

Allen and Barbara Clark

5th February 2014

The Committee Secretary

Senate Economics Legislation Committee

PO Box 6100

Parliament House

CANBERRA ACT 2600

Dear Secretary,

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

Bill 2013

We live on a grazing property west of Roma. Allen is 76 years old, and has lived and worked in the industry in the Roma district since 1946. Barbara is 60 and has been a grazier since 1984. We are writing this submission because we want the committee to see our vision for the future of rural Australian- profitable agricultural businesses, owned and operated by the next generation of talented, highly educated young people who love the land.

Allen and Barbara are proud “Ma and Pa” business owners and operators- beef producers, mostly breeding. One of our aims is to be profitable. We work hard and work long hours. We embrace innovative methods of doing business and face challenges analytically and carefully. Succession planning has been part of our business landscape for a long time and we are working toward a suitable intergenerational path for change over time.

Profitability for succession planning We need to be profitable to implement succession planning successfully. Our situation is that we have intelligent and skilled children. Together they run a business, a cattle herd, and focus on decision making, building their skills and financial dexterity. Annual succession planning meetings are held, with formal agendas, meeting notes and minutes. Currently, Allen and I are not profitable enough to pay any of our children a reasonable wage. None of our children are employed by our business. Our family includes:

Daughter 28 Agribusiness bank manager, engaged to be married to a policeman

Son 27 Captain in the army- commerce degree, married to a vet

Daughter 27 Speech pathologist, currently completing a theology degree

Son 25 Archaeologist and apprentice plumber

Son 22 Hospitality employee, Deferred Science Engineering degrees

Our lack of profitability impinges on our ability to step back from the everyday grind of our business and engage in a successful generational handover. Selling out to “hand over” is not a choice which we could reasonably make. I believe that many business owners in the rural sector are facing similar quandaries – the average age of farmers is almost the retirement age of the general population. We see the alternatives to running our cattle business and we know that we have made the choice to continue, but we are not free to make the choice to retire, unless we are profitable.

We view our land and stock as our “toolkit” for our business. Let us compare the rural sector and other professions. Most professionals pay for a degree, accumulate a HECS debt, then get into the workforce at a starting salary of \$60 to \$70 thousand dollars a year. Successive governments have rightly valued the commitment to tertiary education, and HECS has enabled students to take responsibility for their “toolkit” and pay back the loans at a time when they are earning sufficient money. So that is all good!

Rural professionals have no such scheme. Many “would be” professionals of the cattle industry don’t get started in business unless they inherit a “toolkit” worth between \$1 and \$2 million dollars. No “saving up” from well paid gas industry jobs or building an investment portfolio will be enough. Family businesses in debt do not usually encourage their children to join them in business, as the debt has been accrued by the older generation, and owned by them.

Where is the rural business policy that stimulates rural business profitability leading to successful intergenerational change? Where is the policy that values young, skilled, rural men and women who want to own and operate profitable rural businesses?

Please note the excellent presentation by Dr Mark McGovern “Revitalising Rural Australia”, and the suggested structural changes presented which, if implemented, will tackle the debt crisis and increase profitability.

Our challenge to you, the Senate Select Committee for the Australian Reconstruction and Development Board Bill, is that you use the authority you have and do all in your power to ensure that the legislation which is enacted gives our generation the opportunity to increase profitability in our debt ridden but highly productive, highly efficient, innovative and valuable rural family enterprise sector. Better debt structures will increase profitability, and generational change will be fluid and successful.

Our obstacles to profitability.

One obstacle we continue to face has been the sustained drought last decade, followed by flooding effecting our infrastructure. Then we went into another dry spell. Our rainfall figures show that 2013 (293mls) has been the year of lowest rainfall since 1947, closely followed by 2009 and 2002.

Causally linked with the lack of rain is the other obstacle of ongoing and increasing debt. Our debt to equity ratio looks ok on paper, but it is not reducing. No one could have planned 20 years ago to have enough savings for the financial challenges our business is facing now.

Our expectation is that we, in time, restore our business to profitability. It is an ongoing struggle for us, with the minimal returns for product not being sufficient to save, or maintain or develop our enterprise. The “losers” in our enterprise are overworked “cockies”, minimal use of skilled staff, low maintenance of infrastructure, and little vegetation management.

Our “big picture”- profitability - is foremost in our minds as we get older. We have sought advice. Experts have sometimes suggested that the next generation might bring off farm income to the farm business. This might be a stop gap measure, but it should not be the hallmark of a sustainable and profitable rural business. We struggle to implement a reasonable succession plan which provides sufficient money for us to retire in our old age , and allows one or more of our five children to make a life in the bush , where they run a profitable farm business.

Possible solutions

There are vital systemic and policy changes that need to happen, and happen soon, if successful intergenerational change is to happen in the rural sector. We support of the ARDB bill, as the first step that the government must take to begin to better prepare for the future of two of Australia’s most valuable resources- our children and our land.