



MEDIA RELEASE

Federal Government sells out sugar industry

Just 24 hours after tabling the Productivity Commission report which concludes overwhelmingly that government intervention in the sugar industry will cost the economy and jobs, the Federal Government has caved in to political demands of Pauline Hanson's One Nation Party and sought to replicate the very laws that have failed the industry at a state level.

No one in industry has seen the regulation.

This level of heavy handed re-regulation is unprecedented for Australian businesses.

10 years ago, taxpayers funded an almost \$500 million package as part of the deregulation of the Queensland sugar industry. Last night, the coalition government has announced their intention to effectively reverse that decision, with the re-regulation of the Queensland industry.

Australian Sugar Milling Council CEO, Dominic Nolan, said this has come at a time when the industry just needed clean air to finalise contracts ahead of the 2017 crush.

"We haven't seen the new regulation, however the statement by the Federal Government outlines that it replicates the state legislation, and takes it further.

"Just 24 hours after tabling the Productivity Commission Report that highlights in great detail the cost of the Queensland legislation, the Federal Government announces they will take the industry even further down the path of reregulation.

"This does nothing to help finalise current commercial discussions, and absolutely has the potential to set back those negotiations. This becomes law by stealth of regulation outside parliamentary sitting, with no consultation or due process, despite all assurances by the government to the contrary.

"There is no question that this unprecedented level of political intervention creates sovereign risk in our industry, and for Australia," said Mr Nolan.

"Any appetite for investment in the sugar industry must be put under pressure by this decision to change the rules and reregulate based on political opportunism.

"The Productivity Commission, following an extensive investigation, has concluded there is no justification for the Queensland legislation, and that it will cost jobs and cost the economy, and will restrict innovation. The Federal Government last night announced their intention to not only replicate the Queensland reregulation, but to take it further.

"The industry should right now be focussed on 2 things: assessing the damage from Cyclone Debbie and getting on with repairs and recovery; and finalising contracts ahead of the 2017 crush, due to commence in June.

“Instead, the sugar industry has once again been thrust into the role of a pawn in a game of politics being played out between the LNP in Queensland and One Nation,” said Mr Nolan.

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Productivity Commission findings:

Key points and findings from the Productivity Commission report relative to sugar marketing

P. 10: The re-regulation of sugar marketing in Queensland has the stated objective of allowing sugar cane growers more choice in who markets their sugar. However, the regulation restricts the marketing choices of sugar millers when they should have the property rights over the sugar that they crush. There is no market failure (or other reasonable objective) to justify the re-regulation. The evidence also suggests that the growers’ preferred choice of marketing arrangements is likely to reduce the productivity and profitability of the industry (by constraining investment and structural adjustment)

P. 15: There were also examples of regulations being introduced despite findings that there would be a net cost to the community. In December 2015, the Queensland Parliament passed the Sugar Industry (Real Choice in Marketing) Amendment Act 2015 which re-regulates the international marketing of Australian sugar. The amendments were introduced despite a highly critical RIS which found no case for the regulation and also that the costs would outweigh the benefits (and the overall returns to the sugar industry could be reduced). Similarly, the RIS for the (recently abolished) Road Safety Remuneration Tribunal found that the road safety remuneration system would lead to net costs.

P.31: Legislation was passed in Queensland in December 2015 to enable sugarcane growers to direct how millers market sugar internationally. The legislation restricts competition and will deter structural adjustment in sugarcane farming, investment in milling capacity and innovation in sugar marketing. Reduced or degraded milling capacity is likely to reduce the productivity of the industry and if existing sugar millers decide to leave the industry there will be less competition.

Pg 498 – Dispute resolutions and code of Conduct

- Implicit in the objective of providing dispute resolution is the idea that there are imbalances in market power that need to be regulated. There are protections through the CCA that prevent the misuse of market power (section 12.2), and the concentrated nature of the industry provides sugarcane growers with an opportunity to take advantage of the collective bargaining provisions in the CCA.
- ...However, a code of conduct is only likely to be effective if it is developed and administered in a manner considered to be independent and impartial by all parties.
- There is no reason why government should intervene to expropriate assets from one private organisation (millers) to give to another (growers). Both growers and millers are mutually



dependent and have shared responsibility for reaching an amicable agreement. As in other sectors, differences should be resolved by negotiation (or if necessary by the judicial system). Recourse to political processes to resolve industry disputes can undermine trust between growers and millers, and prevent the development of industry leadership and/or conflict resolution processes.