part of the Cairns Group of free trading nations; chaired a conference of the United Nations Food and Agricultural Organisation; seen poverty, misery and squalor and the effects of local wars in many countries - all these things kept me awake to the role farmers play in both the industrially developed and the developing world. Australia cannot simply ignore the plight of our fellow man, no matter how easy it is to do so. Whether we like it or not we are international players. We cannot ignore the rest of the world - and nor did we during the period of the Hawke/Keating Governments.

It is also a fundamental reality that Australia is and always should be involved in international agricultural research for the benefit of our farmers and for those in developing countries.

Apart from resistance to change by the farm constituency and others and the realities of federation and the Constitution, lack of control of the Senate was always a factor that had to be taken into account. It is becoming more usual for Commonwealth governments not to have control of the Senate no matter how large the majority is in the House of Representatives.

**(2) Building Trust**

The second theme is the question of learning how to build trust. Politically, building trust as a minister as part of a government that becomes trusted is absolutely essential. The lessons are commonplace but, primarily, motivation to genuinely wish to improve a given situation is central. One does not become a minister to do nothing, or for the perks in the job. It is also not for the faint hearted. For a political party to build trust and respect it must have clear philosophies and well considered policies, known to the public; this is hard. There is a continuum from ideas, beliefs, values, principles, philosophies to ideologies, all of which need constant evaluation; contemporary relevance is so important. Many of my ministerial colleagues had to fight to change policy in their policy areas. They could not have done so without having sound values and the ability to amass policy intelligence.

In saying this, I realise that political leaders everywhere talk about trust and that too often too many leaders do not mean what they say. As I see it, it is just not possible to be a good policy maker if you do not foster trust. The qualities needed by a political party in or out of government should be approximately the same: the need to define what policies and beliefs the party stands for, something now called a ‘narrative’. A party and its spokespeople need to
develop the capacity to consult (but not endlessly or bog down in process), to communicate and then to decide what can be done.

You need also to be predictable and consistent to a fault. Trust requires absorbing the researched detail, analysis, time, patience and understanding. This is where a minister’s debt to the policy departments in the Australian Public Service (APS) is so immense.

You cannot govern successfully without a first class public service, particularly at policy level. I bitterly resent the way Coalition governments past my time have downgraded the intellectual expertise of the APS.

The only way I could build trust was to try to act calmly and predictably but at the same time try to analyse what farmers were saying and how to convince them that what was being proposed by the Government was in their long term interest. The fact that I was the Minister for Primary Industry for such a long time was of assistance. I learnt more with experience; some farmers may have grown to trust my motives. I think it was a help that I did not fit into the ALP stereotype held by the farm sector of an ALP primary industry minister and that, occasionally, I showed signs of independence from the Government I was part of. I am not sure what image the farmers had of me but the rural press painted me as being somewhat of a ‘tough bastard’- but better that than ‘wishy-washy’?

Perhaps because of my modest farm and rural background, I found it hard to accept the views of appellants and representatives of farm organisation with a born to rule sense of moral superiority. Even worse were those who spent time reciting the same old shibboleths or simply propounded the ideology that production was good for its own sake, or those who held an uncomprehending view of their rights and to hell with the natural resource base. It is this that explains how hard it has been for the States to ban large scale land clearing regardless of the harm being done to future production.

As a minister, emotional involvement has to be well managed if long term policy solutions are to be achieved. As well, one needs a strong appreciation of the place that agricultural science and technology must have at the basis of production, of economic history (political economy) and also acknowledge the reality of rural sociology – it is the lives of families that are at stake. Australia’s families living in rural and remote areas can be part of and separate from agricultural production. In developing countries the rural sectors tend to be more purely agricultural.

I learned the value of perseverance, to have patience and to understand that policy making will take time if it is being opposed by constituents. This is doubly true for a minister working at the sectoral level where specific industry stakeholders watch the details of policy closely (even if only by key industry leaders) and where a minister can build strong trust, or destroy trust in the detailed design of policies.

**(3) Placing Agriculture in the Australian Economy and Environment**

The third major theme that I hope comes through this work is the learning which reinforced my view that *agricultural production takes place in an economic, social and environmental milieu*. It is not just about production per se; the general economic-cum-political situation of the whole economy cannot be ignored. As a percentage of Australia’s exports, agricultural production is the second highest of any other country, but this amounts to only six per cent of
world agricultural trade. The agricultural sector affects and is affected by the domestic economy and the world economy with many matters beyond its control, such as widely fluctuating prices on world markets, so often corrupted by rich and powerful nations.

I cannot stress too much that the problems the farm sector faced in the 1980s were due to the corrupted international markets we were selling into, given our then heavy reliance on the agricultural export trade. This emphasised the crucial importance of trade reform and negotiations. Australia's terms of trade are intimidating but can be assisted by international trade reform. I became Minister for Trade and Overseas Development after the time I was Primary Industry Minister. The work of my colleagues as Trade Ministers, Lionel Bowen, John Dawkins, Michael Duffy and Neil Blewett was vital. It was John Dawkins who established the Cairns Group of agricultural trading nations. All, except Lionel Bowen, were heavily engaged in international trade reform leading to the eventual conclusion of the Uruguay Round of trade negotiations, when Senator Peter Cook was the Trade Minister in 1992-1993.

I was never sure if farmers ever understood that they were part of a global whole. Perhaps farmers are better educated now that constant changes in world commodity markets appear daily on our TV screens, and in our personal computers, such as the price of wheat and oil and the share price of key supplying firms.

I learned that advisers can and will be divided and that agricultural scientists (and scientists in general) will be poor advocates compared to agricultural economists. This is because, as a rule, scientists are, sensibly, never sure that they are one hundred per cent right and become frustrated with people who have only their prejudices guiding them. Economists proceed on far more shaky ground but are more sure that their advice is correct (even if subsequently proved otherwise). Hence the need to evaluate and analyse what is being put forward by advisers - this is where having expert staff is so important. Regardless of my political doubts about some economic theories, my deep views on the need to be part of a government possessing economic and general competence stands up; as I saw it, there was little choice. I also learnt that it is often political decisions which lead to less faith in rigorous economic approaches. It is for policy makers to combine the two major agricultural disciplines and this also applies in trade matters.

(4) Indecision

The fourth issue is that, despite of, or in substantiation of my views on politics (prejudiced but hopefully soundly empirically based), and on economics (qualified and questioning), and also in spite of being generally irreverent, I learned that I retained too open a mind and that I always had more to learn to be more certain in my actions. I preferred to act on the basis of some certainty but confess that I was often not sure of what the result of change and reform would be. I still believe it is best to think you may be wrong and try to put yourself into the other person's shoes rather than being supremely confident that you are always right. This is why analysis has to be at the centre of policy and its formation and of any reform, regardless of the times. I learned that it is only by exploration of the options that you may be able to get the best result.

What I Learned About...
... Australian Political Reality and our Place in the World

Australia is now a very multicultural, multi-ethnic society (a quarter of our people were born overseas). We have gained our own place and reputation as a rich, but very small in population, middle power in the host of nations in a vastly changing world - at the end of the world, in some senses. As a country, we are judged by others (not just in sport), and in my forays abroad I realised that it was an advantage that Australia is too small a power to frighten anyone and that we could be frank without giving offense, as long as we were sensitive.

We are a predominantly city based population but it is agricultural pursuits, mining, tourism, coastal retirement and public sector employment, which tend to be the ‘glue’ that holds our non-metropolitan areas together, most of which, geographically, is semi-arid or desert. People living in our large cities do not perceive this so clearly. As one Queensland grazier sagely told me, “Queensland is a land of vast distances”. It is, but hadn’t he been to Western Australia?

One thing I learned is that despite enormous changes, including the economy going through two significant transitional phases, there are still some constancies that hold fast in the Australian public’s mind and which can be fertile ground for populist, simplistic or devious politicians to exploit. Examples of these are the notion that we are only an agricultural, mining and energy producing nation; that protection is still an acceptable policy; that States’ rights should prevail in matters past their relevance; and that progress will be made if we have non-politicians in our parliaments. Further, single issue political parties and those maintaining that they are above the cut and thrust of the conflict between the major political parties and are independent, can abstract votes and frustrate sound decision making.

The rise of single-interest based politics both fascinates and frustrates me. In my time it was apparent that people could seize a cause or a prejudice, no matter how removed from fact, cherry-pick for evidence and sally forth without ever having to defend their accountability to the extent that established political parties must do. I concede that this could be regarded by some as a self serving view because of my political affiliation. To be a governing political party requires policies on all the issues that challenge us and this inevitably requires trade-offs and compromise. I also concede that many countries have effective governments with a multiplicity of political parties. But this does not seem to be the Australian way.

Politically, I learned that Australia is still a very conservative country, yet it has embraced profound economic, social and legislative change at national level over the last fifty years or so in a series of surges. Periods of change and reform have been followed by periods of consolidation or inaction. Since the 1850s, Australia has had a history of a series of minerals booms. Society has vastly changed since the 1970s. The colonial sloth and cultural cringe of earlier times, up to the early 1970s, and comfort in being part of the British Empire have thankfully gone. The investment of capital by Great Britain, when we were part of the British Empire and enjoyed Imperial Preference for the export of our production, had a long term effect on the Australian farmer psyche. But now, economically, the UK is part of Europe, except for the common currency, the Euro. To be brutally frank about it, Great Britain is a few islands off the coast of Europe, which provides a massive market for its goods and services. It knows where its future lies and so should we.

However, and reflecting on the above, when Minerals and Energy were added to the Primary Industry portfolio, I learned, or became more aware, of how the steadiness of Australia’s agricultural and pastoral production was adversely affected by our recurring minerals booms
and busts and how minerals booms, particularly, affected our manufacturing industry, firstly in the late 1960s, early 1970s (and now in 2013, as I write). This was particularly so with respect to exchange rate effects and temporary shortages of labour. I first observed this in the late 1960s and during the Whitlam Government years, 1972-75.

Primary Industry ministers abroad are effectively Trade ministers. In some trade negotiations, I had carriage of the negotiation, such as beef access to Japan and South Korea (see Chapter 8). I do not believe in racial stereotypes but I learned that the ministers and representatives of the countries I was dealing with had very different perceptions to Australia’s or mine, and not just from a self-interested point of view. This was naturally the result of different histories, cultures, religions, languages, their own agricultural endowment, level of development, political/parliamentary systems and form of democracy or otherwise. I preferred dealing with the South Koreans to the Japanese, though both were inflexible. The South Koreans would tell us exactly what they thought of us and I could relate to that. The Chinese have a well developed sense of being the Middle Kingdom to whom some deference should be paid; they are a confident, regulated people and have a great sense of humour.

In Europe, I mainly dealt with the European Economic Community/European Community/European Union and with some of the constituent countries such as the UK, Germany and France (and their representatives in Canberra). The Common Agricultural Policy (CAP) was an essential part of the EEC’s raison d’etre to keep peace and economic peace in Europe. But what chance of gaining consensus between, say, twelve Agricultural ministers, let alone whatever the number is now-27-28? Frans Andriessen, then EEC Agricultural Commissioner, once asked me where did I think Greater Europe should end? I advised to draw the line where people pray to Allah and resemble the Chinese in visage; I think I gave no offense.

Negotiating with the US was more of a catch as catch can process, dependent on the individual or group involved. I mainly dealt with Republican Secretaries for Agriculture and found them fair but, as could be expected, put the US’s interests first\textsuperscript{162}. The Speaker of the Congress at the time was Tom Foley, who was very straightforward and informative. Our Embassy and the lobbyists we employed were always helpful in assisting visiting ministers to understand the country and its very insular people.

Sometimes there were sophisticated analyses of issues and points on which both sides could agree and both gain. Other times it was pure politics and the biggest player was bound to win. US politics defies understanding in Australian terms. I often used to wonder whether a US President, say President Reagan or George W Bush, would survive in a parliamentary system with a parliamentary Question Time. The President is elected on the basis of marketing of, say, a new brand of soap, dependent on tens of millions of dollars for success. The successful candidate then assumes some god-like status until his term is up and most of his lieutenants disappear, just when they are becoming most accomplished. Luckily, the country is large enough, educated enough and rich enough to provide an unending stream of competent graduates.

\textsuperscript{162} When I was Minister the Secretaries for Agriculture were John Block, Clayton Yeutter and Dick Lyng working in the Administrations of President Reagan (1980-88) and George Bush Senior (1988-92. A senior adviser to Dick Lyng, Ann Veneman, later became Agricultural Secretary.
advisers. Bad decisions, such as getting into silly, unwinnable wars or causing the Global Financial Crisis, are quickly forgotten.

It is only now that economic historians are starting to recognise how profound the transition in the world’s advanced economies in the 1970s was. The 1980s transition is also yet to be fully examined. In the 1970s the rich world started its embrace of credit and debt, confusing it with wealth. If anyone thinks that Australia can do much about international power plays and world economic conditions and trends beyond adaptation and adaptable legislative reform, they need to think again. It is not a coincidence that most of our economic downturns occur at the same time as downturns in the US. Check on how our stock-market normally, or used to, shadow the villainous Wall St. (regardless of our economic fundamentals) and the influence of the idiocies of ideologically based US market deregulation.

**... Parliament and Cabinet**

I had learned so much from my experience of being in the Parliament during the Whitlam years. The ALP became a modern progressive political party and government at that time. It was an era of profound economic transition. I observed that the established forces in Australia never saw the Whitlam Government as legitimate and learned how, as a result, they worked to bring it down. The ALP did gain legitimacy - and trust - under Prime Minister Hawke and Treasurer Keating and the Cabinet of which I was a part.

From my experience observing the Whitlam Government from the backbench came my strong belief in responsible cabinet government and my experience in the Hawke and Keating Cabinets underscored this. It is a pity that this concept seems not to have the currency it once did. Power now centres far too much in the Prime Minister’s Office with its huge staff, as we head to presidential rule but without elected presidents per se.

The best parliaments and ministries and cabinets are those in which there is a broad spread of experience and expertise. I simply believed that in whatever portfolio they were placed, ministers were serving the Australian people and that, in government, one worked for all Australians regardless of their political preference. As far as I could see, the National Party has never supported this view because it is more a farmers’ than a rural party and shares aspects of being a single issue organisation. Nonetheless, I could understand the sources of National Party beliefs and how they related to farm organisations and the plight of individual farmers and their concerned organisations. I greatly respected some of their former and current ministers during the time I was in the Parliament.

I learned a lot about the successful working of a cabinet and a government during the years of the Hawke/Keating ascendancy. Prime Minister Hawke well understood where power lay in Australia. Given that there was hardly a vote for the ALP in the policy changes I was putting forward for my constituency, the farm and rural sector, I was extremely grateful for his support in Cabinet. Hawke was a superb chairman of Cabinet. He built his leadership on consensus and knew how to delegate and gain trust. Paul Keating was a master, consummately aware of power and how it was to be wielded. I could never have his confidence in always being right. Perhaps forgetting that he was also a simple lad from Bankstown, as a simple farmer, I never quite knew exactly how I stood with him.

Political leadership skills vary and I was not attracted to those in politics, or in the APS, who used hectoring, bullying or emotion to try to win their case, or defeat mine.
Being in Cabinet gives one a strong overview of how a whole economy works. I learned to appreciate history all the more and the experience entrenched my belief in the necessity for the academic study of economic history and political economy. I never learned enough about the practice of raw politics, which would have required more local, earlier experience than I had before I entered the Parliament. I was not, in fact, typical of many ALP members. I was always learning about the political process, but perhaps too slowly in terms of mastering the most effective of the necessary dark arts.

My Party had problems with me bluntly saying to farmers that we simply could not deliver on all their demands. I could have expressed it better and I tend to speak in shorthand. When we were in government, I was not criticising my Cabinet colleagues. What I was trying to say, quite simply, was that I was not in a conservative, farmer dominated Cabinet which could accede to agri-political demands for short term solutions. I was also trying to say that it was not in their interests, and nor was it possible, to fix problems created over many years of Coalition governments by the next morning. Further, nor did their demands accord with the more sensible long term economic approach being taken by the Government as a whole.

My idea of government was a process whereby decisions were taken after due consultation and consideration and by cabinets and which were informed by evidence, research and experience and then announced and debated in the Parliament. Ideas and policies had to be sold in the Parliament; they rarely are now. The idea of leaking a policy to chosen media outlets and selling a policy as if it was a commodity in the market place was not something that appealed to me. I preferred the approach of explaining the reasons why a policy was being introduced, not in manufacturing glib reasons for its acceptance or depend on focus group lowest common denominator solutions.

The best decisions were and are the ones where the most thought through analysis and preparation is involved. However, decisions have to be made, often quickly. Time is the most important resource for a minister, and there is never enough of it. The toughest part of being a minister are the people pressures. I say hard, because decisions affect so many people, who often do not understand or agree with the measures being taken, and hard because political involvement is not kind to families. Today’s phenomenon of the social media and the 24/7 media cycle has probably made it even harder for families; everyone can express a view, often wrong, misinformed or vexatious. It was not until I turned 57 that I was regularly able to have full weekends off.

Ministers are faced with a mountain of paper (or thousand of emails now?). When my Primary Industry portfolio was expanded in 1987 to include minerals, energy and some commodity trade, I rose from my slumbers at 5am and sometimes working through to midnight. Yet, because of my failure to allocate my time better or the pressure of work, I never felt that I read enough or consulted enough. I believed in turning around ministerial papers quickly, not holding onto material for weeks. Some ministers concentrated on ‘breakthroughs’ but neglected to follow them through. The administration and implementation of policy decisions is crucial.

Although I suffered from being poorly, or patchily educated, lacked confidence and was often indecisive, I had some confidence in being able to arrive at resilient long term policy solutions to advance the industries within the portfolio. This is why I describe myself as having a technocratic-cum-applied economic approach. I was lucky to have advisers, particularly on my personal staff, who had exceptional expertise and would not hesitate to tell me when I was
wrong. I also had a strong department which was so willing to work with me and understood the background and importance of the policies that we took to the election which we won in 1983. I most respected and trusted those officials of high intelligence and long experience, once I was convinced that they too were still learning.

As noted, it is usual for Commonwealth governments not to have control of both houses of parliament, the House of Representatives and the Senate. It is a serious check and balance. During my time the Australian Democrats held the balance of power in the Senate. This fact of life had to be taken into account and I relied on Senate colleagues to argue and negotiate the Government’s legislative programme with them. The work of government Senators is rarely appreciated by ministers in the House. Dairy marketing reform was delayed for more than a year because the Democrats changed their mind at the last moment. The wheat marketing legislation introduced in 1989 should have been introduced in 1984. However, apart from the pressure from other industries needing attention, it became clear that the Democrats were inclined to adopt the pleas of the Australian Wheat Growers Federation and delay marketing reform. My experience of having lived through the bastardry of the hostile Senate during the Whitlam Government’s time in the mid-1970s had a chilling effect on me.

... Government and Administration

I still hold that the best policies are the best politics and that the interface between the two needs constant evaluation. Although the policy I put forward in 1983 was in no way a polished or final document, it sufficed to give the public servants and senior executive in the Department of Primary Industry an idea of where the incoming Government and I were coming from. Now that campaigning mess ages have eclipsed detailed policy formation in the minds of the public, it becomes essential to keep intact the great body of policy which I think a political party must have, and only stress a few policies during election campaigns. This however runs the great risk of the public being disillusioned when a government is formed and gets on with the business of governing.

As Minister for Primary Industry, I learned that corporate knowledge, background and experience in those areas in need of change and reform were essential. Then you had to establish processes and engage in consultation and communication so that implementation may be possible. I also learned that the lessons from the implementation of policy can be returned via a feedback loop to improve it. I must emphasise this: if there was one thing I learned above all else, it was that the implementation of policy is crucial. One largely relies on officials to do this but a minister and his or her staff, need to constantly check on the progress being made.

Time pressures militated against making policy in any ideal sense. I never questioned enough all the options because of the need to make decisions. Negotiation in policy areas where agreement was not able to be quickly reached can lead to lowering the value of the outcome. Ironically, too much consensus can also lead to a flight to the bottom. It is also essential to get into the detail, but I know many will disagree with me on this. I relied on my staff and the DPI for much of this.

I observed that other ministers sensibly concentrated on a handful of issues in their portfolio giving priority to the most important issues. In an industry portfolio, when working with scores of industries and cross-sectoral issues, the minister needs to have some familiarity with all the industries concerned, otherwise industry constituents lose respect and consultation,
cooperation and negotiation consequently becomes harder. This is why I became a detail person. At times this may have been a flaw.

One of the many mistakes I made was to fail to ask for the CVs of senior officials in the Department. Many of them have vast and varied experience. Knowing this, a minister can ask more perceptive questions. Perhaps because some ministers adopt a management style of bullying, senior public servants can be timid when dealing with them. I always believed it was best for officials to feel they were working with, not necessarily for, a minister. I had no reason to distrust my departmental advisers and I was fortunate in knowing some of them personally. It is better to assume that officials are working with you and not necessarily only for you or against you.

Looking back on it, some of the advice I got from the Department naturally reflected what is now known as the economic rationalist mind-set, the macro-economic and business paradigms and band-wagons of the day that also characterised Cabinet. The APS, in its economic and co-ordinating departments, also adhered to some degree to the theoretical business models and the growing, flawed macro-economic consensus being inherited from the US and UK following the onslaught of what is now known as Thatcherism and Reaganism. The globalisation of financial markets was something governments and officials had not dealt with before. Of course, there were people in the Department of Primary Industry who were off the land and had detailed practical, and personal experience, as well as academic and administrative knowledge of the industries we were dealing with. All, doubtlessly, carried their personal voting habits with them. But I did not detect any disloyalty once they realised I was trying to make the farm sector more efficient, productive and profitable. How people vote is their own business.

I detected hostility towards the farm sector by senior officials in the three main co-ordinating departments, Treasury, Finance and Prime Minister and Cabinet. I put this down to the fact that the Liberals in Coalition governments had long given a mortgage to the National Party in the Departments of Primary Industry, Trade and Transport. Further, abundantly sensible policies had been thwarted by the National Party, with the Liberals rarely saying anything for the sake of peace and the maintenance of the Coalition. I know for a fact that some Liberal Party politicians supported some of the reforms in agricultural policy I was pursuing, but which the National Party opposed. At the same time Liberal members from farm constituencies were of a different mind.

... Australian Politics, the ALP and the Art of Government

163 The Coalition was in the thrall of Thatcherism and Reaganism in my time. The right wing forces in Australia and people stylising themselves as part of the 'New Right' (people such as Peter Costello, industrial lawyer and Commonwealth Treasurer 1996-2007), also regarded as their intellectual main springs people such as the significant economist/philosopher Friedrich Hayek, Adam Smith (without reading his works, I suspect) and Ayn Rand. Rand was seen by the New Right as a woman for the times. She advocated that selfishness is good, altruism is evil, empathy and compassion are irrational, some even more extreme views and that the only moral course is pure self interest. This went well past Hayek's advocacy of absolute free-market capitalism and no role for monetary authorities. I may have been some species of market economist but Rand’s idea weren’t exactly my cup of tea, even if they continue to be for many of our New Right and right wing commentators and those possessing little knowledge of economics.
Politics is about power and how it is exercised, hopefully in the national interest. Power is diffuse in Australian due to our federal system of government and bicameral parliaments. There are plenty of checks and balances which hinder brisk policy making but sometimes prevent mistakes and allow greater consideration of legislation. I say sometimes because upper houses have largely ceased to be houses of review or, in the Commonwealth case, a States’ house. The ideal of free voting by elected representatives has largely disappeared and party discipline tends to be absolute. It seems that the public is broadly satisfied with the Australia system where elections are held, results are declared and then most do not have to think much about political choices until the next election. People are just too busy leading their lives.

I believe politics would be better if the general public was not so apathetic or disinterested. I still believe that it suits the conservatives to induce people to see all politicians as the same and not to be trusted because this fortifies political indolence. Very few people belong to political parties and those who do, have views well removed from the mainstream. I find it philosophically difficult to agree with compulsory voting but am in favour for practical reasons. I do not want to see Australian parliaments under the influence of partisan, powerful lobbies such as the National Rifleman’s Association to the extent that the US Congress is.

A minister quickly learns of the power of key players in the private sector and industry organisations. In agricultural policy making key individuals or groups of individuals amass the power of opinion within their industry, for example, in my case, in the cattle, wool and the sugar industries. A decision by private industry not to invest or to resist change can be very powerful. There can be a bandwagon effect in investment surges at the same time as there is a reluctance to move from the status quo. Collective bargaining and enterprise agreements in negotiating wages and conditions hinder flexibility, but the Accord of the Hawke/Keating time has largely held and wages are still not currently out of control. While the reforms of the Hawke/Keating Government in the 1980s were broadly accepted by many because they had become the conventional economic wisdom, this acceptance did not flow so easily through to farm organisations, except for the National Farmers Federation, which wanted even faster change, change it had not been able to convince the previous Coalition Government to bring about.

Politics is an art - an art I never succeeded in acquiring to the extent that many of my colleagues did. I learned a great deal, but nowhere near enough. I was opposed to the approach to politics taken by the NSW Branch of the ALP, best described as ‘whatever it takes’. As I keep saying, I always thought that the best, thoroughly, thought through policies were the best politics. I do not believe in playing politics to gain advantage, or in confusing the public by saying one thing and doing another, or in making promises to gain support knowing full well that the promise cannot be kept or is based on a lie.

Nor do I believe in the prattling of inane slogans. As I have said, political parties need to have beliefs and clear policy positions, not beliefs which are discarded for the sake of playing silly, immature games. Our changing workplace and society have resulted in the brand image of the two major political parties being blurred in the public’s mind; fewer voters are rusted on now. One of the characteristics of the Westminster system of government is that it is adversarial in a setting where ideas are contested within and between political parties. There are advantages in this but not when oppositions only oppose for the sake of opposing and childish parliamentary behaviour or playing to the tabloids and shock jocks becomes entrenched.
The ALP does not pretend to be a specialist agricultural political party. It is Australia’s oldest political party and today faces more challenges than ever before. In Opposition there is the gift of time; a portfolio spokesperson can analyse issues and develop options for action while being part of a shadow cabinet and get some idea of the political, social and economic landscape lying ahead. In government risk (the stakes) becomes greater, hence the need for communication especially of basic philosophical, if not ideological positions, and policy prescriptions. Most voters are not greatly interested in politics, they may not know what political parties stand for or only have the vaguest ideas about how government works. There is still major confusion, for example, between what are national, State and municipal issues and this ignorance is exploited by dishonest politicians. It is easier to prosecute policy if the public has knowledge, even if only rough knowledge, of what it is that political parties stand for and are proposing.

It is up to governments to make and take decisions and it does not help when specific interest groups assume that their case is the most important. Ideologically driven environmentalists who believed they were saving the world, had absolutely no sympathy with or from the workers who would be displaced by their proposals, such as, in the case of the Tasmanian forests issues (see Chapter 15). I was not attracted to those farmers who argued that the plight of other farmers was of no concern to them, as in the case of horticultural marketing and research (see Chapter 14). Some issues clearly have a farmer versus farmer element in them.

Centralised wage fixing had meant that the activities of many farm organisations were initially directed to industrial relations and the fighting of wage cases (such as the Pastoral Award, see Chapter 9). I believe this was another reason why farm organisations and farmers have little time for the ALP. Unionisation in Australian arose from the grazing and mining industries. I once thought that if a bloc of farmers voted ALP they would have a better chance of advancing their case in the corridors of power. The Nationals do not win parliamentary seats by farmer votes only - there are not enough farmers. Rather the Nationals rely on the conservatism of country folk and the fact that many industries off-farm rely on agricultural production for employment. If the ALP was not so union-dominated it would realise this.

Being a member of parliament is very seductive. Politics is a fascinating but tough game. In one crucially important aspect of a country’s activities, an MP is at the centre of an area of very public activity which affects everyone. The MP becomes a public figure, with all the attendant advantages and disadvantages. There is enormous social mobility, access to almost limitless information (a very powerful asset in policy making) and to detailed analysis of policy options, issues, arguments and of the challenges in play. Politically, experienced politicians are generally very aware of the ignorance and misperceptions of the general public, the crises in democracy and the temptation to stress greed over need, fear over hope and provoke the dark side of humanity, for example, racism, sexism and crude nationalism. The better politicians resist venally lowering the standard. Shouldn’t politicians, rather, seek to raise the bar rather than simply reflect the lowest common denominator or what is, basically, ignorance? Common sense is not always common sense.

...The Need for Reform and restructuring of the ALP

Both our major parties now suffer from being hamstrung by their history.

As it turned out, it seems I led a charmed political life in spite of the fact that my political education did not extend much beyond the local level and people in the sub-branches. I had
no experience derived from university, union or factional politics. I was not impressed by the machinations of State based machines. My deficiency does not prevent me from expressing a view on the state of my party, the ALP.

The ALP has become more conservative and distorted in a structural sense and more dysfunctional in an organised sense. Today the ALP machines, factions and their parliamentary beneficiaries (the political class) seem to care little for the Party’s aging cohort of rank and file nor pay it any respect. Public funding, union funding and funding by lobbyists has enabled cabals to gain control of the State branches of the Party and in effect allow small groups, factions and powerful union backers to select candidates, manipulate conferences and policy making, interfere in governments and the processes and exercise a cynical approach to the public with tested campaigning techniques. But the Party apparatchiks have to understand that you cannot have a political party without members and that a new model needs to be devised to attract them.

The central problem for the Party is the stranglehold of the unions, the predominant power of the factions, the factionally based administrative structures they endow and the flawed system of pre-selection of candidates. I fear the ALP will become a minor party, unless those with power in it engage in fundamental structural reform and move on from its union based model and associated factions, more than decades old. In saying this I still believe that it is essential to have a trade union movement in Australia and that the ALP should retain its union links but in a form relevant to today, not the last century or two. As it is, the labour movement in Australia is not clever enough to combat Australia’s innate conservatism while it too holds onto a now irrelevant past.

It would be ridiculous for someone like me, from my background, to think that I could possibly even think of winning ALP pre-selection for a seat in a parliament today; certainly not in NSW. One of my deficiencies as a member of the ALP was that I could never be enough of a participant to believe my party was always right. I was seen as an independent rather than a tribal, factional warrior. And this is how I remained, and which probably accounted for my resignation from the Party after 45 years disgusted by the antics and intellectual corruption of the NSW Branch of the ALP, its union backers, and the stupidity and even actual corruption of some members of the dysfunctional State Labor Government. (I rejoined the ACT Branch three years later, it being far sounder in structure and organises activities which involve the membership.) I am not anti-union. But it seems to me that the union movement as a whole needs to understand what it is up against and become more astute in its factional adventures. Otherwise we will end up with a political party system akin to that of the US.

The ALP still produces worthy representatives but from its ever shrinking base, at the behest of union/State based machines. It takes large shocks to convince those with power in the ALP to change. Whitlam was the last great reformer of the party. The Government I was part of benefited from this. The Liberal Party has become more conservative and less liberal in the strict sense of the word. It is basically a party of opportunism and management with a strong ideological base of conservatism, catering for its big business backers, the petit bourgeoisie and an implicit assumption of its born to rule supremacy, aided by failures of the ALP when it has occasionally been in government.

One thing I learned above all else is that the voting public has no clearly defined idea of what constitutes politics. I used to explain that there would be no need for politics if we were all agreed, and that politics exists everywhere outside of our parliaments where any organised
activity takes place. My greatest regret after a career in political life is that when the stakes are high (and they are always high) politics will generally overwhelm policy. It takes a lot of courage to stay with and implement sound policy, but we must hope that, over the longer term, sound policy is what the political process will deliver for our nation.

... Being a Cabinet Minister for Primary Industry

Because I was Minister for Primary Industry for such a relatively long time, I became type-cast with the job. Although I had an agricultural background, this was not my interest in becoming a member of parliament. I was, really, more interested in economics in general and Australia's external relations, overseas development and defence. It was Bill Hayden as Opposition Leader who allocated me the shadow responsibility for Primary Industry in 1980 at a time when there were few ALP members with agricultural experience. I both blame and thank him; he remains a friend - and few of these are made in politics. Some cabinet colleagues thought I was too close to the farm sector. I was inclined to put this down to their warped city or union based views. The ALP is not a farmers’ political party but it is a national party dedicated to policy prescriptions in all policy areas, with a union and employee base, but hopefully also a strongly developed sense of contemporary relevance, a non-ideological appreciation of facts/reality and social awareness.

Once you become engaged in the making of agricultural policy and acquire some detailed knowledge of each of the industries, you become aware of the differences between the better performing farmers and the average farmers, average often for reasons beyond sound management. The sector has the capacity to scale up but this will take constant injections of capital. One of the impediments to structural adjustment in the agricultural sector is that the value of agricultural land is far higher than it should be for the percentage profit to be made from comparable investments, even with good management. This being the case one would need, say, $2-4m to buy a sheep grazing property to make a living, but it is not likely that 6-8 per cent return could be consistently made from the investment – and then there is the hard work and risk. Quite apart from the perceived virtues of lifestyle choice, the imputed value of land makes it difficult for entry in most agricultural pursuits. There are more attractive investment choices - is this why our finance and banking sector is holding off from investing long term in agricultural production? Banks are nothing if not realists.

Given our highly variable climate, are we going to see cropping becoming more of a chance enterprise, with high returns in some years followed by devastating losses? If so, this implies that a higher level of investment will be needed. There are exceptions to this assessment, such as small irrigation farms. Many of our farms are comparatively small compared to farms in some of our richer country competitors. This also applies to some in the poorer countries, for example, in the plantation pineapple and sugar cane industries, and many horticultural enterprises.

In Chapter 7 I set out my ideas and perceptions of what the general and specific policy requirements would be and what the political realities were, before I became the Minister for Primary Industry. During the eight and a quarter years that I was Minister for Primary Industry, much agricultural policy was changed. We dealt both with issues as they arose as well as with the changed international conditions of the 1980s and 1990s as best we could, given the legacy inherited from the previous government. We proceeded as fast as our federal system would allow, but never fast enough. I was extremely lucky to have been a minister in such a reforming government at a time when the Australian and developed world’s economies
were in transition, coming out of recession. The Government I was part of was styled as being too economically rationalist by those on the left of the ALP. The Cabinet I was part of was absorbed with economic policy and wore the label of being economic rationalist, but we were still a social democratic government, as evidenced by the Wages Accord, Medicare, the Superannuation Guarantee, the social safety net, the concept of the social wage, and training, research, education and health policies.

Observers of politicians at work often seem to assume all are driven by ego as if they and only they think that they know better and can effect change for the general good. Alternatively, the other common criticism is that politicians sit on the fence and only act when a clear consensus is in evidence or when circumstances compel action. In my case all I can say is that the times required action to remove key impediments to efficient and profitable production in Australia and that it was clear what had to be done.

A lot has changed since. The central fact is that agricultural policy making, as with any policy making at national level in our federal system of government, is extremely complex. Agricultural politics, if reform is being pursued, involves absorbing complex detail in a space where few inside or outside the process understand the detail or how decisions are made. As stated in the preface to this tome, my motivation in writing this book was to try to assist people to understand the complexity of policy making.

**... Dealing With Farmers and their Organisations**

I must say that I hold to the view of the importance of policy despite the fact that opposition to the Labor Government’s policies came persistently from farmers and farm organisations and some State governments, for example, Queensland under National Party Premier Sir Johannes Bjelke Petersen and the sugar cane industry. There were always some allies in some farmer organisations who could accept the longer term view and I at least tried to forewarn farmers of what policies the ALP had decided in opposition. It was of great assistance to have announced policies and created an industry climate for change as in the case of the red meat industries regarding structural reform of marketing and research arrangements, for example.

I have discussed my views on some farm organisations in Chapter 9 on the wool industry. I noted that while philosophically the NFF was more of an adjunct to the Liberal Party, it was by far the best farmers’ organisation, due to its national focus, sound staffing and capacity to analyse issues. Located in Canberra, the usual parochialism or short term commodity based farm organisational views were not so easy to sustain in the face of national policy makers and within the Canberra network of officials and competing lobbies. During my time the NFF certainly prosecuted a free trade, free market, deregulatory, small government platform. For an ALP Minister for Primary Industry this was a challenge because most farmers voting for the National Party, (later Nationals), were more intent on agriculturally based fundamentalism, socialised assistance, or policies favouring only the primary industry sector, if they were not harking back to an earlier time of industry protection and subsidisation. It seems that when I said ‘I hear what you are saying’, some farm lobby groups assumed that I agreed with them. I learned to bite my tongue a lot. The farm lobby groups had to understand that I was not an economically populist National Party minister in disguise, nor did I want to be. I am far from certain that many believed this.

Many industries had two competing organisations representing their constituent growers, such as the sugar cane growing industry. Overlap is still common with farmers being in more
than one organisation. It is said that the Commonwealth Government prefers to deal with only one organisation per commodity, given that much of government is about dealing with elites. The major commodity councils, affiliated with the NFF certainly made negotiation easier. I did not think it was a problem if I was being given two points of view by an industry because I had to make up my mind and sometimes elements of the pleas of both organisations could be combined, as was the case with the sugar cane growing industry.

Be this as it may, many farm organisations represent their membership poorly when dealing with governments, particularly ALP governments.

Organising farmers is like organising cats. The earlier multiplicity of farm organisations has passed and, as I have said, the creation of the National Farmers Federation in 1979 was an advance in the professional representation of the farm sector in the national capital. As I write efforts are being made to restore an overall farm organisation in South Australia. The grains industry, which once had the Grains Council of Australia, now has two organisations representing grain growers. Large State organisations face the problem of representing a multitude of farm industries, some in competition with each other. To me the Victorians always seemed the best organised and sensible to deal with compared to groups in NSW and Queensland. I cannot say that the farm organisations in Tasmania, South Australia and Western Australia were especially difficult to deal with. Western Australia, the last settled state, had the most effective structure for farming with few small farm problems.

... about Economics (or Always Thought?)

To my mind, for an economy to thrive, it is essential to have institutions, formal and informal, which make sure that it is not only the fittest who survive. And so we must define the limits to the formal institutions we create. We depend on our parliaments and institutions to keep a check on economic incompetence and corruption. It was the failure of governments/parliaments, as they merrily embraced the deregulation of financial markets which led to the economic catastrophes from the later 1980s through to 2008. I have no answer to the problems in world finance and banking which so confound me. I do not have the wit to propose an alternative economic system, which does not depend on constant economic growth and greed. Surely economic systems have to serve people, not the reverse?

The problem I always faced was that I did not believe we fully understand how economies work and became more aware of this as my time as a minister continued. Whether or not I was learning this or whether or not my experience simply reinforced a priori beliefs, is for others to judge. In other words, as I have stressed in the chapter immediately preceding, I had and still have a problem in blindly accepting all the nostrums inherent in macro-economics (aggregate economics), particularly when the most powerful forces in our society have clearly demonstrated how they can bend them to their will by simply doing as they will, declaring that this is the joy of the market at work. They do this with the assured compliance of gullible politicians and policy makers who know no better. The fact is that multinational and transnational companies can avoid tax, the super rich have massive wealth and funds stored in tax havens - and that governments are being bought.

I do not care how much wealth individuals have but I do care if they can exercise the power arising from this to influence or dominate opinion and government policy, and act to perpetuate their position from a self-interested perspective. It has not yet been seriously generally perceived how important the inequality of wealth and income may be or may become
for economic management. In particular, I have long been concerned about the increasing mal-distribution of income and wealth in the US (with a relatively impoverished bottom 40% of the population which, by 2013, had had little real increase in income for 30 years). To have this proportion of a population with little purchasing power is very damaging to the overall capitalist economy. This is only now being considered but I doubt much will change. We are steadily Americanising our economy.

The mal-distribution of income and wealth is even more marked in many less developed economies, especially those dominated by dictators and despots, often theocracies controlled by religious fundamentalists, or corrupt and ideologically run governments and robber barons who monopolise the sources of wealth, as in today’s Russia. While ever we within a society are not all equal, or lack the skills and resources to take advantage of opportunities, there is a danger of the distribution of income and wealth favouring the few, already richer and more powerful. We all know that in the real world there will always be inequality of wealth and income, but surely there can be limits to this?

Economists believe that the motivation intrinsic to market economies is self-interest and that wants and demands are unlimited. Further that people (consumers) and business do what they do for their own benefit. In this circumstance, the invisible hand of market forces, allegedly, makes it work to the benefit of all. This is why from the early 1980s the thrust of economic dogma was based on deregulation, privatisation and economic rationalism (and it is too easy to say the alternative was economic irrationalism). I still do not believe all markets are rational, for example now, in 2013, it is said that something like less than one per cent of the world’s population will have control of the internet, with the power to decide what information will be available. Monopolies and duopolies are alive and well. I find it hard to believe anything can be done about this.

Such musings were constantly mine as commodity based primary industries gradually became more efficient, were reformed, restructured, scaled up and became more exposed to take-over by international companies at the agri-business level. Luckily, I did not totally deregulate the dairy industry, nor stupidly sabotage the Australian Wheat Board with a half-baked privatisation as the Howard Government was to do - or perhaps I failed to do both in the eyes of the economically pure?

It appeared to me that whenever there were economic crises, the view of those having absolute faith in markets was that all we need is time and patience to allow for fiscal measures to correct the situation so that growth could proceed again. Similarly, in dealing with challenges of an environmental nature, those having absolute faith in markets believed the issue would be solved by the ingenuity of markets to come up with a technological solution, such as on climate change, in terms of today’s most pressing challenge, perhaps to life on our planet.

In my time, if the real choice had been between a new Keynesian/social democratic model of the economy, or a Chicago School acolytes/neo-liberal model, it is clear where my preference lies.

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164 This disposition to admire, and almost worship, the rich and powerful, or, at least, to neglect persons of mean disposition is the greatest and most universal cause of the corruption of our sentiments’, Adam Smith, 1759, The Theory of Moral Sentiments, A.Millar. A.Kincaid and J.Bell, London, Chapter 3. Reference to this quotation is never made by those parroting his ‘invisible hand’ as a justification for their pro business views! Smith was in favour of everyone getting a share of the national wealth, that schooling be free and that taxation be progressive.
would lie, just as I often preferred the advice of technocrats over ‘econocrats’. The fact was that Australia’s economy was and is too small and that the Cabinet I was part of had little choice but to pursue the orthodoxy of the day. But we were still a social democratic government and our policies attest to this. I believed that Commonwealth Budgets were and are about balancing the economy, not the books. I knew that the annual Commonwealth Budget and the economy were not the same thing, and that the economy itself affects and is affected by the requirements for the budget strategy. I learned that the belief that running an economy is like running a household is so entrenched in the public mind, that it is unshakeable. People become fixed in their circumstances and this was so with many primary producers. This told me that little purpose would be served by trying to convince the public of the benefits of and flaws in macro-economic policy options.

Economics has become more dominant in policy making in recent times, often with unpredictable results. It is Australia’s economic circumstances and the reality of our place in the world economy, which has ensured that our two major political parties are left of centre (ALP) and right of centre (Liberal) on most economic matters, with not really much difference between the two on economic basics.

I have the heretical belief that the annual Budget of the Commonwealth Government of Australia is only ever an estimate of what may be spent in the year ahead and of the revenue which may be gained from the priorities outlined. The Budget certainly is not holy writ. As I have said above, its purpose is to balance the economy, not the books. I know I am wrong in this - the demand is for treasurers to sell the Budget as if it is a new brand of soap, when it is nothing more than an estimate of what the future holds. The only thing that has to be sold are the minuses, how these will affect voters and how fair measures being imposed are explained. The human element, changed circumstances, external shocks and the activities of the much larger private sector intervene to affect the best estimates and predictions of the macro-economists. Yet macro-economic fundamentals cannot be ignored. The utility of macro-economics is that the discipline can help set the parameters for what you cannot do. But by taking a micro-economic approach one can aim for the optimisation of the use of scarce resources; water use is a classic example, but the political arguments in this case are still non-ending. My beliefs about any expectation that macro-economists can predict the future, or that estimates of future economic performance will be met, or that the annual Budget is somehow a magic key to the future, did not change. None the less, I retained my view on the unavoidability and utility of macro economics, but always with qualifications.

The discipline of economics assumes that people are rational and act rationally. My experience demonstrated that they are not and do not. Similarly, people often do not vote on the basis of fact and reason alone. They more often vote on the basis of habit, perception or sentiment and are prone to the herd instincts and band-wagon urges akin to those driving people to play the stock markets. It had taken me a long time to learn this.

Excessive adherence to market principles as a way of governing a country can ignore what is in the long term national interest and the reality of being in a competitive, complex world. We see today that too much emphasis on free markets, championed during the last 30 years, has resulted in deleterious distortions in the distribution of income. Governments which place too much emphasis on free market dogma, or say they do while favouring the rich (free for who?), often restrict their capacity to make long term policy or fail to take notice of the lessons of the past, due to their concurrence with the ideology of the rich and powerful. I still believe that
government has a crucial role to play in reducing poverty and inequality. I do not believe that 'government is the problem'.

Even the vaguest knowledge of Australian history tells us that agriculture and mining have long been the sources of Australia's strength as a trading nation. We are now a service based economy and export services such as education. But sectors such as agriculture, minerals and energy will remain mainstays of our economic performance. Australia needs to trade so that we can buy the goods we cannot produce. I do not believe that the exchange rate can adjust enough for us to dismiss the primary and resource sectors. The planet’s growing population, concerns about its long term survival (pressure on resource availability and climate change) and the challenge of world food security all clearly tell us that agriculture and care of our natural resources cannot be neglected. While some observers become rather passionate about agriculture, one of the things I learnt as a minister is that it is the head that should guide policy, that never should a government build up false hopes about easily increased production, that policy should be long term and that the most sensible forms of assistance to the sector should be emphasised, such as pursuing freer agricultural trade. Hence the primacy I gave to research.

We are devastatingly exposed to the external economic situation. Even if Australia is now a wealthy middle power of over 23m people, with nearly the world's highest standard of living per capita and are the world's 13th richest country overall, with less than 0.003% of the world's population, our global influence can only be very small. To the distress of some in the Canberra economic priesthood, I used to say that there is very little that we cannot buy more cheaply from abroad and that we did still need some assistance for agriculture and manufacturing industry. The most dogmatic of them believed and still believe that there was and is no need for industry policy, or even for public expenditure on research. I was told that I had to become more of a convinced Ricardian, the traditional economic theorist of comparative advantage, free trade and early monetarism. However, to my mind, we can only learn by the mistakes of others and analyse the factual situation we are in if we are to become more efficient, astute and productive and pursue sound public policy.

... Science

My earlier views on the veracity and utility of scientific research for agricultural and resource policy compared to the so called laws and proofs of some economic theories have been underlined by my ministerial experience, particularly in the Primary Industry and Energy portfolio. I do not understand why Commonwealth governments still do not have full blown ministries of science. The Commonwealth has had ministries of science in some form since 1931, but they have inevitably been attached to other portfolios. My colleague, Barry Jones was firstly Minister for Science (and Technology) and then Minister for Science (Customs) and

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David Ricardo, 1772-1823, was a prominent English economist who introduced the idea that a country that trades for products it can buy at lower cost from another country is better off than if it had made the products at home. From this it follows that every country should concentrate on producing those goods it excelled in, hence the notion of ‘comparative advantage’. I always thought his broader view might have been correct in the Imperial times in which he wrote, when Britain and many European countries possessed colonies providing abundant cheap labour. However, I could not see how every country could apply the same rationale. I do not see how Australia can only rely on ‘minerals booms’ or try to compete in a trade corrupted world with its agricultural goods and rely on service industries to supply employment, particularly when some service industry jobs will become increasingly mobile, between countries, and subject to increasing digitisation. I concede that there can be areas of secondary industry manufacturing where we can compete if clever enough, but that arguing we need a secondary industry capacity purely for defence purposes is now shaky. However, I think any industrially developed nation needs some basic secondary industries. But then, no doubt I am wrong.
Small Business for the period 1983 to 1990. He was followed by Simon Crean as Minister for
Science and Technology. At no time have these ministries achieved the recognition that should
be given to science at the national level or within the Commonwealth bureaucracy. When Barry
Jones was Minister, the economic drive of the Cabinet side-lined some submissions for
funding by him, despite what I thought were clear priorities. Increasingly, the involvement of
the Commonwealth in biological and natural resource management issues will see greater
utilisation of science, or should. Environmental issues such as resource depletion, for example
fisheries, land, water and forests and the need for clean water, unpolluted air and food security
are going to ensure this. Global issues such as climate change further make the point.

... and What I may have Learned About the Media

Like all ex-politicians I rant about the media. I cannot improve on the observations made
about it by Lindsay Tanner in his Dumbing Down Democracy treatise166. But I can’t help a
rant.

The media cannot be avoided in the business I was in. The media is a function of the technology
of the day and the competitive urges of commentators to commentate. It is essential for the
media to be free. But with freedom comes responsibility, responsibility to provide facts and
objective information to the public. I resent the media when powerful monopolies seek to
influence large segments of the population and act purely politically or out of self interest.

It is true that politicians often use and abuse the media. I never came to grips with what was
the dominant, concentrated, conventional metropolitan media, which was starting to
denigrate what I regarded as good government. Even back then, there was too much glib
analysis, sensation, allegations and partisanship for the sake of a story to excite readers and
listeners, to sell advertisements, or appease the political leanings of their proprietors and
cynical campaigning editors. I sometimes loathed and feared the media and was hopeless at
dealing with it, though, with a few exceptions, the broader circulation rural media generally
treated me fairly.

I was not particularly publishable material because I did not fit well into the stereotypes that
the feeding frenzied denizens of the conservative metropolitan media were fond of. Laconic
hayseed in a badly fitting suit? (I tried to be articulate, urbane and sartorial, but failed).
However, agricultural and rural journalists of a more national bent did not treat me too
unfairly in spite of the fact that some small country newspaper editors regarded ALP ministers
and candidates as being close to the anti-Christ. Local media on agricultural matters is
generally parochial in nature, run by conservative editors with the primary aim of attracting
advertising revenue from the local and broader business community.

Fortunately, what I did not have to endure was the current interactivity between social media
and the more traditional print and electronic media. It would seem that facts and analysis now
count for little and there is no longer much account taken of consistency by much of the media
because opinion, shallow perception, negativity, ‘short termism’ and biased advocacy tend to
prevail. As well, journalists are now under so much pressure they have limited time to research
stories or issues.

If you are informed you can more easily comprehend bias. I am of the mindset that supports our public broadcaster because it concentrates on informing our public on a wider range of issues than are likely to be covered by the tabloids or commercial TV and radio. And, yes, there can be bias by programme, for example the agricultural and rural news and analysis is naturally biased in favour of agricultural producers. City people do have some accentuated views about primary production. Because the ABC explores these issues does not mean that they necessarily endorse them. Conservatives cannot accept using taxpayers’ money for an institution which can criticise government or possibly limit advertising revenue and keep Rupert Murdoch or Gina Reinhardt in penury.

Dealing with the media was part of the art of being a minister even during my time in government. I made the mistake of trying to answer the questions put to me by the media. It took me some time to become aware of the fact that most journalists, though not the good, experienced and perceptive ones, believed that ministers only intended to tell them what they wanted to say and would ‘stay on message’, regardless of the question; a Catch 22 situation. I was the despair of my several long-suffering press secretaries.

On issues of real importance I believed it was not the media’s job merely to be impartial, giving equal space or time to dissenting parties on vital issues, for example, in today’s world, climate change, but to be objective. If journalists are not objective then they are being subjective. Readers and listeners are entitled to the facts. They want to believe journalists and often hope that they are being informed by people who know enough to be trusted. Too many journalists during my time, and even more so now, see themselves as political players - makers of voter opinion. But, the emphasis on bad news, the creation and destruction of celebrities, or the appeal to the lowest common denominator view on issues results in politicians being denigrated as a class. This is to be regretted.

The political process is crucially important because decisions flowing from it affect millions of people. A nation does need actors, that is politicians and people who work with them, to facilitate the political process. The Murdoch media empire, which controls 70% of Australia’s print media, now stands supreme in conventional media in Australia. Luckily, fewer people are reading newspapers than in my time; young people certainly do not. The Murdoch empire engages in campaigns against political parties, institutions and individuals because it wants to be associated with the winners or to decide who they think the winners should be, as if politics is about goodies and baddies; sport, blood sport. It is best ignored by today’s politicians. The use of spin, outrageous language to get a headline and stunts by politicians and ministers only accentuates the disrespect in which politicians are held by thinking members of the public. What is even worse is when prime ministers and ministers are obsessed with commanding the headlines each day. The interaction between the political class and the media can become a closed loop.

Some Final Thoughts

One of my motives in placing on the record my eight and a quarter years as Minister for Primary Industry, later Primary Industries and Energy, is to give possible readers, researchers and outsiders - and even some aspiring ministers - some idea of the difficulties and complexities of policy making in our kind of society. It is not to show that I was always right. I was extremely lucky, as well as privileged, because there was a clear economic and scientific consensus on what needed to be done. As I have said many times, I was playing catch up, not being radical or innovatory. But I was sometimes judged as being radical and misguided by
some reactionaries or by those who were being affected by the changes that had to be introduced. I learned that the farm sector tends to value sound decisions five to ten years after their introduction and implementation.

My earlier experience as a youngish staff member in the Bureau of Agricultural Economics had been profound. I learned how scientific discovery could be optimised by micro economics. I believed that I could apply this same thinking over time to policy development and achieve improvements. But I later learned that the ethos of some government departments was that they preferred ministers who knew nothing – the better to manage or control them. However, I thought that it was not necessarily an impediment to know something about your portfolio areas. The constant rotation of ministers is not good for policy making.

At many points in this story I have pointed to the difficulty of taking quick action because the Commonwealth does not have the Constitutional powers on production and land, water and forestry management. Considering that all States and Territories have Agricultural Departments, the question can legitimately be asked if the Commonwealth should be involved in agricultural policy beyond trade at all. This raises the issue of vertical fiscal imbalance in our financial arrangements in Australia. But governments, of whatever colour politically, are not likely to cede powers easily. More importantly perhaps, the States do not have the flexibility that a Commonwealth government has, nor for example, the same capacity to handle natural disasters. There are some areas of policy that must be carried out centrally (corporate law for instance), and the trend to centralisation continues, again regardless of the political party in power.

A large part of the Commonwealth’s role and powers in primary production came from the experience of two World Wars and from the necessity for the Commonwealth to have the taxing power to finance our involvement. In today’s globalised world, it is impossible to envisage Australia being represented in world agricultural forums and global institutions on the basis of six competing State and two Territory governments. I do not think it is feasible for the States to return to the colonial model of having Agents-General in the UK to conduct trade in competition with each other and to have offices in our main customer countries. The experience with the dairy industry showed how self-defeating it is to have dairy farmers competing with each other across State borders. We are one country and have been since 1901 despite the efforts of some to drag us back or threaten secession.

Bio-security and natural resource management issues, among others, are best handled at national level. The management of the Murray Darling Basin is a good example of the latter. State governments do not have levying powers which makes funding for activities such as research and extension difficult. The funding of the CSIRO and the universities ensures that the Commonwealth will always have a role in agricultural research. The privatisation of much of our commodity board infrastructure had meant that the Commonwealth has a much reduced role in this area of policy. The private sector is now playing an increasing role in servicing agricultural production. It still seems to me that we do not have a banking and financial sector which can engage in the allocation and lending long term capital to agriculture. This may change, though many of the well-known impediments remain.

Finally, in terms of what I learned about politics and government, much of it seems not to be applicable today now that more emphasis is placed on reaction, slogans, - and coping with ever shortening news cycles - than on the development of well thought through policy. I expect that at some time in the future, a Commonwealth government will tear down much of what
exists of the agricultural reform that the Hawke/Keating Governments and I introduced. But I hope that is only a reflection of my pessimism.

Geoff Pryor’s final cartoon of me on retirement from Parliament on 4 December 1993 of my ears hanging on the wall. Hanging up the spurs which in this case are my ears.
Appendix: Curriculum Vitae - The Honourable John Charles Kerin, AM (updated March 2016)

Email: kerrier5@bigpond.net.au

Occupational and Parliamentary Record

- 1953-1971: axeman/forestry worker, brick-setter, farmer and businessman
- 1971-1972: Economist in the Bureau of Agricultural Economics, Canberra, working on the Australian Objective Management Project on wool marketing
- 1972-1975: Member for Macarthur in the House of Representatives, Canberra, member of 3 Statutory Committees and 3 Government Committees, Leader of Delegation to East Timor, 1975. Member of Parliamentary Delegation to Papua New Guinea, 1974, Member Parliamentary Delegation to Inter Parliamentary Union September 1975
- 1978-1993: Member for Werriwa in the House of Representatives, Canberra
- 1980-1983: Opposition Spokesperson on Primary Industry
- 1983-1987: Minister for Primary Industry
- 1987-91: Minister for Primary Industries and Energy
- 1991: Treasurer
- 1991: Minister for Transport and Communications
- 1992-1993: Minister for Trade and Overseas Development

1994-1996-7

- Chairman of the Australian Meat and Livestock Corporation
- Chairman of the French and Australian Industrial Research Committee
- Chairman of the Food Quality Advisory Committee
- Chairman of the Government’s Committee on International Environment Issues
- Chairman of the Board of Technoport Pty Ltd
- Chairman of the Board of Biologic Pty Ltd

1997 to 2015

- Chairman of the Board of Coal Mines Australia Ltd, Deputy Chairman of Ingwe Coal Pty Ltd, Board member Billiton Coal Pty Ltd, 1994-2001, Chair of Audit Committee and Health and Safety Committee of each coal entity as name changed
- Chairman of the Board of NSW State Forests, 2001-2004,
• Member of Independent Advisory Committee on Socio-Economic Analysis (water reform) 1998-99
• Chairman of the Board of the Queensland Fisheries Management Authority, 1999-2001, Chairman of the Queensland Reef Fisheries Management Advisory Committee, 1995-2001 and of the Queensland Trawl Management Advisory Committee, 1999-2001
• Chairman of the Committee of the CSIRO Stored Grains Research Laboratory, 2003-2005
• Chairman of the National Ovine Johne’s Disease Programme Advisory Committee, 2004-2006
• Member Safe Foods Production NSW Advisory Committee, 2002-2004
• Member of the Board of the Southern Rivers Catchment Management Authority, 2004-2012
• Chair Interim Advisory Committee to the Australian Weed Research Centre, July 2008-12

Academic Background and Awards

• Bachelor of Arts, UNE 1967
• Bachelor of Economics, ANU 1977
• Honorary Doctorates in Agricultural Science, Letters and Science from UNE, UWS and UTas, respectively
• Adjunct Professor, ANU 2013-14
• Honorary Fellow Academy of Technological Sciences and Engineering
• Honorary Fellow Australian Institute of Agricultural Science and Technology
• Honorary Fellow Australian Rural Leadership Foundation
• Honorary Member Australian Veterinary Association
• International Ambassador of Goodwill for ICRISAT (International Crop Research Institute for the Semi-Arid Tropics)
• Order of Australia, AM
• Centenary Medal
• Australian Agricultural Medal
• Friend of the Peter Cullen Water and Environment Trust
• Distinguished Friend of the Cooperative Research Centre Association
• Patron of the Commonwealth Parliamentary Country Caucus
• Distinguished Life Member of the Australian Agricultural and Resource Economics Society

Publications and Reports

• Research, Innovation and Competitiveness, APS, 1983
• Economic and Rural Policy Statement, APS, 1987
• Primary Industries and Resources: Policies for Growth, APS, 1988
• NSW Western Lands Review, 2000
• Report of the Premier’s Taskforce on Sustainable Resource Management and Farm Economic Viability (nearly all)
• Funding Review for Safe Food Production Authority and also Section 73 Review—three reports in all
• Mid-term Review Ovine Johne’s Disease Programme 2006 (part)
• Innumerable speeches, some of which published
• A series of articles in the Southern Highlands Labor Party Newsletter 200... – 2000...

Honorary Positions

• Chairman of the Macarthur Council of University of Western Sydney 1994-2000
• Deputy Chancellor of the University of Western Sydney, 2000-2003.
• Member Whitlam Institute 2001-2003
• Member Crawford Fund Board of Governors and Chair of NSW and ACT Committees, 2008-2012
• Chair of the Board of Governors Crawford Fund, 2012-
• Member of the Board of UNICEF Australia Committee, 1999-2008 and Deputy President, 2006-2008
• Member of the Council of Volunteers Abroad
• Member of Clunies Ross Foundation Board 2009-2011
• President of the ACT Branch of the Australian Agricultural and Economics Society, 2004-2007
• President of the ACT Bush Capital Club, 2007-2008
• Member of the Council of Birds Australia, 2003-2005
• Chairman of the Marine Stewardship Council, 2002-2004
• Chairman, Living Landscapes, Bundanon Trust 2012-2015

Memberships

• Australian Agricultural and Resource Economics Society
• Australian Institute of Agricultural Science and Technology
• Academy of Technological Sciences and Engineering.
• Australian Conservation Foundation.
• NSW National Parks Association.
• World Wildlife Fund (Governor)

Personal

Date of Birth: 21 November 1937, Bowral NSW

Married to Dr. June Raye Verrier, one daughter, two step daughters and one step son from previous marriage

Recreations include live arts, music, travel, reading and thinking about birds and bush walking.