

## HOUSE OF ASSEMBLY

WEDNESDAY 5<sup>TH</sup> SEPTEMBER 2012

### CITRUS INDUSTRY (WINDING UP) AMENDMENT BILL

**Mr PEDERICK (Hammond) (12:07):** I am the lead speaker for the opposition on this bill, the Citrus Industry (Winding Up) Amendment Bill 2012. The Citrus Industry (Winding Up) Amendment Bill 2012 will wind up the current South Australian Citrus Industry Development Board and will repeal the Citrus Industry Act 2005. The winding up of the board will relieve the citrus industry of a regulatory burden that imposes compliance costs of the order of \$3.3 million per annum on citrus growers, packers, processors and wholesalers.

The Citrus Industry (Winding Up) Amendment Bill 2012 is the result of an independent review of the South Australian citrus industry following industry calls for intervention due to discord and disagreement around the effectiveness of industry arrangements over many years. Although it is unfortunate that government intervention became necessary, it is pleasing to see reform is finally underway in this critical horticultural industry.

The review was conducted by retired District Court judge Alan Moss and was the sixth review or initiative into or affecting the South Australian citrus industry in the last decade. The citrus industry is an important contributor to South Australia's economy. The value of citrus exports from the state represents about half of all South Australia's horticultural exports. The Citrus Industry Development Board was created following the introduction of the Citrus Industry Act 1991.

Throughout the 1990s the board stabilised an industry which had previously been somewhat chaotic, and was generally welcomed and respected by industry participants. However, government policy had changed and the regulation of agricultural markets started to undergo significant revolution, or evolution, I should say, as Alan Moss states in the Citrus Industry Review report. I quote Alan Moss:

By the late 1990's Government policy towards the regulation of markets had undergone a significant evolution. Rather than impose restrictive, anti-competitive regimes on industry, Governments were coming to the view that industry becomes more productive and efficient when competition and market forces are allowed to do their work, unrestricted by government rules and regulations.

This new approach required Governments to help to create a landscape in which industry was free to get on with the job, to provide things which only a Government can provide, for example certain quarantine and disease controls, and not to restrict competition by legislation unless it could be demonstrated that the benefits:

to the community as a whole, outweighed the cost of the restriction; and of the legislation could only be achieved by restricting competition.

The South Australian Government entered into a Competition Policy Agreement with the Commonwealth Government which required the States to bring their legislation into line with the Commonwealth's competition policy. As a result and after very lengthy consultation with the citrus industry, a new Citrus Industry Act was passed in 2005. The Board's former role as a market regulator was abandoned, but the Board was retained in a new guise as the South Australian Citrus Industry Development Board .

Moss goes on to recognise that the retention of the board was, however, unusual. As far as he was aware:

the CIDB is the only board which survived the competition policy initiative and all the other industry boards were abolished and replaced by industry based bodies , or associations.

In South Australia, in addition to the board, Citrus Growers South Australia Incorporated (CGSA) and Citrus Australia Ltd (CAL) are two industry-based bodies which represent the citrus growers, packers and processors of South Australia. Citrus Growers of South Australia is the latest incarnation, being a long established grower-based industry association, and is supported by a modest levy on growers under the auspices of the Primary Industry Funding Scheme Act of 1998 (PIFS).

CAL is a relatively new membership-based national industrial body. Citrus Australia Ltd has slightly more than 250 members, but is growing slowly and steadily. CAL replaces a former national body, Australian Citrus Growers Federation, which was wound up by its members in 2008 in favour of CAL. Citrus Growers South Australia has links to CAL and is a supporter of it.

The attitude of the South Australian Citrus Industry Development Board towards Citrus Australia Ltd has at times been hostile. These three bodies, CAL, CGSA and the South Australian Citrus Industry Development Board, had all been competing for influence within the South Australian citrus industry, which led to an unacceptable level of tension between the bodies. The direct result has been the independent review by Alan Moss, which concluded that there was no good reason to retain the Citrus Industry Act 2005 or the South Australian Citrus Industry Board. As Moss notes:

This Review has occurred at a time of considerable stress and challenge for the citrus industry.

Progress in the South Australian citrus industry has been limited and disjointed because the structure of the industry is fundamentally unsound and disunity has been apparent for some time. Moss continues:

The citrus industry undoubtedly faces a period of structural adjustment being imposed upon it by irresistible outside forces. To survive in good shape the citrus industry will need strong leadership and unity. Government cannot legislate to provide these essential things, but it can construct policy and enact legislation which creates an environment in which they can grow.

I consider that this Review affords an opportunity to look over the horizon and to help the citrus industry establish a healthy and functional industrial structure to face the challenges of the years ahead.

As to the review of the South Australian citrus industry structures and what has happened in South Australia, we are being represented currently by two industry organisations. We have the South Australian Citrus Industry Development Board and Citrus Growers South Australia. Under the current structure, the South Australian Citrus Industry Development Board is funded by payments it receives from the Citrus Industry Fund, which was established under the Citrus Industry Act 2005. Citrus growers, packers, processors and wholesalers contributed to this fund, and this fund is managed by the SACIDB and used to execute its functions under the act.

Citrus Growers of South Australia was funded by payments it received from the Citrus Growers Fund, as mentioned, which was established under the Primary Industries Funding Scheme (Citrus Growers Fund) Regulations 2005. Only citrus growers contributed to this fund. The contributions were collected by the South Australian Citrus Industry Development Board and then transferred to Citrus Growers South Australia, via PIRSA, and used to execute its functions defined under the regulations.

A number of inefficiencies in the current legislative funding arrangements were recognised by the Moss review, including the duplication of a number of functions described in the Citrus Industry Act 2005 and the Primary Industries Funding Schemes (Citrus Growers Fund) Regulations. This means that the South Australian Citrus Industry Development Board and Citrus Growers South Australia held responsibilities for and were operating within similar areas, and it is possible that the organisation's views with respect to these areas may, in fact, not have been aligned. The citrus growers, in effect, were paying levies twice through the two separate mechanisms.

As already mentioned, the Citrus Industry (Winding Up) Amendment Bill 2012 will wind up the current South Australian Citrus Industry Development Board and will repeal the Citrus Industry Act 2005. The winding up of the board will relieve the citrus

industry of a regulatory burden that imposes compliance costs in the order of \$3.3 million per annum on citrus growers, packers, processors and wholesalers.

The Citrus Industry (Winding Up) Amendment Bill 2012 is the result of an independent review of the South Australian citrus industry following industry calls, as I mentioned earlier, for intervention due to discord and disagreement around the effectiveness of industry arrangements over many years. The review was conducted by retired District Court judge Alan Moss. As indicated earlier, it was the sixth review or initiative into or affecting the South Australian citrus industry in the last decade.

Ultimately, this review concluded that there was no good reason to retain the South Australian Citrus Industry Board or the Citrus Industry Act 2005. As a result of the review, the government was urged to bring to a halt any further division in the citrus industry and, in doing so, to set up a working party (the South Australian citrus industry transition working party) to formulate the structure and governance for a single unified representative body.

The South Australian citrus industry transition working party was chaired by the Hon. Neil Andrew, former federal member for Wakefield and also a former speaker of the House of Representatives. Neil has a strong background as a citrus grower and a strong connection to the Riverland. It is my understanding that the Hon. John Dawkins from the other place worked for Neil in the 1980s and early 1990s.

As a result of the South Australian citrus industry transition working party, it was recommended that an advisory committee, to be known as South Australian Regional Advisory Committee (SARAC), is to be established to represent the interests of the state's \$350 million citrus industry. SARAC will fall under the auspices of Citrus Australia Limited (CAL), being an advisory subcommittee, and will be supported by a \$1/tonne voluntary levy, collected via a PIF scheme and provided to CAL. Being a voluntary levy, it is like most primary industries funding schemes, where the money is an automatic collection. A grower can apply to have that levy returned if they wish, but, as I understand it, in the past, most have not. Under these changes, the Citrus Growers of South Australia, an organisation primarily made up of member growers, will wind up voluntarily.

To further explain the South Australian Regional Advisory Committee, SARAC's role is to respond to South Australian citrus industry issues, to maintain a local or South Australian focus on research and development priorities, to provide information and advice to Citrus Australia on South Australian priorities, to oversee industry development activities, to ensure the integrity of South Australian information in Citrus Australia's crop estimates and planting statistics, to communicate with contributors to the Citrus Growers Fund and the broader South Australian citrus industry, and to develop and update a five-year management plan for the Citrus Growers Fund annually.

With respect to its membership, SARAC will have a minimum of four and a maximum of seven members, and at least four members will be growers. Members do not need to be Citrus Australia Limited members. Members will be appointed for a maximum of four years with half retiring every two years. Members will be selected through nominations and will be skills based. Members will not be remunerated, however the chair or an elected representative may be reimbursed for time spent on committee business.

Citrus Australia's role will be to manage the fund according to a five-year management fund, and it will meet the minister's expectations that funds collected under the act are directed to SARAC for its activities. To support SARAC and the South Australian citrus industry, Citrus Australia will also have a role in national and regional advocacy, market access and development, promotion, information collection, communication, biosecurity and plant health.

Supply chain links and communication will stay the same, which is critical for SARAC to be an effective representative body. The Citrus Growers Fund associated legislation under the Primary Industries Funding Scheme Act will remain in place, however the fund contribution rate will change. Changes that will happen with this major revolution in the citrus industry include the fact that there will one united voice—wouldn't we like see that in all farming and agricultural pursuits?

The South Australian citrus industry will have one united voice for advocating and responding to regional issues instead of the two existing state-based representative bodies. With respect to the Citrus Growers Fund, there will be one state-based fund. SARAC will have access to payments from the fund for its activities. The fund contribution rate will be changed to a dollar per tonne of citrus produced. This is a significant reduction in the contribution rate and represents a saving of nearly 75 per cent, though I am aware that some people are concerned that that levy rate may not be enough. However, that will be up to industry to change that in the future in discussions, I believe, with the minister.

Packers, processors and wholesalers will not be required to contribute to the fund. These businesses will be encouraged to sponsor the activities of the South Australian Regional Advisory Committee. The South Australian Citrus Industry Development Board has wound up, I think, or is about to be wound up when this act is enacted. The Citrus Industry Act 2005 will be repealed (and that is what we are going through at the moment), which means that the South Australian Citrus Industry Development Board will be wound up and the Citrus Industry Fund will cease. The citrus growers of South Australia will not receive payments from the Citrus Growers Fund under this structure.

At this stage I would just like to read a couple of comments from the *Riverland Weekly* from 30 August 2012 and the comments of the South Australian Citrus Industry Development Board Chairman, Richard Fewster:

'Generally today we wished them well at our meeting and one of our directors is a member of the new SARAC board', South Australian Citrus Industry Development Board Chairman Richard Fewster said. 'During the South Australian Citrus Industry Development Board's final meeting it was decided that support and assets will be offered to SARAC. It was a unanimous decision of the board that we are going to provide an information kit to SARAC on things that are going on and information we have, so at least it gives them a standing start to make some plans for the future,' Mr Fewster said. ' We've also looked at the assets that are sitting there, like furniture and photocopiers and printers and we are suggesting to the administrator that they may be given over to SARAC to get them on the road.'

In consultation regarding this important bill for the citrus industry, I have had several meetings with key industry leaders and stakeholders, including members of the South Australian Citrus Industry Development Board and its CEO. I have spoken to and met with Judith Damiani of CAL. I have met with the President of Citrus Growers South Australia and the former president of the Australian Citrus Growers Incorporated Mark Chown, and I have attended a citrus industry transition working party meeting in the Riverland.

I was also present, along with a number of my colleagues, at a briefing provided to the opposition on this legislation, and I thank the minister for allowing her office and the department for that briefing. I commend my colleague in the other place the Hon. John Dawkins for his assistance and contribution. I also thank the member for Chaffey, Mr Tim Whetstone, who has the vast majority of the citrus industry in his electorate, for his important work on this issue. I also take this opportunity to thank the member for Chaffey for suggesting at that briefing that the expiry of the Citrus Industry Act 2005 be held off for at least one full citrus season to give the industry the best opportunity to see the new system in operation before the act expires.

As a result of these discussions the Hon. John Dawkins, on behalf of the opposition, introduced an amendment that will ensure the Citrus Industry Act 2005 cannot be repealed in its entirety until 1 January 2014. This will give the citrus industry the time it needs to experience and review the reform system over a reasonable period.

At this stage I thank the ministerial staff and departmental staff because these negotiations, especially in light of this amendment with a time line of 1 January 2014, was achieved through very much goodwill through the negotiations. I acknowledge the departmental staff for that goodwill. It is nice to see that, occasionally, you can make things work in this place. In conclusion, I indicate opposition support for this bill and commend it to the House of Assembly.

