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PRODUCTIVITY COMMISSION

INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

**PROF MIKE WOODS, Presiding Commissioner
DR NEIL BYRON, Commissioner
MR ROBERT GRANGER, Associate Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT BRISBANE ON TUESDAY, 2 DECEMBER 2008, AT 10.36 AM

Continued from 1/12/08

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PROF WOODS: Ladies and gentlemen, we are resuming the Brisbane hearings for the Productivity Commission inquiry into government assistance for drought events. We welcome our next participants, AgForce. Could you please for the record state your name, position you hold and organisation you represent.

MS DILLON (AQ): Sue Dillon, senior policy adviser, AgForce.

MR SAAL (AQ): Rod Saal, drought coordinator, AgForce.

PROF WOODS: Thanks very much. As you know, we're at the stage of having issued our draft report. We had the benefit of a submission from you and discussions and great assistance in travelling around the countryside. The commission is very grateful for the time and effort and organisation you put into that. Do you have an opening comment to make on our draft report?

MS DILLON (AQ): From the organisation's perspective, probably just to put a bit of context around it, we obviously represent all the broadacre producers in Queensland. In terms of drought our organisation has done a lot of work in the EC area in the early stages. Obviously the significance of the drought and the impacts in Queensland have had a major impact on our members. The organisation finds itself in a difficult place in a policy context in that probably half of our members are strong members are strong supporters of exceptional circumstances as it stands and half of our members roughly would prefer to see a more proactive approach to drought preparedness in terms of finding policy instruments to support preparedness.

So we're somewhat in a difficult position because a lot of our members have used EC over the years and have found it has maintained them in a very difficult time, but we've also got a lot of members who believe that some more proactive measures would be appropriate. Rod might like to comment on the social and mental side of it.

MR SAAL (AQ): Yes. I think that probably one of the benefits of the existing situation was that in some cases it certainly gave people a recognition factor which assisted them in dealing with the drought situation. There was some good that came out of some of the EC measures, bearing in mind that only about one in 20 people received any assistance at all and certainly some of the people who received things like interest subsidy. That supported them to make some changes with respect to their ability to cater with the drought. So, yes, I think there was some benefit in it but times have changed and I think that we need to look at what other options we've got, but I think we can still learn some things from the EC.

PROF WOODS: Let's explore those as we go through the various parts of the process. Perhaps if we can start with the hardship proposals that we have which is to delink it from drought specifically, but to recognise that for a period of time farmers

need to be recognised as having different circumstances to the general safety net. So our proposal that provided they meet an asset test and we've suggested two tapering out at three million and having income support, but not being permanently on welfare, having it for a period of time and that seems to be consistent with the sorts of messages that you were also giving us in your submission. Is that an improvement? It's an attempt to create a platform that is always there that people in hardship can draw on and we think that if that is there, whether it be drought or frost or terms of trade or whatever caused the hardship that that will provide some security and hopefully deal with some of the social issues. Do you have a view on that? Is that aiming at the right direction?

MS DILLON (AQ): I think there are a couple of issues in there. Firstly, there has to be some support available for farmers, the same as there is for me if I lose my job or whatever. So I think the organisation would insist on that as a basic policy that's available to all Australians.

DR BYRON: Hang on, that's not what Mike's saying.

PROF WOODS: We're saying in two parts. We're saying that for three years there be a special thing for farmers that is over and above what is a basic safety net, but then the basic safety net is available the rest of the time. Am I detecting you're agreeing with that as an approach?

MS DILLON (AQ): Certainly the safety net has to be there. I think the staged approach does give farmers some time, if they have become used to this assistance, they need to look at it. I think we alluded to that in our report that there is linkages between what you're suggesting there and the broader impacts that are going to come down the track. Where there's areas such as the Burnett and the Darling Downs where there are lots of small farmers and we need to look at - and that's one of the things we'd like to see, some sort of, I suppose, strategy for how we're going to address those areas where there's more than just drought at play, but EC has - so we'd be looking for the assistance you have outlined plus perhaps some broader strategies to be put in place in those areas.

PROF WOODS: We will work our way through those but without using the word "agree". I suspect some general alignment of views on that bit. Sorry, Neil, did you want to say something?

DR BYRON: I'm still trying to understand Sue's answer. We proposed, rather than drawing lines on maps and having some people eligible at certain times under certain conditions for household relief payments, a system that is always on, every day of the year right across the country for people who are in hardship for whatever reason. Do you think that's a step forward, yes or no?

MR SAAL (AQ): Yes.

MS DILLON (AQ): Yes.

DR BYRON: Thanks.

MR SAAL (AQ): Absolutely.

MS DILLON (AQ): There are some other things obviously that we would like to add.

PROF WOODS: We will work our way through those. The second point then is putting aside EC as a process that we address, the hardship doesn't need an EC process under our proposal. The question then is do we need an EC for business support, and again our proposal is that you address the needs of all farmers in a broadly based manner. So you focus on the RD and E, you focus on business programs of support, you focus on ways to accelerate employment in regional areas if they are suffering from drought or other circumstances by way of whether it's funding, additional funding for, say, local councils or cash for management authorities or different programs that when an area - drought is obviously a very good example, that as a drought bites in an area, the government then takes a counter-cyclical approach and starts to push money out into those areas so that farmers and others can pick up part-time work and other sources of income but still produce socially useful outcomes from that activity. Is getting away from the EC process overall then something again that you support as an approach?

MR SAAL (AQ): There is a recognition value in EC - - -

PROF WOODS: That's a point you made.

MR SAAL (AQ): - - - but at the same time you've identified that if areas are identified to be in a rainfall deficiency or whatever, then there may be other funds available, or a flood or a cyclone or whatever. I think that there is benefit in that. The big benefit, of course, is that there needs to be a broad-based form of assistance. I think there are issues that need to be somehow maintained through the tax system, but I also feel that because some of the hardship payments will probably be limited due to the assets and income caps, there needs to be access to some other forms of assistance which could - I think we mentioned this in our submission.

PROF WOODS: Yes, you've got a range of things that we can go through and discuss.

MR SAAL (AQ): Yes. A lot of that is for the take up of technology. One of the things that has astonished me as I go around the state and do work for primary

producers is how well some of them have coped with the drought by the use of technology and have really managed to make the most of a difficult situation.

PROF WOODS: That's why the E bit, the extension work is something that we're very keen on pushing a lot harder than has been the case.

MR SAAL (AQ): I was going to say, "And planning process." I think that that has been of immense benefit to a number of people. We're doing some work for members at the moment where we have identified that in the grazing operations - and come back again to our constituency, which is broadacre cropping and grazing, is that we have identified that - and in a lot of cases to get back to a genuinely profitable situation given even the current seasons we've got will take them probably three to four years. So that is where some of the assistance can be of use, to invest in technology or pastures or whatever.

PROF WOODS: Yes, my drive through Millmerran and Inglewood, about four weeks ago now or five weeks, it was looking very good.

MR SAAL (AQ): Yes.

PROF WOODS: Best I have seen it for awhile.

MR SAAL (AQ): A few good cash flows coming in will help.

MS DILLON (AQ): I suppose philosophically the view that our board held when we discussed it last week was if you accepted the move towards being more proactive and prepared, what they were grappling with in the report there didn't seem to be too much - and maybe that will be in the final report, obviously. There seemed to be, "Well, we're going to" - if we take this thing called EC and remove that, what are we - you know, we need to put some things back in place to help people move forward. I think things like the incentives and helping people physically prepare - while there was talk about R and D and training, and R and D and training is good, our board was looking more for some physical incentives.

PROF WOODS: Yes.

MS DILLON (AQ): The absence of that was probably what was baulking them from moving towards preparedness because it seemed to be, "Well, we're going to take away this investment in keeping farmers going," which was EC, and there didn't seem to be much detail or idea in what was going to be put in place.

PROF WOODS: All right.

MS DILLON (AQ): That's what is causing concern for our organisation more than

anything, I suppose.

PROF WOODS: We'll certainly discuss that this morning.

DR BYRON: One of the things I think is that we're talking about changing the focus of government support from sort of an emergency crisis bandaid when you're in the middle of it - - -

MS DILLON (AQ): Yes.

DR BYRON: - - - to being precautionary, pre-emptive, preparedness, self-reliance and all that, the things you'd do during the good times so that when the inevitable drought does occur the effects are nowhere near as severe as they would have been otherwise. So it is that sort of change of emphasis because even though the national drought policy since 1992 has been about preparedness and self-reliance and a great deal of that has happened, because as we know even in EC-declared areas 70, 80 per cent of farmers are managing. They're surviving, not flourishing but they're surviving with not a cent of government assistance.

MR SAAL (AQ): That's right.

DR BYRON: So obviously some farmers have done a great deal in preparing themselves. One of the questions in our three terms of reference is what more can be done to encourage preparation. What have been the impediments to even greater levels of preparedness. So this preparation is not a new thing. Everybody signed on to this in 1992. All the farming organisations, all the state governments, federal government. Yet even since 92, after 16 years, there is still a lot of people who seem to be seriously under-prepared. We need to find out why and what to do about it.

MR SAAL (AQ): One of the reasons, I believe, that that is is because of the EC process. Between Sue and I we have done the vast majority - we have been intimately involved with the vast majority of EC applications. You are already, if you like, into it up to your neck before you do it, so therefore it becomes a completely reactive process. I guess that's why we have lobbied government to include small business and everything else as we have gone through, because you are already a couple of years into the drought before you ask for any assistance.

That's why the preparedness - I have always believed that since the stump-jump plough arrived we've always had preparedness in agriculture. We just need to encourage that. They don't need a lot of encouragement, I believe, farmers and graziers, to be very, very proactive. They want to be prepared. They don't want to be able to - having to look at their whole future disappearing and maybe generations of work disappearing. So it won't need a lot. It won't need a great deal.

MS DILLON (AQ): I think the emphasis needs to change a bit in terms of we accept this preparedness model and we want to move forward, and a lot of our people do, there tends to be - it happens a bit in the regional group process as well. It's all about the plans, you know, the paperwork and the plans, and preparedness as a plan. While that is part of it we don't have the extension in the bush that we used to have in terms of, "Let's get on a farm and see how this dam worked really well; see how they buried their fodder and it worked." So I think if we are heading towards this direction, any investment by the government has to be practically based, not, "Let's do some more plans on some flash computers," and, "There's your plan," and then they'll pop it in a drawer and then you'll never see it again.

DR BYRON: Yes.

MS DILLON (AQ): So that's the bit to me that is not evident in what we have - how we are going to move forward in terms of let's get some real stuff on the ground, not this airy-fairy - there's millions of planning processes out there, whether it's regional groups, Landcare, whatever. Don't focus - and a plan is important for investment purposes in knowing where you're going or whatever. But that extension on the ground is what is missing, I think. That's the bit we need to focus on, especially you get to probably the smaller, not as advanced producers. The bigger guys are already doing all that stuff themselves. But it's that middle to lower group that - - -

MR GRANGER: Why do you think the smaller people wouldn't be thirsty for knowledge?

MS DILLON (AQ): No, I just think - the bigger guys tend to have a lot bigger mortgages and things, so they have to be as tight with their margins as they can. The smaller guys - just our experience, often don't have the educational background, in some circumstances, or are suspicious of all these processes. My point is old-style extension has sort of gone, and I'm not saying we go back to what it was but we need to look at preparedness in terms of physically on the ground getting people to - you know, field day type stuff rather than, "Come into the office and Rod will do a plan for you."

MR GRANGER: There have been several grower organisations that are saying that - acknowledging the old model is gone but it is critical for grower organisations to have a lead role in this implementation, extension - whatever you want to call it - model.

MR SAAL (AQ): Well, they've had to because it has been run down so greatly, you know, Landcare has replaced so much - - -

MR GRANGER: But do you think it's an effective thing, grower organisations

doing this sort of thing?

MS DILLON (AQ): Well, we've had a - AgForward is a program that we run which is a result of the vegetation management stuff which Neil knows all about. Basically it was about getting that technology out on the ground: GPS systems, teaching people computer mapping. We have been very successful. What we are finding is because of those models old-style extension isn't there like it used to be. The organisations and the regional groups are playing more of a role in that - yes, but my point again is that make sure we all - a lot of the programs fall into the traps of being about property planning and then the next stage is the critical bit. So it's how you get that plan on the ground.

PROF WOODS: That implementation on the ground.

MS DILLON (AQ): That's the bit, from my perspective, where the government investment needs to be. There's a lot of the planning processes - you know, we can run someone up a plan in two days. We can get satellite imagery of that place, bang, done. It's getting them to do the next bit, and that's where there needs to be some investment in - it's not handholding but it's making sure that you get from A to B and just that technical capability, you know.

MR GRANGER: Do you think assistance should be conditional to them doing a lot of that applied stuff? I mean I'm just trying to see what's the catalyst, what's the trigger, to get someone that previously hasn't quite got into the planning and the implementation of things - do you think there should be some element of compulsion that says, "Well look, we'll support you to this point but you've really got to show specific performance"?

MR SAAL (AQ): I don't think that that's a problem at all. From sort of my experience of financial counselling and consultancy which I've had about 20-odd years of experience in that, generally major technology seems to take about two to three years to get properly implemented in our constituency. I'm not talking about growing lettuces at Gatton where you've got a crop in 16 weeks. Where we're talking in the broadacre industry it's two to three years; usually is that period of time. I think that in a lot of cases people are trying to do that anyway and generally that's how people have grown and become very - because at any size it just would be useful if there was some financial incentive, be it through some forms of lending or grants, dollar-for-dollar grants, or whatever. I think you'll find that people will very quickly move into that and they're prepared to go down a planning process and that occurs.

MS DILLON (AQ): The regional groups in some of the areas now - for example, I met with Fitzroy Basin on Thursday to discuss some other issues. Where they've got the incentive money it's about - you know, might be fencing riparian areas or doing whatever - producers are prepared to put a plan on paper, then implement it and then

they help with - you know, some finance it's sort of dollar-for-dollar thing. People are happy to do that, but having that outside incentive mixed with proper planning processes is getting results. They're fencing off areas that should be and putting off stream water and points and all that. It's just getting that they have some specialist staff on the ground that know that area, get out there and work through those processes with them. It's that practical application.

MR SAAL (AQ): And longer time lines where we put people on for 12 or 18 months. We've just been involved with some of the support that's available for people with mental health. 86 per cent of that support in Queensland disappears on 30 June this coming year. 86 per cent of them go. When we look at the extension people, most extension people these days are one to three-year terms. We're talking two to three-year terms to get this technology and this growth of sustainability back into agriculture. So we really need - - -

MS DILLON (AQ): A longer term.

MR SAAL (AQ): Yes, we do.

MS DILLON (AQ): Maybe a four-year project or something to do whatever we're - - -

MR SAAL (AQ): And review it.

PROF WOODS: Are there useful models we can look at? Our draft report says governments should invest more in RD and particularly E and so we're all aligned there. But the question is what are the most effective models into the future and we're probably not going back to the days where the DPI was the sole entity out there with the gum boots and doing the paddock stuff. But there are models though that we were looking at yesterday where somebody like DPI can put extension staff on their books, but that the work is done in conjunction with industry so that there is a partnership and a commitment. Why that is of interest to us in part is that it does give a career structure to the extension officers, so they're not thinking, "I've got a 12-month grant," and at eight months into it they start to think, "Where's my next one?" and you lose the continuity, you lose the commitment and finding somebody who is prepared to just do this for 12 months without any guarantee as to where they go after that.

So those sorts of models we'd be interested in your reaction to and anything else. Basically we want to flesh out the draft report in the sort of detail that you were talking about in your opening comments and we're using this process and any supplementary information you may send us to help build structure into those bits.

MS DILLON (AQ): I think one of the successful models, and it was one of the earlier ones, was the rural water use efficiency model. That was one through the state government. There were a number of reasons that was successful. One, when you have an organisation run a program they've got much quicker start-up times, they don't have the delays of bureaucracy, the government gives them the money and off they go. That was the good thing about that, it was a three or four-year program, I can't remember. But you get that staff security, people are happy to stay - it takes six months to get any traction in those sorts of things, by the time you get your team, your staff, your training done, so people have security. I am hesitant to say this, but especially in Queensland the feeling towards the government as a result of things like the vegetation clearing issues, having industry based staff makes it way easier to engage with farmers, you know, we're one of them.

PROF WOODS: You're more accepted.

MS DILLON (AQ): You tend to have more practical focus, you know your constituents. Also the organisations have that closeness with their constituents, so I think those sorts of models. AgForward is another model. That was run on very similar lines to the rural water use efficiency thing. It was about delivering practical skills and information directly to farmers in the middle of nowhere if it had to be. You know, you kit up the staff, get them out there, make sure you look after them and you build up that credibility that way and I think that's important. You can still use the agencies for technical staff because obviously they've got a range of staff that have years and years of experience. But I think extension isn't the right term any more, but staff on the ground, if they belong to industry organisations tend to have a bit more traction a bit quicker and the programs have to be a decent length in time. Rod's highlighted short programs are a waste of time. You get started and they're finished and you lose staff.

I think there are some models there, those sort of models could be useful if they're attached to some other incentives or linked in with some of the regional group processes.

PROF WOODS: We'll work on that and look at those two that you've mentioned and others and build some of the ideas in there so that we come up with a more prescriptive, but not hide-bound menu of options for government. One of the things that you raised in your submission was FarmBis and some of the benefits that that brought out. Again, in our draft report we recommend that some of the positive elements of the old FarmBis be reinstated and that there be appropriate funding of that. Again, I take it that that would have your general support as an approach to take.

MR SAAL (AQ): Yes.

MR GRANGER: Did FarmBis have any issues or gaps or problems from your perspective?

MS DILLON (AQ): I wasn't that close to it.

MR SAAL (AQ): I certainly presented it as part of FarmBis and I also had a number of people who went through a lot of the training courses with it. I think probably from my experience the only deficiency was I felt there wasn't enough in FarmBis on farm business management and succession planning. I felt that was a major area. I can remember one of the FarmBis courses that was subsidised was an eight-day course and I think there was two hours in the whole course on succession and farm business management. All the rest tended to be mapping and the technical side of things which people love, and that's one of the issues that farmers and graziers certainly do enjoy is that technical stuff, "How I might pick up an extra couple of kilos of wheat per hectare or acre or whatever," whereas some of the more esoteric things were a bit hard to get across.

But when we look at the average age of farmers and certainly some of the Centrelink information indicates that probably Queensland's average age of farmers may be a little bit higher than we had thought, so therefore we've got a massive succession sleeping tiger, if you like, sitting out there at the moment which is very hard to deal with.

DR BYRON: It's not just the lack of information, it's the reluctance of individual property owners to even want to think about that issue. Quite understandably most people just don't want to know about it. So even if you put on a course just on succession planning, you'd have to - - -

MR SAAL (AQ): You've got to lead into it and that's where these programs, the mental health work we're now involved with because it causes immense stress, especially for a lot of females because they can see the situation. A lot of the males just stick their head in the sand and keep away from it. Wives and mothers become very concerned about it and it does create very serious mental health issues. We've had enough of those tragedies in the last 12 months.

MS DILLON (AQ): I think if you can lead with a practical-based program, you can engage the people there and then you can - - -

MR SAAL (AQ): That's your hook. That's where FarmBis was probably it's greatest strength because you got them in talking about the technical side of things and while you've got them there, I just would have liked to have seen more of a focus within that that people had to have some sort of a plan done.

PROF WOODS: Excellent. Did you want to pursue that any further or are you happy on that? Other business programs before we get on to the incentive side of things? Is there anything else that you want to add in that space? You've got some proposal in your submission that we're conscious of and will draw on in more depth.

MR SAAL (AQ): I think for our constituents if we could get something that gets that on-ground take up of preparedness, that's the gap that we've currently got. I think - and Rod can talk about this more - there's other ways, mental health programs and education programs in general could be coordinated better but that's separate.

DR BYRON: They're also in the, "What do you do during the drought crisis rather than in the" - I think sometimes it helps to think about before the drought, during the drought and after the drought and the steps and the assistance that you need are actually quite different, depending on those three phases.

MR SAAL (AQ): Yes.

MS DILLON (AQ): That coordination is probably in the "during" that becomes important.

DR BYRON: Rod, you said in your opening comments about with the interest rate subsidy, some people use that to make positive changes to the farm enterprise. I'd really like you to elaborate on that because there was no requirement to do that. There's no doubt that some did, but whether it was 5 per cent or 50 per cent and what sort of changes, should there be a requirement that if you're going to get money you actually use it for something construction and forward looking rather than just propping you up a bit longer to do more of the same until you fall over again.

MR SAAL (AQ): I would agree with that totally and I think there would be immense support for exactly that to say, "Look, here is" - for example, whether it's HECS-style loans, reverse mortgages, dollar-for-dollar technology, grants or whatever, I think that would be really, really accepted by the farming community and grazing - well, the whole lot because they're happy to look at self-reliance, they're happy to contribute, they're doing it anyway. As far as the interest rate subsidy, certainly the situations I have seen have been things like purchasing lateral move irrigators to reduce water usage, which reduces the usage of water by up to 70 per cent. One other case was a western grazier who used part of the intra-subsidy money to DNA test his full herd. He was breeding his own bulls, and he selected animals that could basically live on rocks - that's probably an exaggeration - but

animals that were very drought tolerant, and the resultant weeding percentages, growth rates and things have just been absolutely astonishing, and also used it to incorporate the national livestock ear tags into a computer system so that when every animal went through the yards, they were weighed and he was then able to take that back to the DNA situation as well and also from the meatworks that he was selling the cattle to. So they were two classic examples.

MS DILLON (AQ): Desilting dams.

MR SAAL (AQ): Desilting dams, building dams. One of the other areas, we talk about plans, the Queensland Rural Adjustment Authority offers these Primary Industries Productivity Enhancement Scheme loans. I've had a lot of experience with those from their inception and still help people prepare those loans. They are linked very definitely to a business plan which shows on a year in, year out basis how that positively affects their business; "If you don't do that, you won't get the money." I think that has worked well. They are not all that concessional. Actually at the moment, their interest rates would be above what a lot of people would be getting for interest-only finance through some of the major banks.

MS DILLON (AQ): But the principal - - -

MR SAAL (AQ): But the principal - and the people, it gives them the comfort to do that investment as well, having gone through the process and said, "Here's the plan. This shows that the next two to three years, we'll break even. Then because of this, we're going to have an increase in profitability, therefore sustainability," and away they go. In most of the things, the QRAA viability test is included in there, which you address in the plan. So I think it would be a really good acceptance for that type of assistance.

I don't really think a lot of people just basically want, "Here's the cheque, off you go," type situation; they are all more than happy for any assistance they get to have a bit of a rub, if you like, to have some way that they have either got to pay it back or they have got to have a recognition of how they do it.

PROF WOODS: Who does QRAA get to develop the plan?

MR SAAL (AQ): The state farm financial counsellors and the Commonwealth ones do a little bit of it, but the vast majority of them are done by consultants around the state. The QRAA client liaison officers do help people do them as well and basically QRAA has got a business planning guide on their web site that people use, so it's really important to have a third - you can do them yourself. I make that point, farmers can do them themselves, but they're encouraged to have a third party to prepare the document.

MS DILLON (AQ): Our industry certainly is heading towards that direction. If you've got leasehold, now to get your lease back, you've got to do a full plan and look at all that, so there's ways to link these to the business development to prove that what you do is going to - yes, so there's a lot more of those processes out there. A lot more people have been through computer mapping and budgeting and all that sort of stuff, so I think the baseline is there to do that stuff.

MR GRANGER: Industries have flirted with the idea of a farm management system, like cotton, for example. I know cane were looking at developing what they called an FMS.

MS DILLON (AQ): Grains has nearly finished developing the modules, but a grain farm is a lot more simple to get the same system, like a cotton farm, you know, where it grows, where the grazing systems are a lot more difficult for us to try and get an FMS-type system up, so we're still grappling with how we do that. I suppose we're doing it in smaller chunks for the grazing industry, getting the mapping done, looking at planning, rather than a tight FMS system. But the reef stuff, it's going to come probably in the reef area, I would imagine, first, and the leasehold stuff is already there to get your lease back. It's not an FMS as such but it's a very close look at what your land is, what's happening and what you need to do to fix it.

MR GRANGER: Do you think that's the sort of framework that offers hope, looking ahead in terms of preparedness or whatever you want to call it? Do you think that's a model that you offers all things to all people?

MS DILLON (AQ): To be honest, unless producers can see something in it, a plan or a system - for a system, a lot of them will just put it in the bottom drawer. Like, cotton I suppose had the proof because they had to prove from a chemical point of view or whatever, whereas if I'm sitting out the back of Yaraka on 100,000 acres, apart from if I've got leasehold, and I have to do that to do my lease, it doesn't - you know, "What am I doing it for? I've got a plan in my head," sort of thing, whereas the systems that attach to some sort of, "Well, you can get some sort of productivity enhancement, but you have to go through the process," there's a bit of a pull there, but I don't think our people in a lot of those areas, apart from leaseholds where they have to - and maybe the reef, the pushes that come there, they won't take it up.

MR GRANGER: Is there any pressure coming from the marketplace?

MS DILLON (AQ): A little bit.

MR SAAL (AQ): EU accreditation is one, I guess; organic accreditation is another. It's only just started - - -

MS DILLON (AQ): The premiums aren't there.

MR SAAL (AQ): That's exactly right.

MS DILLON (AQ): If there was a difference in a thousand-dollar beef, just normal, and then a \$1500 beef if you were organic, that would provide some incentive to do this sort of stuff, but at the moment - - -

MR GRANGER: It may not be a premium. I'd like to live in a world where it was, but it may be just market access. "You do this, or you're not there."

MS DILLON (AQ): It might, but at this stage - - -

MR SAAL (AQ): The good thing that tends to fall out of some of these is that they're basically like an ISO 2000 type of approach, so people who get an EU accreditation or even an MSA accreditation or organic, you really have to go through the whole farm processes which does tend to identify the checks and balances that, for whatever reason, are being put in that system, and when you do that, you would hope that your own management skills should be able to even that out and, yes, at the end of the day produce more profit.

One of the classic examples throughout the drought is we've had a number of extensive people how have used agistment to try to keep their cattle numbers up. When you actually sit down and do the sums on that, it actually doesn't really pay because you're away from the animals, they don't do as well, and there's a whole host of issues, so people are better to have contracted back to their own place and looked after it in a much better way. So there's a whole host of things that they need to have a look at it, and because of that, they are being forced to, be it EU, be it MSA or even the productivity enhancement loans.

PROF WOODS: So there's a range of drivers in this process. There's the mandatories, if you want to use chemicals, you have got to have your occ health and safety, so they're the legislative model and you have no option, that's there and if you want to use those things and do those things, then you're driven to that end. Then there's the industry-type model, the cotton, the dairy et cetera, and as you say you're developing one in grains. But in some they're sort of more mandatory than others; cotton at one end, whereas your grains one, people might come in and out, and then there's the incentive ones like your productivity enhancement, "If you want access to this, then you've got to do that." So it would be interesting if you were able to, in any follow-up bit of paper, to just reflect on those types of models, particularly then to address those areas where you do have your small farms and where there's less uptake at the moment of good R and D and E and business planning and the like and what sort of models might work in what sorts of circumstances.

You mentioned the reef, and that's going to come in. That's going to be driven

in some of these other areas that there aren't such obvious external drivers, so which of these other models may or may not have some benefit in turning farming more professional in that sense, so that would be helpful to have a reflection on that.

MS DILLON (AQ): Yes, and just to add to that, I think the other point Rod made earlier is the generational issue as well. There's a lot of the generation that's there now that aren't used to this. We're finding we are engaging a lot of the younger and middle generation in the technology and all that, so I suppose we're going to move quicker than we have probably before as we further these programs and we're certainly finding from our perspective people are engaging more in understanding the bigger picture in the processes, but there's still that link on ground. A lot of research sits on shelves and doesn't get out, so it's all about getting out on to the ground.

PROF WOODS: Okay, that would be useful. Is there anything more you want to pick up on this morning? No, not on that one?

Where we're talking about change and adjustment grants and assistance and the like, you have mentioned the model of the sort of non - sorry, go back one. You've mentioned the Queensland, the productivity enhancement type model which really allows the farmer to choose where they're going to focus and what initiatives they want to develop. Another approach is the Commonwealth government's current focus on climate change adaptation. The question is, what is the reaction of your organisation to sort of that climate change focus? Is that a useful driver? Should it be only part of a broader menu? Do you have a view on where all that is heading at the moment?

MS DILLON (AQ): I suppose it comes back to what I said before, because the gazing industry isn't easy - it's not a nice tight system like cotton - our approach as an industry organisation has been - I suppose we are approaching it from a number of angles. We have got this technology push that we're doing to teach people GPS mapping, computer stuff. So there is that. We have got a range of workplace health and safety, chemical - blah, blah, blah. We have got the leasehold stuff now, we're engaging people on that. So I suppose we are trying to add it all together and climate change is part of that, which is probably the overarching bit.

But I suppose we're tackling climate change within some of these other processes. Like we're looking at your lease. Now, you look at the variability of you rainfall, so how are we going to manage that? So it's part of - it's very much part of the agenda within the other programs. But certainly we will be looking at how we can get the message across and link maybe any climate change programs we do with that technology on farm, physically how people can cope with it. There are enough planning processes out there. It's all about, "Climate change is happening. How are you physically going to cope with it?" So I would say it links in across all our programs as a very strong flavour.

MR SAAL (AQ): Well, it does.

MS DILLON (AQ): Yes.

MR SAAL (AQ): Climate, seasons, variability, change, whatever, yes. Anyone looking at any of their businesses have to think about where their levels of risk are and of course probably in agriculture climate risk is probably up there as the biggest one, because it takes, especially grazing, such a long time. We can have interest rate risk, we can have policy risk, we have all these other risks that you need to take into account but seasonal variability risk, climate change risk are inherently involved in anything that is being done. So even though that may not be identified as, "Well, if we get an extra two degrees by the year 2050 will I be able to grow sorghum in the tropics then, because I'll become dry tropics," or something like that - that's implicit within their planning processes.

MS DILLON (AQ): But we have also got programs, ClimEd, and we have also, I think, looked for other funding to do specific climate change workshops where we talk about all the different models that are around. It's an education/training program. We will continue that. The other thing - the other flavour we want to bring in is probably turning Rod's role more from that, "Oh my God, I'm in drought. I'm in big trouble. I'm going to need an interest subsidy," to, "Let's do some financial modelling on climate change scenarios." So we're trying to - you know, that's a driver they can physically see on a board that if this happens and you can run 1000 less head that's what my profit does. So we'll be changing Rod's role in the context of all these other programs into that scenario analysis. So we won't have one climate-change thing. It will be the stream really, that all the others run through. We're just trying to look at it at different angles.

PROF WOODS: So you're saying climate change is sort of one of the drivers but isn't the only driver?

MR SAAL (AQ): Absolutely.

MS DILLON (AQ): Well yes, we're putting in context of all the other stuff that we do. I think the financial analysis is the bit - we have got this climate program that looks at, you know, "These are all the ways you can figure out what the weather patterns are going to be. These are all the resources." But I think the financial bit is the bit that is going to smack them on the head and go, "Oh, yeah. Well, okay, if that happens I - - -"

MR SAAL (AQ): Yes.

MS DILLON (AQ): We've had some people that Rod has done sort of similar

work with in the interest rate subsidy area where that analysis is done and nothing hits them in the head more than that does it.

MR SAAL (AQ): No. Start analysing their risk.

PROF WOODS: Okay. You have raised questions of tax averaging, and we haven't touched that. You have raised FMDs and we have - - -

MR SAAL (AQ): Sorry, can I just interrupt?

PROF WOODS: Yes?

MR SAAL (AQ): On the FMDs thing - - -

PROF WOODS: Yes, that's where I'm heading.

MR SAAL (AQ): - - - talking to a - sorry.

PROF WOODS: Okay. So FMDs, we have come out in our draft report in support of them. We haven't come out in support of extending the cap, which is one of the points that you raised there. From our point of view people can collect their financials and invest them in a whole myriad of ways, whether it cash management trust or whatever. What the FMD does is provide a cap on how much is tax advantaged but it doesn't prevent them from accumulating financial reserves in other forms. So the debate is, "How much should the taxpayer forego in their current collections of tax?" as distinct from, "Does this create a cap for an individual farmer?" Well, it doesn't create a cap on their financials. It just creates a limit on how much of it can be tax advantaged.

There's a second point you raised which is about extending it to trusts and company structures and the like. Well, people choose the benefits of those for other reasons. We don't see a compelling argument to then say, "Well, we have chosen a company structure or a trust structure for this reason and we get" - you know, if it's a company structure you just get a single tax rate. It doesn't vary in any way. Trust structures, you don't have to draw your money out of the trust, it can stay in there; and all those sorts of issues. So we're not sort of convinced by an argument, "Well, let's have all those benefits of those structures but let's get the benefit of the FMD as well in there." I mean people should choose what structure they want for what is to their best advantage rather than trying to create one structure that cherry-picks all the good bits of everything else and puts them all in.

So that's where we have come out on that. Now, that doesn't align with where you were in your submission to us but if you have a rejoinder to us we are happy to hear it.

MR SAAL (AQ): One of the general comments I would make about FMDs is especially in both grazing and the cropping industries what we have seen is that because it's a discrete investment it tends to be set aside in the grazing industry for restocking. They may well have other investments, and I think that's a great incentive. In the cropping industry it's sort of set aside to plant the next crop, type of thing. So I think that's a great thing.

Where we have seen some anomalies occur is in that it goes in as an individual. So they may have a company structure - and actually the taxpayer doesn't miss out in those cases quite often because the interest then comes back in to the individuals and sometimes they actually do get taxed on that, so there hasn't been a lot of tax benefit as a result of the FMDs. One of the things we had sort of kicked around a little bit since that document was prepared - one was even maybe extend it just to private companies so that trusts and things like that - and public companies, the big people, wouldn't have access to it. That was one option. The other option was even to have a formula which calculates the amount of FMDs that you were able to use on the basis of say a five year averaging of your gross income to try and maybe assist some of the people that - at a different level of income compared with the others.

PROF WOODS: But it's certainly a very blunt instrument.

MR SAAL (AQ): It is, but it works very well.

PROF WOODS: You know, 400 grand per individual - - -

MS DILLON (AQ): Yes, and I mean the variability in our industry is so huge. You can have a big wheat crop one year and then nothing for four years. So it's accounting for that variability. This is where we are sort of throwing the idea out of maybe some sort of sliding scale. If I generate a \$400,000 wheat crop and Rod generates a \$4 million wheat crop and we have got the same - you know, there isn't a - - -

PROF WOODS: Mind you, the average FMD is about 70,000. So there aren't a whole lot of people maxing out. I'm sure there are a whole lot of people who wish they had the financials to be able to max out on it.

MR SAAL (AQ): It's interesting though how many people do still have 20 or 30 thousand dollars in it just because - they're probably not even looking at it from a tax advantage point of view. It was the fact that, "That's my farm management deposit." It's almost as though the words are - well, they are, in a lot of cases. They're encouraging people to set that aside for a very specific purpose. I think that's a really, really good use of the FMDs.

DR BYRON: To be resilient you have got to have reserves and buffers.

MR SAAL (AQ): That's what this is all - we're trying - doing.

DR BYRON: Yes.

MR SAAL (AQ): That's why I think the FMDs with just a little bit of massaging and tweaking I think could make them far more attractive to a lot more - and even of, as Sue was saying, the small end of town, if you like, who can very quickly become the big end if they're managed properly.

DR BYRON: But 400,000 is obviously far higher than the smaller end of town needs and probably a bit low for the big end of town needs. Yes, that's certainly worth thinking about.

MS DILLON (AQ): But a sliding, some sort of - - -

MR SAAL (AQ): Yes, a base amount up to - a sliding scale depending on your income.

PROF WOODS: So if you could come back to us in the next couple of weeks - - -

MR SAAL (AQ): That might be on application to the Tax Office. I don't know; more paperwork, but still.

PROF WOODS: Well, yes.

MS DILLON (AQ): I mean people are looking for ways to put money aside in good years and obviously - minimising tax is obviously part of the agenda too. But any encouragement to do that helps. Then rather than go and invest it in a header that then sits in the shed for four years because they haven't got a crop they are better off to put it in the bank and an FMD. Then when they need to buy the header at the other end because they've got a big crop - I used to be an accountant so I've seen some of things people want to do try and get out of tax. I think we need to encourage ways to say that if you link it something, there is a valid incentive if it's put away for them.

PROF WOODS: I can't promise that we are going to jump at some alternative arrangements, but certainly if you put something to us we will go through it carefully and see where it takes us. We would want to look at it in the context of how much it is being used at the moment.

One of the things that does attract us to the FMD, which is my segue into the next bit, is that it is non-distortionary in the sense that it doesn't direct the farmers to start

doing a particular thing so they can choose what they spend it on, when they spend it and in what manner. My concern with things such as accelerated depreciation is that you inevitably set up a schedule and you say if we put in a new feed shed or if you extend your irrigation ditch or if you do something you will get accelerated depreciation. That has a bit of a distortionary effect because people say, "If I do that one I will get this benefit whereas I was really actually going to, as a priority, do something else, but it is not on the schedule".

So FMDs are brilliant because they provide a tax advantage for a period of time until you decide what you want to do with your money, whereas some of these others can have a distortionary impact. You do present a list in your submission of various things: depreciation incentives, HECS-style loans.

MS DILLON (AQ): Perhaps we need to look at it a bit differently and instead of saying, "If you do X you get it, and if you do Y you don't," maybe there needs to be a whole new drought - we don't want to use the word "drought" but for simplicity's sake - but a drought-preparedness activity. The Tax Office does rulings, and if you can prove to the Tax Office that it will positively impact on your preparedness activities, maybe we approach it that way rather than being prescriptive. Some ideas that people come up with - I don't think you can list them all. Maybe there is another way to do the same thing.

DR BYRON: You don't want to discourage innovation by saying you only get things on this list.

MS DILLON (AQ): So if I come up with idea X and that is going to increase my ability to be resilient or whatever and I can prove that and the Tax Office gives a ruling, then maybe that infrastructure or investment or whatever it may be gets some sort of advantage.

PROF WOODS: Isn't that one of the benefits of the productivity enhancement loan type arrangement, though, that allows you to be innovative. So it is non distortionary in that sense, but it says there is some public good? Sometimes I think that might be a bit doubtful; I think most of it is captured by the individual. But in some cases there is some public good as well, and therefore you can either have a reduced rate of interest or you can have a front-end grant to match it or whatever is the structure. At least in those ones you are not stifling innovation - the menu is still very broad.

MS DILLON (AQ): I suppose that we have found in Queensland that the concessional loans at QR office don't offer a lot of advantage. For what they have to do to get it sometimes they say, "I will just go to the bank because I know him and he will give me the 100,000." That's where the tax is an alternative. If you are in a position where you are debt-free and you don't have to borrow, there is no incentive to get 2 per cent less. But you might have a tax problem and you say, "I might

approach this in terms of, instead of paying, I'd rather do something over here that is physically going to help me. Yes, I'll pay a bit less tax perhaps." But I think it is looking at the same thing from two different alternatives because not everyone always wants a loan. They may be on the other side of the ledger.

MR GRANGER: At QRAA how much can you get?

DR SAAL (AQ): Half a million dollars?

PROF WOODS: Only half?

MR GRANGER: The seed capital. That's how I'd look at it actually.

MS DILLON (AQ): The interest rate is not much different.

DR SAAL (AQ): That's a big boat, isn't it. But once again, where it's of benefit is, as Sue was talking about, is the smaller producers; it gets a lot of people on the bounds. For example, put in - even at Lockyer Valley - quite reasonable irrigation systems with modern technology for that amount of money, sometimes with the bank then adding a certain amount to it and that type of thing, the benefits are that it can be quite a long-term loan. They can go for 20 years, so the reality is most are 15. You usually do the first couple of years interest-only, so there are some incentives in how it can be set up. But yes - it's only half a million dollars. The benefit is if it is for a specific purpose: that's where I like the use of them.

MR GRANGER: In your experience, would the banks be partial to this sort of thing anyway?

DR SAAL (AQ): Generally, now that we've sorted out some of the security arrangements. In the early days the QRAA insisted on some very onerous security arrangements and the banks really were reluctant to do that. Now QRAA are willing to accept that they will come second in everything and they are behaving themselves a bit better, the banks are quite happy with the use of those loans.

MR GRANGER: Would the banks do the whole financing arrangements?

DR SAAL (AQ): In a lot of cases they would. You do not have to demonstrate that it is not as a lender of last resort.

MS DILLON (AQ): Because you don't get that concession.

MR GRANGER: No, you'd avoid that. But you could go to your own bank.

DR SAAL (AQ): Yes. These people are quite viable and quite strong enough to do

it. The bigger ones used to just do it.

MS DILLON (AQ): The bigger ones do because they manage to defend their own resources.

PROF WOODS: I guess we've got to find the public good that warrants the taxpayers' support in this process. In some cases it's quite easy because we are talking about natural resource management or avoiding environmental degradation or extending R and D and E throughout the community. So there are obvious areas, but in some - - -

DR SAAL (AQ): But one of the other public goods that I often see in these situations is that it is simply helping to maintain assets in the regional communities themselves. Most of it's anecdotal, unfortunately. We tried to do a study on it but we weren't able to gather enough data to make it worthwhile. But we still anecdotally believe that, of any of the funds that farmers and graziers receive, 70 to 80 per cent of that - be it ECRS or any those - is spent locally. That to a degree is a public good in the sense that it keeps these small communities going, keeps people employed in there, and helps, if you like, decentralisation of the state.

PROF WOODS: I guess that the question there is, what is the most efficient way of states having regional development programs? Some people have argued for the retention of the drought programs because if a farmer's paid an interest rate subsidy then some of that money then goes back into the local town et cetera. From our point of view, that seems to be not a very efficient way of promoting regional development. If you are relying on regional development through occasional grants during times of stress, which turn on and off depending on circumstances, that's not going to get you where you want on those broader issues. Whereas a focused, directed, always-on regional development program seems to us to have much more efficiency in outcomes than trying to do it through something like a drought program. Does that strike you as a reasonable proposition?

DR SAAL (AQ): Half our farmers have no debt, and only one in 20 have got any assistance of any sort anyway. Yes I agree, it has worked well and I think the lessons we can learn from that - part of it being the 70 to 80 cents in every dollar was spent locally. I think if we look at some of the public good and things have flowed from things like the Emerald irrigation scheme based around Lake Fairbairn, I think tremendous benefits have come from an area that was fairly isolated and was really just looked at being a Brigalow country grazing area. Really it has become a very highly productive irrigation area.

PROF WOODS: Emerald, yes, but for Duaringa or Moura or something - - -

DR SAAL (AQ): It is fairly local, I agree.

PROF WOODS: On the Downs I can see a lot of money going into Toowoomba and Warwick. So don't see a lot of money going into Ballandean or Millmerran or Greenmount or whatever.

DR SAAL (AQ): Except that probably what happens is that you may be keeping and you may be assisting the succession process. Hopefully in those areas what you might be doing is getting younger people with families. Therefore you are keeping your schoolteachers, your police, your banks open and those areas as well, and that to me is also a bit of a public good.

DR BYRON: Yes, but the evidence that we've seen suggests the decline of small country towns is at least as fast, if not faster, during the good years as in the drought years.

MR SAAL (AQ): Yes.

DR BYRON: That's why I think having money that trickles in in the drought years is just not going to put the brake on the decline of some of those towns because a lot of the decline is - you know, if you look at the figures where we had 10 years without a major drought, that's when a lot of the small towns have actually disappeared, and that's why I'm convinced that drought relief isn't going to keep those towns there.

MR SAAL (AQ): No, but what I think is that large projects probably can assist and maybe what we'll have is things like, yes, the Duaringa and the Bauhinia may virtually die because Emerald is being set up. Places like - a bit close to home, this - Millmerran and Inglewood might suffer greatly with the growth around Goondiwindi and St George with cotton through - - -

PROF WOODS: Inglewood is the olive capital of Australia. It can't decline.

MR SAAL (AQ): Climate change may disagree with you there, but we won't go into that, that's a previous life. Yes, there's an interesting thing there. There's other things that can grow there. Sometimes economic and social pressure can create other alternatives and the olives is a classic example. Millmerran, with their camp oven festival, over 10,000 people a year come into that district and spend literally millions because of those types of things. So sometimes a bit of a rub, a bit of a burr on your blanket can be useful. Those things to me are a tremendous public good and they're very big projects and maybe that's where some of the support could be, to assist the development of those types of processes in these towns. But I still believe that things like the large irrigation areas and the Brigalow scheme, things like that, but we'll probably never see those again because they are so expensive.

DR BYRON: And there's land-clearing laws now.

MR SAAL (AQ): We know.

DR BYRON: Can I take this on a slightly different course?

PROF WOODS: You can.

DR BYRON: There's a lot of places we've been and seen; one property that looks like the dark side of the moon or sand dunes or something and the property adjoining on it has still got pasture and still got stock on it, and yet the same rainfall, the same soil, the same sunshine, different management. I guess the question about the definition of "an exceptional drought that's so exceptional that even the very best farmers couldn't manage it", and yet you can go into any EC district anywhere in Australia and you will see farmers that are managing it, therefore does it actually meet the definition? I wanted to tie that point back into two things: one is the second of the three reasons in the national drought policy for having drought support is to prevent land degradation, to maintain the agricultural and the environmental basis during these climatic stresses. We can't find evidence that the drought policy has actually been delivering on that and a lot of people that I've spoken to in CSIRO say, "If anything, it's probably the opposite." So have you got any studies either way or any examples? I mean, we've had lots of anecdotes, I guess, but I'd like your reaction on whether or not the way we've actually been delivering drought relief has helped to protect the natural resource base or may have unintentionally damaged it.

MR SAAL (AQ): I've always been very suspicious of state government transaction subsidies. I think that sometimes they do encourage people to hang on to livestock longer than they should and that's always been a concern for me. They certainly have tried to address that with stock inspectors assessing properties and things like that, but that becomes very difficult for a man whose kids go to school with the people whose property he's assessing in a small country town. So that's an issue. I think that what we've got to try and do is learn from the people that have managed those droughts well and we certainly have people that regularly have contact with us to say, "Look, I'm going very well. I'm paying tax, stock numbers are pretty good, I've managed to get a crop. Is the axe about to fall, because everyone around me is all doom and gloom," and I think we probably need to identify some of these champions and look at some of the ways that they have managed - - -

MS DILLON (AQ): I think the difference is the people Rod is talking about now have actually gone out and learnt how to assess their grass and pastures and that's certainly a big part of - we've got about six new programs about to start in AgForce and a lot of the emphasis is on getting the Aussie GRASS tools, all the satellite imagery tools, all that stuff out on to the ground. We've got a program which is sort of going to become the basis of our BMP or FMS, whatever, which is grazing land management which is an MLA-DPI product and all of that is about assessing grass;

do a private consulting course which has that focus and the ones that Rod is talking about are the ones that may have used intra-subsidy money and invested it in those sorts of things and we're finding that the big lights are turning on. We haven't had those programs before and now with technology and with the programs that MLA have set up, I suppose we're starting now - I suppose I'm pre-empting - that I would hope that as we go through the process of rolling those programs out, we will improve that whole situation.

DR BYRON: I was thinking in particular of a place up north of Charters Towers, where one guy has pasture this high and rolling fat cattle and his next-door neighbours have all got scorched earth.

MS DILLON (AQ): Yes, I think we know the one you're talking about.

DR BYRON: When you say, "Look what this bloke has done," "Yes, but I couldn't do that because his grandfather was a Rotarian," or some God knows what excuse, but there's a guy who is obviously successful by any criteria. You look at this stock, you look at his pasture, you look at his brand new aircraft and BMW, he's doing all right, and yet his neighbours on the same soil with the same rainfall are in an absolute mess.

MR SAAL (AQ): Which I guess is always going to occur in a free enterprise, even in a regulated system.

DR BYRON: The question is, how do we get the neighbours to look over the fence and learn what that guy is doing and start to do the same?

MR SAAL (AQ): I would like to think that that has occurred in some cases in people that I have seen over the years because of things like assistance that's been provided, and I would certainly like to think that the bloke with the bare paddocks and everything else, if there was any assistance going to be available, then there's a few hoops that they have to jump through. I know the Rural Adjustment Authority worked very hard on benchmarking a few years ago. The trouble was you've got to use these things for a positive thing, not to decline people, which is basically why it crashed and burned with QRAA because if you weren't within so many of the local benchmarks or the production of the area, then you were deemed to not be a particularly good farmer and I told them so at the time. It was a double-edged sword really and was of no use. Let's look at some of these better processes. We've got a lot of information on that now, a lot of information on that, especially as a few people who have worked in the industry for many, many years can provide just by looking at a place. So if you're going to get some assistance out of government, then these types of product - and they're for the benefit also not only for the public good, because they are maintaining their properties better and their resources better, but also for the individual. You can often demonstrate very clearly gross profitability,

sustainability, very, very easily.

MS DILLON (AQ): Which is why we want to take Rod's position to flip it over into that more proactive role.

DR BYRON: You said in your opening comments, Rod, about people get a certain amount of being told, "Well, there, there, it's not really your fault, this is an exceptionally cruel act of God. It's not your fault."

MR SAAL (AQ): Yes.

DR BYRON: But from that conversation we were just having, for some people it is actually their mismanagement that's got it to that situation because the next-door neighbour with the same rainfall and the same soil is still paying taxes.

MR SAAL (AQ): I guess we're always going to find that. That will be why one corner shop will prosper and do well and one other small businessman will end up falling by the wayside. That's our free enterprise situation. What I would also like to see, and I put in a bit of a submission about that, is I would like to - and it's very much a personal, not an AgForce point of view - see ways to assist the fellow who's next door to really look at his situation and maybe it could even be in the benefit of taxpayers to look at some investment in that person's future so that maybe his neighbour could take him over.

DR BYRON: But this is where our extension, preparedness and even the best-practice management et cetera is trying to get to those people and say, "You can't just keep going what you've done for the last X years because it's not sustainable and we can't keep propping you up and the fact that your next-door neighbour can do it, you really need to start thinking about whether you should be doing this business or what you're doing wrong."

PROF WOODS: I'm conscious of the time. We do have other participants. Just two things briefly we still need to touch on out of your submission. One is the transition issue, and any casual observer of the news this morning would have heard somebody on this topic, so we might as well deal with it here, but we did come out with a proposal, a two-season, and then swap across to the new regime.

Minister Burke and other state ministers et cetera have come out with a statement that they would continue to support those who are in EC and are receiving support at the moment to be eligible to continue to apply for future support while that EC area remains. We hear their message and what we would do is look at our recommendation in that light and see if, as a minimum, you would want to tie the support to some mutual obligation at least. One of the things about IRS is that you get your cheque in the mail and you'd have to have gone through a viability test at the

front end, but then there's no ongoing obligation to do things to demonstrate what your plan is, where you're heading, what your implementation is. So we will look at the minister's statements and respond in terms of how we amend our recommendation in this respect. I don't know if there's anything further we need to discuss on that one.

MR SAAL (AQ): I guess I'm still concerned about the asset level that's involved in there, because the growth in land values - you can't eat dirt but if you sell it, you can eat better, I suppose - but my argument is that either a two or a three million dollar cap does really remove a great number of farmers out there because it just cuts them out. That's on the transitional - - -

PROF WOODS: Yes. I guess the question there is, if you're talking in an alternative - and let's pick a much higher figure, say, five million - then you'd be justifying to the general taxpayer that somebody who has got a \$5-million asset should be getting 17,000 a year - we're talking about net assets, we're not talking gross value - and then the argument becomes a bit harder.

MR SAAL (AQ): Yes, I know, except that I also can see a situation developing where we're going to have a fair few people that have probably got a three or a four million dollar net asset doing the same thing - and it's going to happen to fairly soon - going to newspapers saying, "Look, we're sitting here, we're starving. The government has cut us out of assistance. Isn't that terrible? What are we going to do?" I think it's a double-edged sword. I've said this to Minister Burke, that I think there's very much a double-edged sword there that they need to be a little bit wary of.

DR BYRON: Someone with net assets of three or four million, you'd think that they could afford to borrow the equivalent or the 15 or 17 thousand they would get from Centrelink for a year or even for two years.

MR SAAL (AQ): Yes.

DR BYRON: Even if they did it for five years, it would probably reduce their equity from 80 per cent or 79 per cent or something.

MR SAAL (AQ): A lot of those people don't have equity of 80 per cent. That's the problem.

DR BYRON: What is it, if they've got net assets of four or five million?

MR SAAL (AQ): They have probably got an irrigation property at the Allora/Clifton area, say, a thousand acres of irrigation there that's worth \$1000 an acre or more - five or six thousands dollars an acre, I'm doing my acres in hectares - and they have got very, very large debt that they have invested in and probably their

equity at the moment - once again, it's that phase that happens as people invest and go in, and they have been caught. These are some of the most vulnerable people we're hearing about at the moment, where they have an asset that's worth probably five or six million dollars and they have got two or three million dollars' worth of debt of more, and I doubt that the asset is really worth that amount. They can't actually - - -

PROF WOODS: They can't realise it.

MR SAAL (AQ): No. It has a nominal value for lending purposes and most banks have been fairly responsible in the last few years of the levels of debts that they have let people go to, but they have probably equity of only 30 or 40 per cent which to me makes it very marginal anyway. They really can't probably get that amount of money for it because even though it's valued at peri-urban and not productive values, it would be really hard to sell it.

PROF WOODS: Can you profile some of those for us and give us some degree of how many would be in those sorts of categories. Maybe we are talking about a very narrow isolated group, not - - -

MR SAAL (AQ): But they're very valuable.

PROF WOODS: We understand that, but also if it's put into context, that would be useful to us to have that sort of profile.

MR SAAL (AQ): I think you'll find there are particular areas and certainly my backyard is one of them and that's along that Scenic Rim area on the Downs.

MS DILLON (AQ): That comes back to what I said earlier, the strategy of the educational process in those areas have become - you know, they're used to utilising exceptional circumstances there. I think there's going to be some adjustment - - -

MR SAAL (AQ): They're almost on a reverse mortgage situation where, yes, they getting assistance from Centrelink and maybe in all the cases they actually weren't getting interest rates because QRAA said they were marginal anyway, and then they're getting the Centrelink assistance but they're also continuing to borrow against their assets, so it's almost like a reverse mortgage situation that they're in, because the lending has been on a peri-urban basis, not a productive basis. Whether stopping that sort of adjustment is something that taxpayers should be involved with, I'm not sure.

PROF WOODS: Yes.

DR BYRON: But the reality of somebody that would be on 50 or 60 thousand a year, why they should be paying taxes to help some poor farmer who has only got

five or six million dollars in net wealth.

MR SAAL (AQ): Yes.

DR BYRON: It's not an easy - - -

PROF WOODS: So give us some profiles.

DR BYRON: You can see where we're coming from.

MR SAAL (AQ): Yes.

PROF WOODS: One final one from me is in your submission you talk about gifting provisions and the impact that has on excluding you from the pension for five years. We had an interesting conversation with Tasmanian Farmers and Graziers where they recounted to us the situation of a woman who rang them and said that she had gifted over the farm to her son and wanted the pension but wasn't eligible and this was inappropriate and it was her right and entitlement to it. Then the president of the association who was having the discussion with her said, "What was the value of the farm that you gifted?" and she said, "Three and a half million." He said, "So you've given away three and a half million and now you want the taxpayer to pay you \$17,000 a year in pension payments?" He didn't quite see that that was something that was going to work particularly well in the public policy sense. Do you have a view on that? The five-year moratorium does create an impediment but can we see in the future that people may actually start, while they're farming and building up their farm, also in parallel start building up a proper super fund? Isn't that the way to go, rather than relying on your FMD or relying on the farm to provide a big bunch of equity that you pull out when you give it on to your next generation, those issues, if they could actually be building a parallel super fund in a formal sense and then you deal with the farm business and you deal with your future? Where do we head in the public policy sense on that issue?

MR SAAL (AQ): It's very difficult because it is an impediment to succession planning. In some cases some of these properties certainly transfer debt as well, so it is a very big impediment and it will make people hang on too long and therefore they will end up in a situation where they are transferring the property, and we see a lot of people take over the family farm in their 60s, 60-odd years of age or older, with big debts. So as far as where they can go, certainly the unpaid wages estimation is useful in trying to assist with that and Centrelink are very good in assessing that in I believe a very generous manner - some Centrelink offices.

PROF WOODS: That's an interesting point. Presumably there should be consistency of approach across this.

MR SAAL (AQ): Generally, yes, but it's a bit like interest rate subsidies; generally yes, but in all of these forms, at some stage there is still some discretion at some senior management level that will usually occur and we do see some inconsistencies in that. As far as the gifting of the farm, I still think there needs to be - and I think it's to the benefit of the taxpayer in some ways and the greater good or the greater number - help to facilitate this adjustment, of either people leaving the property, getting young people back in there and assisting with moving people into a retirement phase. As far as people getting superannuation, it's a cash flow issue again; asset rich, cash poor.

MS DILLON (AQ): Finding the funds to do that is often - - -

MR SAAL (AQ): Very difficult.

MS DILLON (AQ): It gets reinvested back in rather than out.

MR SAAL (AQ): Of course they have a look at the super funds now and people have lost 10 or 15 per cent in the last 12 months and they say, "Why the bloody hell would I invest in that?" We all wonder that actually.

MS DILLON (AQ): A lot of them would prefer to reinvest it back into the property or they would prefer to have something brick and mortar that they can see. But it is the cash flow; the rise in property values has been quite marked in the last couple of years, but there's still big debt levels and we see the numbers all the time - people find that cash and put it away.

PROF WOODS: They reinvest in the farm but then they still expect to be able to take a cash equivalent of it out at the end on their retirement, which then gets replaced by debt for the incoming generation.

MS DILLON (AQ): Succession planning is an issue that we want to try and encourage more.

MR SAAL (AQ): But how much money I guess in the whole scheme of things too - maybe if we put a value on the side benefits, say, \$20,000 a year, and they live for 10 years, so that's \$200,000.

PROF WOODS: After five years, they would have been eligible anyway.

MR SAAL (AQ): Yes, that's right, exactly.

PROF WOODS: So we're talking a five-year window.

MR SAAL (AQ): Yes, but even if after five years, they had another 10 years before

they weren't with us any more, I still wonder how much of a massive investment that really is by the taxpayer and someone who has spent their money locally. To me, that could be a good investment by the taxpayer to get a younger group of people back on the land.

PROF WOODS: But there are all sorts of other very stringent asset tests that prevent other pensioners from not getting it.

MR SAAL (AQ): Yes.

PROF WOODS: In this case they've given away the asset; it was still potentially an available source of funding and if you're an ordinary pensioner in suburbia, you don't have access to those sorts of devices.

MS DILLON (AQ): I think obviously, looking at it from a public policy sense, is one angle and I suppose we look at it in terms of - you know, our aim is to maximise keeping people in the bush because it's getting harder and we don't always I suppose approach things purely from that viewpoint. I suppose because we hear it all the time, there is concern. Some times are dying and I think we accept that but there's other places where young people do want to go and anything we can do to encourage families to stay - - -

PROF WOODS: Yes.

MS DILLON (AQ): But recognise that it's a private business and - - -

DR BYRON: I think that the guy who inherited the three and a half million dollar farm from his 79-year-old mother - - -

MR SAAL (AQ): Probably should look after her.

DR BYRON: - - - could afford to give her 12,000 a year for five years. You'd think he could give it to his 79-year-old mother but I'm not here to judge people.

MR SAAL (AQ): No.

MS DILLON (AQ): But, look, succession planning is an issue and it's not done well, definitely, in our - - -

DR BYRON: We're in heated agreement on that. The other thing is in what way is it a public policy problem - I mean, you can't pass a law that says, "You must do succession planning and you must do it well." We can see all the problems that it creates but 80-year-olds still work at a farm and for the kids who want to get the farm - so it's creating problems across three generations sometimes - but it doesn't seem to

be something that governments can necessarily fix through legislation.

MS DILLON (AQ): No. We're seeing that MLA, on a number of its field days, has got a specialist succession planner and she's very dynamic in the way she approaches the issue. We're seeing industry programs like that are working well. That's funded through MLA which is half levies, half government. I think those sorts of issues are becoming more in the forefront but it's partly a generational thing as well. We will be encouraging it but I don't think we'll solve it overnight.

PROF WOODS: Are there other matters you want to raise?

MR SAAL (AQ): I'm fine, thanks.

PROF WOODS: I think we've basically been through your submission. We would appreciate any follow-up direct response to where we're at. We appreciate your diverse constituency and I think your submission reflects the variety of views and that's fine. We can work our way through that, so don't take that as something that we can't cope with. Thank you, not only for today, but as I said earlier, for the considerable investment you've made in this process today. We're very grateful.

MR SAAL (AQ): No worries at all.

PROF WOODS: Thank you very much. We will have a five-minute adjournment.

PROF WOODS: Thank you. Our next participants are the Citizens Electoral Council. Welcome. Could you please for the record give your names, the positions you hold and organisation you are representing.

MS PUKALLUS (CEC): My name is Jan Pukallus. I am the state secretary for Citizens Electoral Council for Queensland which is a federally registered political party.

MR THIES (CEC): My name is Dick Thies. I live at East Greenmount, outside of Toowoomba, been on the land most of my life, had something to do with it, and I'm a member of the Citizens Electoral Council.

PROF WOODS: Thank you very much. Do you have an opening statement that you wish to make?

MR THIES (CEC): Jan will probably - - -

MS PUKALLUS (CEC): You mean like before we start?

PROF WOODS: No, to start.

MS PUKALLUS (CEC): Okay. After I've read my statement, I would like to have some discussion and there's a lot of what's transpired this morning and yesterday that we'll be commenting on.

PROF WOODS: Will you be putting that submission also to us formally?

MS PUKALLUS (CEC): Yes. I've given you this.

PROF WOODS: If you wish, you can refer to the highlights of it and the document will go on to the record, but of course it is your right, if you want to read it into the transcript.

MS PUKALLUS (CEC): I'd like to read it because it won't be boring.

PROF WOODS: No, please proceed.

MS PUKALLUS (CEC): Our political party is now in its 20th year and we're best known for our association with the United States statesman and physical economist, Lyndon LaRouche. First of all, I'd like to take on the title of this forum which is Drought Support which presumes that drought is a fact of life that all Australians have to put up with forever, as if we're at the mercy of. The truth is that drought is not natural, it's political. Cattle may have to put up with drought but what's natural

for human beings, unlike animals, is that we think creatively and solve problems and can wilfully take responsibility for future generations. That's our nature. It sets us apart and above the beasts. We apply our ideas to new and improved technology to increase our power in and over the universe which we can measure.

This benefit can be measured with improvement in standard of living, quality of education, longevity; we are happier, healthier and improve our culture. Scientifically speaking, we have increased our potential relative population density per capita and per square kilometre on the planet. More than mere existence, we improve life as a whole. To this end, I challenge the committee to drop any fatalism on the question of drought and adopt a vision for Australia's future of drought-proofing infrastructure and expanded agricultural production, thriving rural communities and decentralised population growth.

The Citizens Electoral Council or CEC has that vision and in recent years has developed infrastructure and policy proposals to realise that vision which I include in this presentation as appendices. Number 1, LaRouche's three-part solution on the global financial crisis, the Homeowners and Bank Protection Bill, the Homefarm Bank Protection Bill; a national bank like the old Commonwealth Bank used to function as before it was privatised; a new Bretton Woods international monetary system for reorganisation of the global financial system; the infrastructure road to recovery; a statement of demand on the global food shortage and number 4, we must have a national fertiliser policy.

On the global economic breakdown crisis, I would like to situate my presentation for so-called "drought support" in the context of the global financial crisis and therefore need to frame it with some economic news by the world's most accurate forecaster, Lyndon LaRouche, and refer you to the graph on the front page of the CEC's 2006 New Citizen newspaper, which is this one, which I gave you a copy of.

This graph here Lyndon LaRouche presented to the Vatican in 1995. It's a general trend of the global economy and the green line down the bottom, the lower curve, includes agricultural production, the looting of which is responsible for the current agricultural crisis. On the green line, that's your real economy, farming, manufacturing, machine tools, health care systems, water infrastructure, everything that supports life. The red line in the middle represents monetary aggregates which is printed money and credit cards. The blue line is financial aggregates which is speculation, hedge funds, derivatives, futures, things like your superannuation. If you hold your hand over the green line, that's what you call your booming economy. It's not real, it's not physical, it's something that's created. It's a bubble. The only real economy is what we need to live, which is the bottom one, so when Mr Rudd talks about the financial system now is affecting the real economy, well, it's because we've looted the real economy that what happened in 1971 after the floating of the

dollar off gold, that's where you see the change in the curves, from the previous 30 years from 1944 to 1971, you had those three lines in parallel where you weren't allowed to speculate. You've produced things, okay. You only printed money if it was backed up by physical production. There was laws against usury. So that system was called the Bretton Woods monetary system that we used to have. We had a gold reserve and it was created by Franklin Roosevelt and the world agreed to that system in 1944, since they had seen what you don't do in Europe with fascist policies, so they agreed to go with Roosevelt's new deal and a global reorganisation and dump free trade. That's what they did.

So in 1971 they floated the dollar which wasn't an agreement amongst nations, it was a deliberate bankers' policy and they said, "We're going to control the disintegration of the physical economy and invest in that monetary system," called free trade, globalisation now. So now we've reached a critical point of instability where there is nothing left of the physical economy virtually and everything is costing an arm and a leg because of hyper-inflation. So that's the period we are in now, \$800 trillion of derivatives, which hasn't even started to explode yet - well, it has just started. The banks can't cover it, but you can't bail out the banks because we've only got world GDP of 52 trillion. You can't bail out hundreds of billions of gambling debt, because we're not producing.

Just to give you an indication, I can pass this around, this graph here, derivatives versus assets and equity, and it's got the four major banks, National Australia Bank, Commonwealth, ANZ and Westpac. I think I put on one there; yes, Bob has got it. I will pass this one this way. You will see the most derivatives by Australia's banks is 13 trillion in derivatives and our equity and assets is far, far below it.

So providing drought assistance to agriculture is futile unless this economic crisis is solved as farmers are being looted by financial derivatives quicker than the government could provide funds. On the other hand, any measures to save agriculture will also be key to solving the economic crisis and vice versa. Lyndon LaRouche has prescribed three steps that must be taken by governments immediately as an emergency response to the global financial crisis before anything else will work. Number 1, the Homeowners and Bank Protection Bill, this paper here, Lyndon LaRouche's Homeowners and Bank Protection Bill Can Save Australia, I've given you a copy of that too. That goes into a lot of what we've got to do. The Homeowners and Bank Protection Bill is an emergency firewall legislation which will immediately freeze the financial system and put a moratorium on any home, farm and bank foreclosures, so it's freezing the debt. Putting the banks into a category of bankruptcy protection so that they can keep trading while the government reorganises them and writes off the derivatives, so no homeowner will be turfed out of their home, no farmer will be turfed off their farm. It's in the national interest that this happen because we can't have a financial crisis cause a

social crisis because the people are worth more than the money. You've got to secure - the population has got to come first before the banks, okay. We can freeze the debt. We can work out what's legitimate and what's not.

The precedent for this in Australia was Jack Lang, premier of New South Wales in the 1930s. He called for a debt moratorium and it was supported by every political party in Australia at the time. Every state in Australia agreed with Jack Lang's proposal. It's written here on the inside back page, A Debt Moratorium for Homes, Farms and Banks. In Queensland it was called the Home Purchasers and Farmers Relief Act. In other states they named it different things but it had the same intention: the general welfare comes first.

Number 2, a new credit system: crucial to any physical economy is a government-owned national bank like the old Commonwealth Bank which can fund grand nation-building public infrastructure projects and the revival of strong farming and manufacturing industries for Australia. In our latest New Citizen, the blue one, on the inside front cover, you will see a flow chart down the bottom, of what a real bank would be, a national bank, like the old Commonwealth Bank used to function, for the common good - that's why they called it the "common wealth bank", not the "private wealth bank". It creates credit. It's a credit system, not a monetary system. So it creates credit for the building of national infrastructure projects and you see the flow chart has dams, railways, hospitals, that kind of thing, power stations. Then it creates hundreds of thousands of full-time meaningful jobs that every first world country, if you want to aspire to become a first world country or remain one, you have to continue to have that kind of infrastructure to be built, and it can't be built the same way as you did it 30 or 50 years ago, we have to have a science drive, an investment into science so that we break into new technologies to increase our power in nature. That has flow-on effects to the machine tool industry which, if you want to be a first world country, you need machine tools. That's why farmers are leaving the country towns, people are leaving, because if you don't have infrastructure, you're a third world country.

A new Bretton Woods is number 3. Led by America, these are the three steps LaRouche says is an immediate need of priority and we need a cooperation of governments to work in the interests of their sovereign nation for the benefit of the general welfare of their own populations but cooperate with other nations to bring this new monetary system about. Led by America, Australia must join Russia, China and India in a new financial system of economics, a type of new Bretton Woods agreement of trade, modelled on Franklin Delano Roosevelt's 1933-1944 protectionist economic recovery initiatives, which promoted the greatest economic growth the world had ever seen, as opposed to the British free trade system adopted globally now.

For those that know their history, when Roosevelt initiated the original Bretton

Woods conference in 1944, he debated John Maynard Keynes, who was a British economist, and out of the 44 nations that were there at the meeting, there was only one country that didn't agree with the American system, which was the protectionist system, and that was Britain. It was 43 to 1. But they went along with it because they needed to be part of the world trade system.

So the recovery, where does it come from? Five years ago in 2001 - six years ago - we wrote this book, *What Australia Must Do to Survive the Depression*. It was a pretty hard name to swallow back then. No-one wanted to think that - you know, the media and politicians were talking about a booming economy. They were only talking about the monetary system, not the real economy. So we produced an infrastructure vision for Australia because this one went along with it; this one is the meat in the sandwich. This is a lot of great ideas but how are you going to implement them? This one has legislation for a government bank. As King O'Malley was the original founder of our Commonwealth Bank in 1911 - that's how it's written and you can read it in here. It's very good and easy to read.

The centrepiece of this economic blueprint for economic development is *The Infrastructure Road to Recovery, Let's Build Our Way Out of the Depression*, and we highlight on page 7, Prof Lance Endersbee, who is an Australian engineer, an underground water and tunnel expert, who helped build one of the engineering wonders of the world, the Snowy Mountains hydroelectric power scheme, and Tasmania's hydro scheme, and he was also involved in the Three Gorges dam in China. He is still working politically to get these water projects built for Australia. These are proposed to be part of infrastructure corridors where the water projects are complemented by railway, nuclear power and high-speed shipping infrastructure which will enormously expand Australia's economic opportunities. So the 18 water projects start on page 14.

So you've got the big picture of Australia there and they're not all dams, some of them are nuclear desalination plants, okay, but if you look at the bottom picture of Australia, you've got the rainfall. 60 per cent of the rainfall falls at the top end, right across the top. There's hardly any population there but obviously we could have population there. Obviously we could move water around. It goes through the Bradfield scheme and the Reid scheme for Queensland, the Dawson scheme, the Burnett River scheme, as well as other schemes for other states, but particularly people here would be interested in the Bradfield and the Reid scheme because they really went ahead with the Bradfield scheme to stage 2, and that's the easiest part to fulfil, which is just raising the dam wall. It was built at stage 1 with that to go ahead, so it's not going to be too hard to do; you just need the political will to make it a reality. Bob Katter did a fair bit of work on it more recently. Instead of Bradfield in I think the 20s or the 30s, he proposed tunnelling through the Great Dividing Range and bringing the water down into the Thompson and it would eventually end up in Lake Eire, to permanently fill Lake Eire. More recently they have proposed pumping

it over the Great Dividing Range, but still, these projects are ready to go. Lance Endersbee and some of our people in our organisation have walked the traps of those areas more recently and they say it's still doable. Obviously it's more needed now. The longer we wait, the more urgent it is to fulfil.

On page 27 you see we've got nuclear power, but if you go to page 28, there is this high-temperature, gas-cooled triple-bed reactor which developed in South Africa which is providing 30 of these nuclear desalination plants for, believe it or not, the Ukraine, where Chernobyl was, okay. So we've moved on; this is the fourth generation and it's completely melt-down proof, inherently safe. There's no waste. We can reprocess it over and over. So you can read through that.

Because Australia is an island continent, we've got to take advantage of high-speed shipping, so it goes through that on pages 33 and 34. But what Lance Endersbee says, he's talking with engineers in Jakarta to build a tunnel between Darwin and Jakarta, below the shipping lanes and above the sea bed to carry this maglev train, magnetically levitated train. Now, these aren't just pie in the sky ideas. China has already got the maglev. It's German technology. There's other maglevs in Japan I think and I think there's one in America somewhere, but it's not used for industry. We've got a beautiful picture on page 31 of the Australian ring rail proposal to carry this maglev train and it is away from the coast, like 200 kilometres away from the coast, going right around Australia, through the agricultural and mining areas of Australia. You see there it's highlighted.

The trouble is that we still like we're colonies of Britain and we don't think on the national interest. To get something like this built would make us think differently outside the square of - you know, Victoria thinks they're the closest port to Asia, but so does Townsville and so does Perth, so we've got starving millions on our near north and it's our responsibility and it's our nature and it's for our own security as well that we develop internally and we help other nations develop so that we raise not just - you know, each against all, a survival of the fittest, but we think differently and we actually help other nations develop.

So this is what needs to be done today, not merely to manage the drought as our colonial masters would want, but to drought-proof Australia once and for all. Human beings are not confined to the biosphere as if just higher apes with a fixed population density. We develop it. This is the way Australians used to think, back when our economy still functioned. The legacy of nation builders like J.C. Bradfield or Prof Endersbee has enabled Australia to provide for 22 million people, with a high standard of living, but without applying the science driver ideas outlined here, we will reach a boundary condition, like animals do, because they don't think. Okay, they have a fixed population density. We're not a higher ape. So we face mass starvation and disease and death if we don't develop, therefore the simple choice is stand on our hind legs, take on the massive political challenges in front of us and

joyously build out of the depression or prepare for a Dark Age and watch the millions or billions of people die. If so, we lack the moral fitness to survive.

I've got two appendices here which I'd like to read out because they are directly related to agriculture, on the global food shortage, and a national fertiliser industry. The government must immediately regulate domestically manufactured fertiliser prices and subsidise imported fertilisers relative to world prices so that farmers pay no more than what they did in January 2006 when the current hyper-inflationary spiral really took off. The government must slash the cost of all petroleum products for the agricultural sector by suspending the hyperinflated international pricing for domestically produced oil and by eliminating the fuel excise. The government must immediately regulate domestically manufactured agricultural chemicals, especially weedicides and herbicides and subsidise imported agricultural chemicals to January 06 prices. These chemical costs have soared, just like the cost of fertiliser and petrol. The hyperinflated costs of these three items, together with the slashing of water allocations in the Murray-Darling Basin from the immediate chokehold stopping Australian farmers from making a dramatic contribution to the world food crisis.

The government must guarantee a minimum floor price for the resulting harvests. The government and quasi-government agencies must immediately cease all environmental flows of water in the Murray-Darling Basin and cease government purchases of water which is driving the cost of it up \$1000 per megalitre or more. This is one of the richest agricultural areas in the entire world which provides more than 40 per cent of our agricultural production and over 20 billion per annum in agricultural exports.

The government must take immediate steps to bring our pig, sheep and dairy industries alive and producing by imposing a significant tariff on pork imports, by subsidising hay and other feed grain for our diminishing sheep flock, and by reinstating water allocations to farmers in the Murray-Darling Basin.

With regards to this national fertiliser industry, okay, Australia must have a policy of national food security, both for our own citizens but because many tens and even hundreds of millions of human beings rely upon us as one of the world's largest exporters of food. Central to such food security is the development and maintenance of our national soil fertility which requires the development of a national fertiliser industry in concert with associated measures. CEC was started 20 years ago by farmers in Kingaroy who were endeavouring to farm more efficiently and wanted to replace the trace elements in the soil. It came across brick walls of government; it was just one thing after another. They couldn't farm efficiently, so they decided to get political.

For the long term, several other measures are required. Under the auspices of the federal agriculture minister, the federal government should immediately

(a) create a fertiliser control and development board, the FCDB, to develop a national fertiliser industry for all necessary powers to ensure the reliable supply of all farm fertilisers; (b) nationalise all aspects of fertiliser production which are not wholly Australian owned and operated, including nationalising all mineral deposits associated with fertiliser manufacturing, to be administered by the FCDB; (c) enact tariffs and related protective measures to support the development of a national fertiliser industry; (d) outlaw or nationalise foreign-owned corporations involved in Australian agriculture which are invariably arms of Anglo-Dutch cartels, including financial cartels such as the Dutch-owned Rabobank which have consolidated their hold upon Australia over the last two decades or so of ruinous British free trade policies; (e) establish the required transport infrastructure with an emphasis on rail. This will provide, inclusively, for the transport of fertiliser raw materials as well as the manufacturing and distribution of the final products; (f) establish generous tax concessions for wholly-owned Australian corporations or for Australian citizens investing in the manufacture of fertilisers.

(3) furthermore, the fertiliser control and development board shall (a) contact government-to-government trade agreements to secure any fertiliser minerals which Australia does not currently have and where possible and in concert with other government agencies, develop such minerals domestically; assist in the finance or purchase of machine tools and other capital machinery required by the industry; (c) establish state based soil science and agronomic institutes to increase the fertility of Australia's soils and to provide scientific soil and other necessary tests as a free service to all farmers.

Finally, our most precious agricultural resource is the individual skilled farmer and his or her family. Given that British free trade policies have destroyed tens of thousands of family farms, we must enact policies to maintain and increase this human resource, something similar to the Dutch model of developing high-tech farmers. This involves a five-year college based education with a further five years of on-the-job training, following which new farmers are eligible for a farmer's resettlement package of land, along with the equipment required to operate the land, provided the farmer stays and works the property for at least 10 years. The title of all property and machinery is transferred to that farmer for 10 per cent of the value of the depreciated machinery and property.

PROF WOODS: Thank you very much. You also made a point that there were some matters coming out of this morning's discussion that you wished to comment on, so please proceed.

MS PUKALLUS (CEC): Well, in contrast to this morning's discussion - because I don't particularly want to change the subject yet - but if you don't address the global financial crisis, if you're going to look at how you can manage what is going to be gone very soon, the money and the farmers, right, if you're going to think, "Well, I'm

just going to manage this without taking into context the global financial crisis," you're not in the real world. So we're putting these ideas on the table of this is the reality we're in. These are solutions that we've got. We can talk about whether this lady - you know, she gives her farm away as if we're playing some little board game. That really doesn't matter. In the grand scheme of things, people matter, and that woman matters and that man matters and all his grandchildren and future children matter. But if you just shuffle the deckchairs on the Titanic without worrying about where the lifeboat is, then this little forum doesn't mean anything. I don't even think you've advertised it very well to even think you might get 20 people turn up. You've got a massive collapse, and I think you've just to get in the real world and address the real issues. Dick is the farmer. I know we were probably laughing our head off through the last one, but - - -

MR THIES (CEC): I'm not really farming now. I suppose I've still got a few Brahman heifers at a little stud, but I've been a great follower of a national Australian bank, like a national people's bank for years and years and years. It's the only thing - it's the very first thing that we've got to have to bring this country back to reality. We can't bring it back to reality whilst you've got hopelessly bankrupt banks in Australia today. Your four major banks are bankrupt. They've got 2.3 trillion in assets, something like - a percentage would be doubtful, if they are good assets, and a total of 13.5 trillion in derivatives. They couldn't possibly meet - if they were called upon like a farmer could be called upon to meet his mortgage, they couldn't do it.

So you've got to get away from that. You've got to destroy the WTO and the free trade because the big problem with farmers - and I said this at Dalby at the drought forum there - a lot of the people's problems are not caused necessarily by drought. They are caused by unsustainable incomes. How can anyone - like we heard this morning about preparing budgets, preparing for this and preparing a budget three years ahead. I borrowed some money about 10 years ago and I bought a place down in New South Wales and the fellow, who is actually a Rabobank representative now, he helped me do up a budget for another bank. He said, "Mind you, you've got to keep in mind that this budget is only as good as it is tomorrow." He said, "That's how good a budget is, because tomorrow it could change." The price of fuel can change, the price of something else changes, the price of the commodity you're going to sell changes so your budget is buggered, and until such time as you get to the stage where people know what they're going to get for their product or what they're going to pay for what they're going to produce the product with, you can't actually have a sustainable income.

One of the main things that's got to happen - like, I come from a fairly rich area of farming around Clifton. There's some beautiful farming country there. A chap I buy a bit of grain off - I hadn't followed the price of grain and the last lot of sorghum I had bought off him, I think I'd paid \$250 a tonne, and I said, "I see it's down to 190." He said, "Christ, you can buy it cheaper than that now. You can buy barley

for 150, 160." But he said on an average of over three years there, they had a tonne to the acre, and he said sorghum cost \$180 a tonne to grow it, so he said why would you bother to grow it if you're only going to get \$180? You might just as well stay home because you're only just giving yourself a whole lot of work, because you haven't got the income anyway. I said, "What about corn, because it's good?" He said, "No, it's only worth half what it was." Last year, he even went to the trouble to get the seed out and weigh it out on a per tonne basis and worked out what it was. It was three cents a seed to plant corn.

This bloke is not a dill farmer. He's the third generation there. So you come back to the problem of the cartels, they're controlling you. So if you can't control what you're going to pay for the fertiliser, if you can't control what you're going to pay for the seed and you have no control over what you're going to get for the product in the end term, you haven't got much hope, so you've got to lean back to the government. I think one of you mentioned something about a family at Woodridge, "Why should they be paying for this bloke over here?" Well, that's exactly right. Why should the working man be paying into the tax system to subsidise someone out there? Why not get to the root of the problem and get away from this type of banking system, where everything is - what's the word, Jan?

MS PUKALLUS (CEC): The monetary system.

MR THIES (CEC): No, the investment system, the banking system.

MS PUKALLUS (CEC): Usury?

MR THIES (CEC): Speculative - you've got to get away from speculation. Speculation is one of the main things that's driven us right into the ground. For every barrel of oil that's dug out of the ground today, there will be a hundred barrels gone through Amsterdam, Wall Street, and the City of London; 90 per cent of that controlled from the City of London, the financial people. Have a look at where your cartels are; they're in the grain industry. You can trace them all back to the City of London. Your banking cartels, your grain cartels, your big beef cartels, they've got them to the stage now where we've got three major purchasers in Australia that purchase your beef. You're going to have four major purchasers that are going to buy grain. Look at the system in Western Australia at the moment, where Babcock and Brown bought up the Western Australian rail freight system; that's bust. It's gone. All its depots have closed down. The poor old cockie has got to find a whole heap of silos to store his drain. He hasn't got anywhere to shift it to.

Then you look at the system out in the world today with the Baltic Dry Index. It's operating at 7 per cent, so the dry commodities are laying on wharves everywhere that can't be shifted because no-one can pay.

MR GRANGER: Maybe the best thing is to let the system collapse because - - -

MR THIES (CEC): Well, this is exactly what we're saying.

MR GRANGER: - - - because then you can rebuild from the ashes of the disaster. Maybe that's a quicker way to get where you want to get to, do you think?

MR THIES (CEC): Exactly what Lyndon LaRouche says, that you only save with your Homeowners and Farmers and Banks Protection Act the good commodities, and all that rubbish that goes along with the Macquarie Bank, Babcock and Brown and all of those, particularly the speculative banks, is you let that fall over, get rid of it, because you couldn't pay it. You couldn't repay the debt if you wanted to repay it. So as you said, let it fall over, let it collapse.

Take the Murray River scheme, you've got the Penny Wongs out there buying up land to have environmental flows in the river, and they say the river is in the worst state it's ever been in, but it's still running. In 1902 it stopped running. In 1914, there's a photo in one of those things there, of a bloke standing there and the river running between his legs, but if you go back to that and the Murrumbidgee, we grew, only a few years ago, 1.6 million tonnes plus of rice, the best quality rice in the world. We had the most modern rice mill in the southern hemisphere at Deniliquin, all shut, all gone. Less than 2000 tonne of rice they'll grow this year. That's not caused by drought, that's caused by manipulation, by speculative manipulation. If you chase back a little way, you'll find out who finished out with most of the irrigation licences or the water entitlements off the Murray that were sold after the deregulation of dairying, and they have gone into growing timber. That was organised decimation of the Murray River scheme and it's just continuing on now. Now they're moving up the Darling, all in the good name of global warming, climate change, environmental sustainability. But we have pretty fair environmental sustainability back in the years when farmers were looking after their land and could make a sustainable living. The same thing you've got with - I guess it's all still part of it - the problems in Queensland now with mining and farming, the Queensland government putting out a contractual paper for the miners to take to the farmers so that they can talk on the front steps and this one can debate his contract against that one's contract. At the end of the day, you're still taking away good land for the looting by the British cartels. The mining cartels are just taking up land that - they don't need the coal because right across Asia and Europe now, there's companies shutting - something like 35,000 firms have shut down - due to industrialisation.

So it's a pretty broad thing that you've got to face and I guess there's nobody better than you fellows to tell because that's what you're there for; you want the submissions. Until you can get some sort of control of the government's handling of these - I mean, you don't have any system of government that's different. You've got the Liberal Party, the Labor Party, and it's a bit like a jazz festival; you change the

band but the music just stays the same. I don't know if I need to say much more. A little thing that did come up to me, I was at Warwick one day buying a few cattle and a bloke come up to me from the local paper and he said, "What do you think of the latest modern technology?" I said, "What's that?" He said, "You'll be able to monitor your cattle with your mobile phone." I said, "What?" He said, "You monitor your cattle with a mobile phone." I said, "How do you do that?" He said, "You'll microchip them and then you can monitor their growth and whatever on your mobile." I said, "I'd prefer to go out and have a look at them and see them." Most cattlemen would rather look at them. But I said, "The agenda wouldn't have anything to do with the bloody government wanting to go along with a mobile phone and monitor your cattle? Has it got something to do with Al Gore's crazy carbon tax?" To me, there would be more in that agenda than there would be me wanting to use it.

So there again too, global warming is a pretty solid subject with me because it's just a total hoax. That fellow there, this David Bellamy, he come forward the other day, he lost all his TV shows and everything since he come and spoke out and said that it was a joke, and then look at the quality of the fellows that Kevin Rudd is using. Ross Garnaut, mining magnate, hedge funds trader, and Jeremy Sacks who is a merchant banker and also a mining magnate, they have become experts on climate change and global warming. So you've got a pretty deep one to follow their - - -

PROF WOODS: Do you have any additional points?

MS PUKALLUS (CEC): Yes, I just wanted to say with your comment, "Let the system collapse," is that the best scenario? Well, it is collapsing because governments are not taking - their responsibility is the people. The people vote for the government to look after them, not with little handouts in case there's a drought. People don't want charity, they want a future for their kids and grandkids. The government is not the ones in charge; they're allowed to do certain things and if they step out of those boundaries, there will be regime change or assassination or war or something like that. So just in case you're in any denial saying that we've got \$800 trillion in derivatives, to put it in a physical term, the impact physically, these are a few predicates: trade in raw materials, which Australia is a bit raw material trader, has declined dramatically. Freight transport rates for solid goods, ie grains, oils and coal, have declined by 90 per cent over the past three months. The Baltic Dry Index which measures freight costs per vessel has fallen by 92 per cent since the beginning of this year.

Currently, the AWB cannot fill ships. Five ships are waiting outside Geraldton for Australian wheat because farmers, under the new deregulated system, are refusing to send their wheat in, concerned that they won't get paid. The credit system has frozen up. China International Capital Corporation Ltd reports that orders for new ships have declined by 66 per cent worldwide. South Korea's Hyundai Heavy Industries company, the world's largest shipbuilder, reported that its orders were

down 57 per cent. In the past few weeks, China has not imported a single tonne of iron ore, not that Australia gets much from it anyway, the equivalent of an ice-cream cone.

MR THIES (CEC): Yes, that's about a month ago that was proven.

MS PUKALLUS (CEC): It's the cartels that do the looting, right. I'm not sure how you pronounce this, ArcelorMittal, the world's biggest steel producer, expects to close 13 of its blast furnaces in Europe during the period of mid-November through the end of January. More than 60 per cent of China's steel industry is running at a loss and many smaller firms are closing their doors since the price of steel in China has collapsed by 30 to 40 per cent since June. In the south of China, more than 50,000 small and medium-sized firms have already declared bankruptcy. 700,000 workers have been laid off in Shandong Province in China. The price of soya beans has fallen by 50 per cent in the last three months, the grain prices by 20 to 30 per cent. Barley, the latest, falling by \$80 per tonne.

In the third quarter, net sales of Volvo trucks dwindled by almost 100 per cent from 41,970 to a mere 115 trucks. New orders for large trucks worldwide has declined 55 per cent. This isn't something that couldn't be predicted, right. The reason why you've got this collapse is because this period here, in the post-war reconstruction period of the 50s and 60s, when Australia became the highest standard of living in the world, when we were building our dams that are now 50 years old or more, in that period, we had a different economic system. It was called protectionism. It was based on tariff protection, protection of the general welfare. It was based on currency controls and national banking, like the old Commonwealth Bank. It was based on not free trade, whereas there's two opposing systems. This is why people need to know their history, because there's two opposing economic systems. The free trade globalist system that we have today wasn't agreed on by nations in 1971, it was imposed on nations because you weren't allowed to speculate in this period on things other than what you produced. There was laws against it. It used to be called "usury". But certain things happened in the 60s, assassinations, the Vietnam War, and there was a counterculture revolution, things like that. The baby boomers of the 60s are now running the world, the George Bush dopeheads. They're easily controlled if you're a cartel, because there's no morality there, unlike this generation of LaRouche, who is in the tradition of Franklin Delano Roosevelt, who is in the tradition of Abraham Lincoln, who was in the tradition of the founding fathers of America. Now, these are all Americans that - Australia was in this tradition in the likes of King O'Malley, who founded the Commonwealth Bank, he was actually an American - - -

MR THIES (CEC): I use them as a letterhead. I don't belong to the Labor Party but they're true Labor men, those fellows.

MS PUKALLUS (CEC): Yes, we're not the Labor Party but it doesn't matter what political party they're from, the thing is - - -

MR THIES (CEC): They were real men, those people, John Curtin.

MS PUKALLUS (CEC): - - - they were nation builders and they had the morality where they stuck to their principles no matter what and took the consequences. We don't have character of leadership that are prepared to do that today and that's the problem. So I'd encourage people to get people to know these individuals of history that fought for these ideas that are more than doable. It would be fun to build this stuff, and if you think that we can't, then have a look at that picture on - if you think you can't do it - you say you can't build water projects? Have a look at that. That's a water project. Do you have any questions?

MR GRANGER: No, I'm fine.

PROF WOODS: No, I think we've had a fairly detailed presentation from you and you've addressed matters that came out of the earlier discussions today, so we're very happy with that evidence. Thank you.

MS PUKALLUS (CEC): I'd like to ask some questions of you guys because we had an hour and a half of that other presenter and there was lots and lots of drawing out every little detail.

PROF WOODS: Yes. And?

MS PUKALLUS (CEC): And I'd like you to ask us some questions, maybe some hard ones.

PROF WOODS: The reason that I don't and my colleagues don't have questions is that the presentation you have made is very clear on what your views are and you've supplemented it with additional material. There's nothing that we don't understand of what you're saying.

MS PUKALLUS (CEC): Well, for instance, should we wait till it collapses? Let's not wait. It's bad enough now. You want to see more suicides? You want to see more death, more disease? Just sit back and wait. Where does the recovery come from? I'm asking you: where does the recovery come from?

PROF WOODS: The recovery of different parts of agriculture will depend on individual circumstances and different regions, but some parts of agriculture are doing quite well at the moment in their situation.

MS PUKALLUS (CEC): In the global financial crisis, where does the recovery

come from?

PROF WOODS: The global financial crisis is a context within which this is happening but this is a discussion about our draft report on drought, of which the global financial crisis is a broader base, but this isn't the forum to discuss the global financial crisis.

MR THIES (CEC): I see where you're coming from but I mean, we're putting across probably a total view, where your position is only to take - - -

PROF WOODS: Apart from that.

MR THIES (CEC): - - - on board part of that position - - -

PROF WOODS: Absolutely.

MR THIES (CEC): - - - which you have to take to your superiors or your government to address it and see what they come up with. Yours is the recommendation that you're going to take along to the government and I can understand - - -

PROF WOODS: Yes, quite correct.

MS PUKALLUS (CEC): And your recommendation, like, the boundary is we don't build public infrastructure, no dams, no hospitals, no railways, no nuclear desalination plants, no power plants to support farming, no maglev trains, just keep on going, let the infrastructure collapse and just keep on going the way we're going. Is that it?

PROF WOODS: That's not our proposal. I don't know which part of our draft report you're referring to with those statements but if you could point to them, that would be helpful.

MS PUKALLUS (CEC): Where is a building infrastructure, building national infrastructure to support farming and manufacturing?

PROF WOODS: You were present at the discussion this morning where we were going through some of the details of supporting agriculture because there's an important public good from that.

MS PUKALLUS (CEC): I didn't hear about any infrastructure, public infrastructure.

MR THIES (CEC): See, mainly what AgForce seems to push is counselling and

financial support in some areas, but at the previous drought forum that I attended, most of the conversation and information that was put forward by groups was that they needed more counsellors; I think it was Rod Saal that said that they needed at least another thousand counsellors. But at the end of the day, counselling doesn't sort of fix the problem because the bill is still there. You might get your feet massaged or you might be at a morning tea party on Friday morning - like, I know one lady said Insotech put the party on - Jesus, that's one of the mobs that helped to break them and then they put on a morning tea party for them. But the problem is still there; nobody pays the bills while you're at a party and get your feet massaged.

MS PUKALLUS (CEC): That's the sort of stuff they were suggesting, have little morning teas and talk about your problems and get a foot massage and maybe do some aerobics. That was one of their little suggestions to help. But you've got a massive social crisis; what did Roosevelt do in the Depression? When he came to power, he already had three years of the Depression and people supported his solution which was constitutionally lawful, to create a national bank to be able to fund major infrastructure projects and build water projects, build their way out of the Depression, right. It was lapped up because people didn't want to watch it collapse any more. They were hungry, they were starving.

So that's what we've got to do, we've got to change the system, okay. This free trade system is older than nations. It was what empires ran on, and they looted because they don't produce. They just loot. The system which originated with the protectionist system, it took a war against the British East India Co to establish the constitution. You wonder why no-one else in the world, no other country - why they all wait for America to actually solve some of the world problems is because America is unique. It's the only constitution in the world that can defend the general welfare. It's got it written in there. All the other nations are run, including ours, by independent central bankers and they control governments and they allow them to exist, only to the extent that they implement their bankers' solution. The bankers' solution in this global financial crisis is a sell-out, austerity. The last time, what did Roosevelt have to fight, fascist austerity. He came in; he already nine years of Mussolini and these public private partnerships which I think you've been leaning towards, getting the private people to invest and help the farmers somehow. That's not a solution. That's not a long-term solution. That is what is called Mussolini-style corporatism.

So what Roosevelt did - and there's a lot of assassinations that have taken place of US presidents - we aligned with this thinking under Jack Lang's debt moratorium for farmers, right, so it's under crisis conditions that people are brave enough to do what they need to do, even no matter if they lose their job or get shot or whatever. It takes the shooting of US presidents sometimes for the British to implement their free trade policies, right.

MR THIES (CEC): Did you blokes get The Australian this morning?

PROF WOODS: No, haven't had a chance this morning. We've been busy here.

MR THIES (CEC): I'll lend it to you, I've got it, but this is the sort of stuff that gets people - we've all been listening to - firstly, it was the previous premier, I've forgotten his name. It just goes to show if you're gone a week, you forget their name - Anna Bligh. This great south-east Queensland water grid - there's a good old story about it in there. This Mrs Noseworthy, she only happens to be the chairman of Babcock and Brown who finished up with the money on the side over here and you see all the breakdown of it, the family tree, and that's what's going wrong with the government today.

PROF WOODS: Thank you. We'll have a look at that article.

MR THIES (CEC): I'll give you that.

PROF WOODS: Yes, appreciate it.

MR THIES (CEC): I just happened to get it this morning.

MS PUKALLUS (CEC): Is there any questions from anybody here?

DR BYRON: We don't do that.

PROF WOODS: If people want to come and make a statement, they're quite welcome, but we don't ask any from the floor. If you want to come and make a statement after their evidence, you may. Do you wish to come forward and make a statement? Thanks very much. For the record, could you please give your name, any position you hold and any organisation you are representing.

MS WELLINGTON (CEC): My name is Frances Wellington. I am a member of the CEC - for about a year - and I didn't step up before to sit here with Jan and Dick because I didn't think I had anything actually to add, but after hearing everything that's been discussed this morning very carefully, there are a couple of things I would like to add and a question I'd like to ask.

PROF WOODS: Certainly.

MS WELLINGTON (CEC): The first thing is the question: when you three gentlemen look at these concepts, these ideas for grand water schemes, does that excite you?

PROF WOODS: If they contribute to good economic development and they make

economic sense, then yes, they're very important projects.

MS WELLINGTON (CEC): Would you support a government that wanted to bring these in?

PROF WOODS: I think we're getting into hypotheticals which this - - -

MS WELLINGTON (CEC): Okay, you don't have to answer that question.

PROF WOODS: - - - commission is not able to do. It's a hypothetical question.

MS WELLINGTON (CEC): Okay. One of the things that Neil at the end there made mention of before was when you've got the situation of two farmers, one here on this side of the fence who's doing really well and the other farmer on this side of the fence who's not doing so well, and what is the psychology behind why this farmer here doesn't take on the ideas of this farmer here. They often have ingrained beliefs that are decades old, been passed down through generations, of how things should be. When I look at this situation of the drought, I see ingrained beliefs on behalf of the government that are difficult to change and I think if we're going to really solve the problem of the drought, we have to step up to a new level of thinking, creative thinking, big picture thinking like the CEC are doing. It's up to each individual to get excited about this stuff and say, "What can I do to bring this about?" if we really want to solve this drought issue.

I've changed my ways over the last two decades just by what I do at home. I've completely made an about face on what I thought was a good thing to do and completely come at it in the other direction. If we keep on going down the path we are economically in Australia, big picture wise, in the international arena, we will keep on going down the same path that this economic crisis and everything else that is with it, it will keep on going the same way. If we don't change it, we're just going to go in the same direction. If we're happy with that, yes, go along with it, but I'm not happy with it. I'm a small business owner and I've been through three small businesses and I've seen the decline and how much harder it is to do that over the last 25 years. When I see things just going in the same direction, that's depressing, and that's why the small farmer here doesn't take on what the other farmer is doing who is doing well, because they get stuck in a cycle of depression. Unless people like you support the big ideas, they won't ever get there. We will just keep on going down the same path.

What really concerns me about the economic things that the CEC talk about is the intent behind the people who have the power in the money circles and you might not be aware of this, but the information that I've looked at over the past year indicates the intent of these people. Essentially the bottom line is that they desire to reduce the world's population by two-thirds over the next two decades. That really

concerns me. If we keep on going down this same path and don't have a fundamental shift in who we care about, nothing is going to change. Things are going to decline. We can stop this collapse. We can stop it right now if people will have a shift and look at different ways of thinking about things. I don't want the collapse to come to its full fruition because there are so many people in the world who are going to die because of it. I look at the data. I look at all the information and the intelligence that the CEC network around the world, through the LaRouche and the Schiller Institute gather, and it all points in the same direction. I don't want this. I don't think anyone in this room wants that sort of thing, and people might say that that's pessimistic thinking or whatever but when you look at the information, it's mindblowing, it really is.

My love for all of mankind extends to every single person in every single country and I absolutely adore this country of Australia. My father was an engineer who built dams 20 years ago. You know a lot about dams here in south-east Queensland. Well, back then, he was a brilliant engineer and I'll tell you a little story about him, because the story about him is at the heart of a very big problem here in Australia and that's corruption. Pre the 74 flood, my father was saying we don't have enough dams here in south-east Queensland, and if you have a big flood, it's not going to be able to cope with it. Well, guess what happened? There was a big flood and we had a big problem. Prior to the 74 flood, he was saying - and excuse me for getting a bit emotional here - that you are not planning for the growth of population here in south-east Queensland, and people again didn't want to hear what he had to say. Once again, 20 years later, we have a problem with water, the very thing that he was telling them about. I'll tell you the story of his life just very quickly because within a decade of him being driven out of business for being against the government and for policies on things like dam building and sustainability, he actually committed suicide a decade later. He actually did, and this is the prime reason why I joined the CEC, to bring about these sorts of projects to have real growth. My father committed suicide three months before I got married. He didn't get to give me away. It's these sorts of problems. It's a social problem. People in government, in all levels of government, have to really think about what's in their heart when they think about every decision, what sort of impact is this going to have. My father left me no inheritance because the people in government put him out of business. I remember at the age of eight, nine or 10, a man from the bank - the very sort of intent of the bankers that we have now - come to my doorstep and tell me, "If you don't give me \$60,000 tomorrow, I'm going to take your house away." It's the same banking system that applies leverage to steal money from the productive sector, the agricultural sector, to give it to the bludgers who don't actually do anything except gamble on trading whether something is going to go up or down. It just seems daft to me.

Here is another thing: I know for a fact here in Australia we can produce petrol and diesel for 25 cents per litre at the bowser before government tax, and yet we

carry on with this crazy system of free trade that puts all that additional - what is it at the moment - 75 cents per litre, around about, the extra money into the hands of these speculators. Now, what sort of a difference is it going to make to Australia, to agriculture, to be able to buy petrol and diesel for 25 cents a litre or 30 cents a litre? This is what we're handing over to them, to the speculators. It is part of the issue because they take a huge chunk, and to give you an idea of the amount of the chunk that they take, if we stopped GST - if we replaced GST, the 10 per cent tax, on the goods and services that we produced, we could earn the same amount of money with - I think the figure is .1 per cent.

MR THIES (CEC): .1 of 1.

MS WELLINGTON (CEC): That's a per cent of tax on this speculated turnover. That gives you an indication of exactly how much money we're talking about. What the CEC, in a worldwide sense, is asking for is for a fundamental shift from investment in speculative turnover into productive stuff. If we withdraw the mechanisms that allow it to do it, all of a sudden people will be turning around thinking, "Well, where can I invest?" - invest in production, invest in agriculture, invest in infrastructure. You put all that money - you shift the incentive from over there to over here and all of a sudden, people have got money to go and invest in these mammoth structures, you know, the international rail and the dams and so forth. I've gone on a little bit longer than I wanted to but - - -

PROF WOODS: Yes, we must draw it to a close because we have hearings at Roma that we have to attend.

MS WELLINGTON (CEC): - - - that's all I wanted to say. But thank you very much for listening to me.

PROF WOODS: Thank you very much. We appreciate your evidence. Thank you. I'll adjourn the hearings until Roma tomorrow. Thank you very much.

AT 1.22 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 9 DECEMBER 2008