

Safety Net Review 2003

C2002/2281 and Ors

Response to the ACTU Written Reply Submission

**by Western Australian Farmers Federation
Industrial Association**

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Safety Net Review

1. Section 90 of the *Workplace Relations Act 1996* requires the Commission to have regard to the “state of the National economy and the likely effects on the National economy”.
2. As the ACTU emphasises, these are national proceedings. The fact that 75% of Australia’s agricultural land is covered under the Federal Government’s drought relief package provides evidence that the drought is a national economic issue. The ACTU’s submission ignores the fact that the economies of the rural sector infiltrates into almost, if not all, other sectors of the Australian economy.

Rural Sector Employees

3. The ACTU submits that WAFFIA and the NFF are seeking to penalise low paid award workers because of the drought. The penalty to rural sector employees would in fact be the loss of employment in the rural sector. Deputy Prime Minister John Anderson estimates that more than 70 000 rural jobs will be lost due to the drought (The West Australian 2003). Employers are currently struggling to retain their employees. Any increase will make this more difficult for employers and the likely result would be the necessity to terminate workers employment.

Paying for the Drought

4. The argument raised by the ACTU is without basis and is misleading.
5. How is a worker paying for the drought by not receiving an increase in wages? The worker, if still employed, will still in fact be receiving wages.
6. On the other hand it has been shown that farming income is on average, less than \$25,000. ABARE estimates that farm business profits on

broadacre farms are to fall from around \$51,800 in 2001/2002 to a loss of around \$54,000 in 2002/2003.

7. The *Exceptional Circumstances Assistance for the Central North-Eastern, Central Eastern and Central South-Eastern Wheatbelt, Consecutive Droughts 2000, 2001 & 2002* application by the Minister of Agriculture, Forestry and Fisheries in Western Australia provides the results from a survey by ABARE. The survey showed that the average three-year cumulative farm business loss in the Central Eastern Wheatbelt is \$135,035. The three-year cumulative loss in the Central South-Eastern Wheatbelt is \$73,385. One Australian Association of Agricultural Consultants (WA Inc) (AAAC) consultant, with a client base in the Central Eastern Wheatbelt indicates that the average deficit in 2002 was around \$500,000. In the Central North-Eastern Wheatbelt average losses were approximately \$300,000, though the losses ranged up to \$800,000 (Chance 2003). This belies the fact that farmers have an earning capacity to pay for feed, stock and water, notwithstanding the necessities of life for themselves and their families. This puts the farmer into a significantly worse economic (financial) position than rural employees.

Clarification of the Context of the WAFFIA Submission

8. The 2002 National Wage Case increase has flowed to most, if not all, Awards of the Commission. WAFFIA argued that the 2002 National Wage Case increase should not have been applied as it was, and in fact the Commission was called upon to arbitrate the increase under the *Pastoral Industry Award*.
9. As all parties are aware, applications under the Economic Incapacity Principle have rarely been successful to prevent the flow-on of a National Wage Case increase. Also all parties are aware that such an application must be made by an individual organisation or group of organisations within a specific location that are all suffering under the same conditions.

10. The application of the Principle in this manner gives substance to the NFF's submission that some fundamental change is necessary for this Principle; otherwise the Principle itself remains unattainable and virtually superfluous.
11. Arguments with respect to the operative date of any increase to the *Pastoral Industry Award* attempt to suggest that the effects of the drought will not last for the next six months. This proposition is contrary to all economic indicators. Treasury has indicated that the drought will subtract 0.75% off GDP growth rates (www.budget.gov.au), while the Reserve Bank of Australia has stated this figure could be as high as 1% (www.rba.gov.au). The long-term costs of the drought have still not been fully realised and do not take into consideration recovery from the drought and its associated costs, such as re-stocking and buying seed.
12. The proposition regarding the term of the effects of the drought also does not take into account the possibility that the AWU may seek application of any wage increase that may be awarded prior to the expiration of 12 months, as it did in 2002.

Prospect of a Bounce Back

13. We are happy the ACTU has a firm grip and control of the weather.
14. It is remarkable that the ACTU is the only single entity that has the power to foresee the future. No one can predict when the drought will break and as drought conditions are affecting at least 75% of Australia's agricultural land, and more than 50% of Australia there can be no guarantee that all affected land will receive adequate rain. Even if the drought does break in the more productive areas this does not equate to instant economic wealth. Many rural enterprises have significant debt for which several consecutive good years of production will be required to bring the enterprises back to reasonable debt equity levels.

15. Further, this argument also ignores the long - term impact of drought and the costs of recovery from drought, also the cumulative losses that rural people bear from the incursion of drought, flood, pestilence, fire and disease.

References

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