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10 February 2014

The Commission Secretary
PO Box 6100
Parliament House
Canberra ACT 2600
By email: economic.sen@aph.gov.au

Dear Secretary,

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

I am a Sydney lawyer and rural industry advocate with a small cattle producing property in the Southern Highlands of New South Wales who has been advising farmers and rural industry organisations for over 30 years.

I welcome the opportunity to make a submission on the Reserve Bank Amendment (Australian Reconstruction Development Board) Bill (the ARDB) and in particular wish to address the development finance arm of the proposed ARDB.

I will leave submissions to the Committee in respect to the urgent need for rural and regional financial reconstruction arising out of the financial storm of circumstances and structural issues besetting rural and regional Australia outlined below to others who are better equipped to address those issues than me.

In 2010 my law firm prepared a submission entitled 'Beef's New Direction Strategic Plan 2010' for the United Beef Group who held a forum at Paradise Lagoons, Rockhampton, in August 2010, attended by over 500 of the largest beef producers in Australia.

One of the themes of the Paradise Lagoons United Beef Group forum was the economic imperative for Australia to develop a policy for national food security. Importantly, the forum was addressed by the author of *The Coming Famine*, former CSIRO media advisor Julian Cribb, who advised that the global demand for food will more than double over the coming half century as the world's population increases by another 4.7 billion people.

The 'Beef's New Direction Strategic Plan 2010' called upon the Commonwealth Government to establish a Rural and Regional Development Bank along the lines of the former Commonwealth Development Bank to provide development finance for new and existing Australian businesses to meet the economic decline of Australia's manufacturing and rural industries. The Development Bank would also enable Australian farmers to take advantage of the Asian Food Bowl opportunities forecast

Principal
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by Julian Cribb and other economists and produce the food necessary to support an increasing Australian and global population.

The Beef's New Direction Strategic Plan suggested that the proposed development bank would provide loans to persons and business enterprises engaged in primary and secondary industry, where the loans would result in an increase in productivity and would not otherwise be available on suitable and reasonable terms.

The Beef's New Direction Strategic Plan also contemplated that the proposed Development Bank would be government guaranteed and therefore AAA rated which would allow it to borrow at least half a percent below the major banks AA rating borrow rate. Further, the Strategic Plan propounded that the development bank would be essentially a non-profit bank which would also allow it to reduce interest rates.

The Beef's New Direction Strategic Plan pointed out that:

- Australia's government agricultural policies over the last 30 years have generally (but not always) been based upon economic rationalism, but the same economic rationalist policies had not been applied by the governments of Australia's overseas competitors,
- SG, who runs 2001 Study on the Impact of Government on Industry Competitiveness ("the Heilbron Report"), which had been commissioned by Meat and Livestock Australia, found that Australian livestock and meat producers have higher government influenced costs and charges overall than their key international competitors and receive less assistance from government.
- the Heilbron Report found that Australian mixed sheep/beef producers paid about 1/3 of their livestock revenue (excluding will) in government influenced costs and charges, whilst the average New Zealand mixed sheep/beef farm paid around 1/6 and US farmers paid around 1/8 of their livestock revenue in government influenced costs and charges, and
- the differentials between government influenced costs and charges in Australia and Australia's overseas competitors had worsened as a consequence of continuing government policy since the Heilbron Report was published, and
- the European, North American and South American farmers were all heavily subsidised by their governments whilst Australian farmers receive very little by way of subsidies with lots of costs, such as AQIS inspection charges, that are met by our overseas competitors governments, being met by industry in Australia, and
- as a consequence of Australia's resources boom Australia's post-GFC interest rates were some of the highest in the world and far higher than almost all of Australia's major export competitors, and
- post GFC major bank lending for rural industries in particular had dried up, with only about 3.15% of major bank lending at that time being lent to rule industries (source John McNamee is paper Proposal to Establish an Australian Development Bank also published at the August 2010 at the Paradise Lagoons United Beef Group forum), and
- unlike in Australia, where the Commonwealth Development Bank was closed in 1995, by way of example Chinese farmers had access to low-interest development bank finance through, amongst other sources, the China Development Bank, and
- in 2010, the Brazilian government through its Development Bank (BNDES), provided US \$54 billion to its farmers in low interest rate loans.

By way of further example, businesses in countries and regions such as:

- South Africa (the Development Bank of Southern Africa and the Land and Agricultural Development Bank of South Africa (currently advertising for South Africans to finance their farms at prime +.5%)),
- the Eastern European Union countries (the European Bank for Reconstruction and Development),

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- the Development Bank of Latin America,
 - the Indian IDBI Bank Ltd (which was established in 1964 by an Act of Parliament to provide credit and other financial facilities for the development of the then fledging Indian industry and which is now the 10th largest development bank in the world in terms of customer reach with an aggregate balance sheet of Rs. 2908.3 7 billion),
- all have access to long-term patient development and innovation finance at low and/or competitive interest rates.

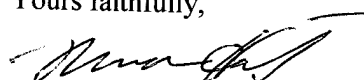
As a consequence of Australia's uncompetitively high government influenced costs and charges, high interest rates and limited access to long term patient finance, Australia's manufacturing and rural industries cannot access funding for expansion and innovation. Exacerbating these problems, foreign State owned and foreign companies are able to utilise government subsidised low interest loans and low interest development bank finance to buy Australian rural and manufacturing businesses at depressed prices.

To compound the uncompetitive access to development finance problem facing Australian businesses outlined above, these Australian businesses then have to compete on Australian soil with these foreign owned entities who have access to low interest development finance and, according to the Australian Tax Office, are often engaged in transfer pricing profits offshore whilst Australian owned businesses are left carrying an unfair and uncompetitive Australian taxation burden.

I commend the Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013 to the Senate Economics Legislation Committee and the Parliament of the Commonwealth of Australia generally and in particular urge the Committee to recognise the need for an Australian Development Bank to provide long term patient development finance at internationally competitive interest rates. Ultimately, this should enable Australia to take advantage of the Asian Food Bowl and manufacturing opportunities opening up for Australia in what has been described by many as the Asian Economic Century.

The source documents for the information provided in this submission can be furnished on request or can be viewed in the document section of www.huntblog.com.au

Yours faithfully,



Norman Hunt