

Mr W R Loughnan

10 January 2014

The Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Secretary

Enquiry into Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013

I have been a partner in law firms based in Brisbane representing farmers and graziers across northern Australia for over 35 years.

Our Agribusiness Group possibly has the largest rural client base of any law firm in Australia. Our clients are principally broad acre beef, grain and cotton producers and range from listed companies to small family operations.

Until 2006, my wife and I also ran a sheep/cattle operation in marginal country in south west Queensland (which we ran for over 20 years).

Our last property of some 34,000 acres was sold in 2006 at a time when government regulation on tree clearing made it impossible to manage the timber on our marginal country and I considered values had peaked for that category of country.

As to my firm's rural client base, I suspect we act for the "top end" of the industry, ie only the top end can afford to pay the professional fees charged by city-based professionals. The reality too is that most of our clients are inter-generational, ie our group has acted for these families for successive generations.

Irrespective of the size of our clients' operations, I suspect the bulk of them would consider themselves to be carrying too much debt and would be running their operations at a loss. Many of them over the last 20 years have sought economies of scale and expanded their operations by buying additional land at prices that have proved to be too high. Some of the perceived "successful" larger operators in the industry have carried forward tax losses running into the millions of dollars.

From time to time, we are called upon to negotiate with banks on behalf of our clients and in worst case scenarios, the banks appoint receivers to sell or exercise their rights to sell as mortgagee.

Leading up to Christmas 2013, most of the advertisements of properties for sale in the Queensland Country Life were sales by liquidators, receivers, the banks exercising their powers of sale as mortgagees or known to be forced sales.

I am limited as to what information I can reveal but in recent times, we have done deals with banks, for example:

1. where the debt owing by a sole individual exceeded \$44 million and we suspect the write off by the bank will be at least half that figure; and
2. one bank has agreed to carry our clients with a debt in excess of \$30 million at zero interest to allow the orderly disposal of assets over the next four years.

The absence of profitability remains the key issue and one view I share is that our politicians and agri-politicians have failed to address this issue over the last 50 years.

That lack of profitability is reflected in any number of ways:

- (a) less money being spent on maintenance of properties;
- (b) operations becoming less efficient;
- (c) there are fewer resources available
- (d) the increasing age of farmers and graziers; and
- (e) less money circulating in regional Australia and "dying" towns.

In certain parts of Queensland though, it has to be recognised that this absence of profitability has been disguised by the flow-on effects of the mining and gas boom. Mining companies have acquired properties at premium prices allowing the vendors to retire debt and/or buy other properties, thus maintaining prices/values at unsustainable levels. In addition, the compensation packages available to certain landholders flowing from gas and mining compensation agreements mean that they then have access to income streams (in some cases amounting to millions of dollars per property per year) to offset against the losses incurred by the actual farming and grazing operations.

In recent times, we have also acted for foreign interests in buying rural lands, in some cases we suspect "sight unseen". I have nothing against foreign investment (far from it) but I am concerned that effectively foreigners can seize opportunities in Australian agriculture which are denied to our existing farmers and graziers.

I see the abovementioned Bill (if passed) as concrete recognition that our current Federal Government recognises there is a fundamental problem in rural Australia and the proposed Board as a significant step towards addressing the current issues and the current policy vacuum.

This Bill has the capacity to stabilise the situation while further remedial action will be urgently required to address the absence of long term sustainable profitability.

Yours faithfully

W R Loughnan