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LABOR'S FEDERAL RURAL POLICIES

by
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THE ALP'S RURAL POLICY.

While this 1971 policy statement shows that ALP thinking had already begun to submit to the current centralist philosophy, strong elements of traditional, more healthy ALP policy still existed. The policy statement has been reproduced in order to emphasise the more traditional ALP policy, and demonstrate its value today.

The reader's attention is drawn, in particular, to the following vital issues:

- THE INTEREST RATE POLICY: (p11) which is obviously totally foreign to Mr Paul Keating! Here are grounds for doubt that Keating actually represents the same party.
- LONG-TERM, LOW INTEREST RURAL LOANS: (p12) because "the economic health of the nation greatly depends" upon rural industries.
- 5-YEAR DEBT MORATORIUM or 'HOLIDAY': (p12) in order to "allow farmers to strengthen their position".
- HOW TO FINANCE SUCH POLICIES: (p 23) "financed through the Commonwealth Bank under the best terms and conditions which the nation can afford"
- PROTECTION OF PRIMARY AND SECONDARY INDUSTRY: (p 7&8) ". . . fundamental to Labor policies. . ."

DR REX PATTERSON.

Dr Rex Patterson represented the rural Queensland electorate of Dawson for the ALP. From a rural background, his studies earned him a number of degrees, and the prestigious Fullbright Scholarship in 1958. He was also the Deputy Director of the Bureau of Agricultural Economics, and while intellectually well-endowed, was a practical man of the soil.

For six years Dr Patterson was Labor's spokesman on primary industry and northern development, until the election of the Whitlam Government in 1972. Patterson, however, was never to have the opportunity to implement his rural policy; Senator Wriedt became Minister for Primary Industry, and Patterson became a relatively junior Minister for Northern Development.

IF SOME OF PATTERSON'S FINANCIAL POLICIES HAD BEEN USED, RURAL AUSTRALIA WOULD BE IN A TOTALLY DIFFERENT POSITION TODAY!

LABOR'S FEDERAL RURAL POLICIES

PRESENT POLICIES ARE INEFFECTIVE

The serious unrest which has spread through major sectors of rural Australia raises the question of the effectiveness of national agricultural policies.

The consistent failure of the Liberal/Country Party Government to provide forward thinking, positive leadership and to implement progressive agricultural policies has resulted in economic hardship and uncertainty in important sections of the primary and ancillary servicing industries.

Despite large amounts of public money spent during the last 20 years in the rural sector, the Government has not been able to solve even one of the four basic problems of Australian agriculture, namely—overproduction, serious losses from recurring droughts, instability of farm income and widespread and increasing poverty in some areas.

Labor maintains that the efficient use of national resources coupled with realistic market demand should be fundamental to all agricultural policy decisions. The adjustment of production to demand has become an urgent necessity in some major export rural industries.

The political expediency of the present Government's ad hoc rural decisions has been based almost exclusively on Country Party dealings designed to maintain votes in the short term rather than to tackle and solve inherent problems caused by overproduction and changes in international trade patterns.

Labor believes that the full responsibility for the economic mess in which major sections of primary industry has fallen is the direct result of the Country Party's political machinations and its desire to win votes at all costs.

The same policy has been adopted by the Country Party with respect to Tariff administration.

Both rural and Tariff policies have been disastrous failures in important sectors of the economy.

Although the term "orderly marketing" is common to the policy of all political parties in Australia, experience has shown that with the exception of a few isolated cases, such as sugar and tobacco, the words "orderly marketing" are virtually meaningless under current agricultural policy.

In recent years serious imbalances in the efficient use of resources in primary industry have been generated by unbalanced subsidy policies which have perpetuated the problem.

Tariff protection to some high cost major secondary industries has assisted in the creation of full employment. But these policies of high protection have had an adverse effect on the costs of production of major export industries like wool.

The consequential effect of the tariff on primary industry economics is dependent on the degree of competition for the factors of production, as well as its direct and indirect effects on the level of prices of materials and services used by the farm sector.

It is apparent that the economic forces of free trade will be disregarded more and more by developed nations, with self-sufficiency in agricultural production being a major objective. Positive measures designed to regulate the level of Australian production for export are essential.

These measures should have as a prime objective the use of resources in a nationally efficient manner.

Irrespective of the motives of economic and political policies adopted to protect the viability of secondary and primary industry, the law of comparative economic advantage, which seeks to utilize resources in terms of economic justification, should underlie all national farm policies, wherever practicable.

The most glaring example of the creation of a wasteful use of resources has been the overall national subsidy system which, in many instances, ignores both the need for efficient resource use as well as realistic market demand.

For years the Liberal/Country Party Government has formulated agricultural policies which chose to ignore the ominous economic indicators which warned of significant changes in overseas' market demand.

Only when a crisis occurs which threatens political repercussions, such as in the wheat and wool industries, does the Government decide to take action.

The refusal to face issues when they first began to emerge has involves the Australian taxpayer and the farmer in substantial costs which could have been avoided.

CONTROLLED PRODUCTION IN RELATION TO MARKET DEMAND

The Labor Party recognizes that the financial mess in which primary industry has been allowed to drift must be halted by drastic decisions, even if such action is politically unpopular to important sections of primary industry.

Positive policies must be concentrated on the co-ordinated reconstruction of sick rural industries, with the overall objective of adjusting levels of farm production to realistic domestic and overseas market demand.

A Labor Government will implement policies designed to bring the level of agricultural production into balance with what the market will absorb at prices considered acceptable to the farmer and consumer.

CUTS IN PRODUCTION

In some instances this balance between supply and demand will only be achieved by slowing down the rate of increase or by even reducing the resources used in agriculture.

The nettle has to be grasped before economic depression deepens in some industries. For some commodities substantial cuts in production may be necessary where chronic overproduction is involving the nation in permanent and unjustifiable subsidies.

Past experience has conclusively revealed that the methods of guaranteeing prices based on fallacious cost of production concepts and subsidy handouts, are futile. The hard facts are that

despite the steady growth of the Australian economy, the real income of major sectors of agriculture has been progressively worsened.

It is useless to argue that if price support subsidies did not exist the farmer would be even worse off. With the exception of short term emergency subsidies, such as for drought or a sudden overseas commodity price collapse, this sort of argument does nothing to solve the inherent problem of low prices or unsaleable surpluses brought about by serious imbalances between demand and supply.

The continued use of subsidies and income support policies without any attempt to balance demand and supply at acceptable price levels, will only encourage further overproduction with greater outlays from the taxpayer.

At the same time, the imbalance between production and realistic market demand means a growing misallocation of resources of labour and materials which could be more profitably used in other sectors of agricultural or non-agricultural production.

Labor believes that in some industries cut in production must be made in order that the forces of supply and demand will create satisfactory prices to allow farmers to share equitably in national growth and prosperity.

As faulty public policies have been largely responsible for the current depressed state of Australian agriculture, Labor believes that it is the responsibility of public policies to firstly assist farming regain a viable economic position while, at the same time, relieve the taxpayer of mounting costly programmes that have been a failure.

POWERS TO CONTROL PRODUCTION

Policies of reconstruction which involve substantial cuts in rural production will undoubtedly involve the Labor Government in a collision course with some industry leaders and States which refuse to take notice of shrinking export markets and which believe that federal subsidies or support prices are the answer.

The Liberal/Country Party Government's repeated excuse for its refusal to progressively adjust levels of production to factual overseas market demand is that such action is the exclusive right of the States under the Commonwealth Constitution.

This is passing the buck, a principle firmly embedded in Country Party Administration of putting votes before sound economic policies to solve problems which have now intensified over time.

A federal government's powers in relation to export price guarantees under the various Stabilization Acts, aggregate first advance payments, a financial ceiling on total subsidies to particular industries, import embargoes, level of import duties on competing products, etc. have a direct and determining influence on the profitability and levels of Australian production.

If it is thought necessary in the interests of the nation, a Labor Government will not hesitate to regulate aggregate levels of farm production through the use of its monetary and fiscal powers even if such action is opposed by the States.

Flexible, but nevertheless controlled levels of production based on realistic market demand in those rural export industries whose markets are in jeopardy is a fundamental plank in Labor's policy of progressive reconstruction of primary industries.

The sugar industry in Australia offers an outstanding model of the advantages and stability of flexible, but controlled levels of export production with effective Government participation. The level of production in Australia of sugar is directly related to overseas market demand. As demand (measured by price) changes so does production.

Under current world trading patterns, experience has shown that when production is not related to realistic export market demand (as happened during the collapse of the International Sugar Agreement), financial chaos can quickly undermine the security given by controlled production policies. Recent and current events in the wheat, wool, dairy and fruit industries emphasize this point.

Labor recognizes that policies of readjustment will mean a major reorganization in farm size and rural population. In this respect a constructive rehabilitation and training programme for rural families, particularly children, is an essential requisite.

To put the position bluntly, Labor believes that no longer can primary producers tolerate the fools paradise into which they have been allowed to drift. Country Party policies have failed. They have consistently refused to inform farmers of the facts about the serious future of many of our export rural industries as a result of changed international marketing arrangements. Ill-conceived subsidies, pious hopes for non-existent export markets, and desperate ad hoc decisions have resulted in a collapse of the viability of Australian agriculture.

PROBLEM INDUSTRIES

Wheat

The wheat industry and ancillary servicing industries such as agricultural machinery have been financially hurt because of the failure of the national Government to heed the clear international warning signals available at least two years before the final crunch came which forced the industry to introduce drastic controls over the level of wheat production.

A slowing down in the rate of expansion of wheat production should have occurred three seasons before the crisis reached its climax.

Labor believes that under present world trading policies the principle of wheat quotas is sound but the formula for individual farm quota distribution between States, between regions and between farmers, is unjust and inequitable. Where farm quotas are necessary they should be transferable in order to allow the most economic use of land resources.

Wool

Wool is facing its worst economic position since the world depression 40 years ago. The progressive and highly organized

synthetic industries have continued to march forward while wool marketing methods in Australia have remained in an archaic state. Overseas buying cartels and international shipping combines have found the Australian wool industry an easy victim.

Labor believes that the streamlined and highly efficient marketing and promotion techniques for synthetic fibres which are backed by enormous industrial research programmes is a threat of unqualified importance.

For any government to refuse to recognize this technical and economic threat would be an act of irresponsibility.

No authoritative organization has expressed the conviction that a state of chronic overproduction may exist in the wool industry, or at least, amongst certain types of wool. The present Government refuses to consider that such a position is possible.

Most industry leaders take the view that there are many production and marketing problems with wool, including collusion amongst overseas buying cartels, but so far, they refuse to admit that overproduction in relation to a satisfactory price, may be the real cause. Always is the argument that all wool can be sold; but at what price?

Now wool growers themselves are starting to question the future of wool. The plain facts are that the world price of wool has fallen to bedrock levels. Unless buyer collusion exists on a very significant scale, the only conclusion that can be reached is that the low price of wool is caused by a serious overproduction of some types of wool in relation to demand.

Labor believes that the true facts, ascertained by independent authorities, as to the future of wool in relation to synthetics should be made public without further delay.

On the other hand Labor is fully aware of the fact that large profits are being consistently made by foreign wool textile organizations which suggests that the low level of wool prices cannot be justified if effective competition exists between wool textile manufacturers.

The task involved in the reconstruction of the wool industry is enormous. As wool exports are vitally important to the economic welfare of this nation the problems of wool must be given an urgent priority by the national Government. If the level of certain types of wool production has to be reduced then the quicker this is publicly stated the better for the wool grower and the nation.

Fruits

The economic future of canned and dried fruits, Tasmania's apple and pear industry and some of the export fruit areas in northern Victoria is one of great uncertainty. Dynamic changes in world marketing policies associated with improved storage technology, the Common Agricultural Policy of the E.E.C. and the future pattern of British trade mean that positive action, centred on stabilized production and demand principles will have to be implemented. Again such decisions may mean a temporary reduction in production or a slowing down in the rate of expansion despite the unpopular political nature of such a decision.

The seriousness of the situation can be illustrated by the fact that if it were not for devaluation compensation Tasmania's apple industry would be bankrupted at the level of prices received over recent years.

Butter

The export butter industry has been allowed to degenerate into a hopeless economic position because the Country Party administration has refused to tackle the consequences of changing international marketing demand. More rigorous controls on butter production in relation to overseas market demand and the deliberate phasing out of butter production in inferior dairy producing areas should underlie any Commonwealth policy which involves price guarantees and subsidies.

Beef and Sugar

Of all major export industries only beef and sugar are financially viable. However, both industries are walking an economic tightrope as they are heavily dependent on delicately formulated policies of overseas countries. Both are highly vulnerable to sudden changes in international market demand because a large proportion of beef exports, and almost all sugar, is produced as a monoculture in areas when supplementary enterprises are strictly limited.

The immediate future of sugar and meat is closely tied to the trade policies of the United States. If the United States Government bows to the unceasing political pressures being exerted upon it to drastically reduce imports of foreign food stuffs, then Australian beef and sugar will be a major loser.

Labor is of the belief that Australia is entitled to a fairer trade deal from the United States, particularly when the relative Balance of Payments position is fully considered.

Strengthening of the Trade Commissioner service, including more senior agricultural attaches is justified with a view to countering the adverse criticism being directed at foreign food imports by high powered pressure groups in the United States.

A Labor Government will collaborate more closely with the powerful United States trade union organizations in an endeavour to educate the wage and salary earners of the United States of the availability of significantly cheaper foods from Australia if United States/Australian trade ties are strengthened.

Although the International Sugar Agreement, through its objective of controlled production, has stabilized world sugar economics to a satisfactory level, Australia's weak link is its potential loss of important markets if Britain joins the Common Market. If Britain is forced to accept the provisions of the Common Agricultural Policy which will certainly exclude Australian participation, positive action to regulate production levels in the interim period of the phasing-out of the Commonwealth Sugar Agreement will be essential until the forces of demand and supply are brought back into balance.

However, because of its rigorous organization of strictly controlled production sugar is well geared to handle these emergencies.

Specialist export regions

Labor recognizes that where rural production has been carried on in areas devoted almost exclusively to export production, and where these enterprises, because of physical resource limitations, are conducted as mono-cultures, entire regions and towns live under the shadows of economic jeopardy within current international trading policies.

Labor's reconstruction policy recognizes the need to protect vulnerable export rural regions on which communities depend for a living. Labor will not hesitate to intervene with financial assistance to assist these specialist export regions while the problems are being tackled and solved.

For example, a Labor Government would provide immediate financial relief to the highly vulnerable beef cattle regions of the north, or to Tasmania's apple areas, in the event of a sudden collapse in the world price for these commodities.

PROTECTION OF PRIMARY AND SECONDARY INDUSTRY

Economic protectionism of viable primary and secondary industry is fundamental to Labor policies under existing economic conditions.

Stabilizing, supporting and protecting farm and non-farm income and prices are words of great significance to Labor.

Tariffs, selective subsidies, bounties and embargoes will continue to be an integral part of Labor's economic policies. But Labor is determined that such protectionist policies will be administered with due regard to economic principles and the overall welfare of the nation.

With the above basic statement in mind it is essential that federal agricultural policies are framed in a constructive manner with every regard for the need to use resources as efficiently as possible.

Although tariffs and subsidies are accepted as part of national policy, Labor believes that assistance should be concentrated on those primary and secondary industries for which economic justification exists, particularly with respect to realistic overseas market demand.

Where it can be shown that resources are being permanently wasted as a direct result of high tariffs or subsidies, these industries, or portion of industry, should be given the opportunity of reconstruction and phasing-out.

Only under specified circumstances, such as defence industries, national welfare projects, or the need to preserve decentralized industries should the inefficient use of national resources be tolerated.

Labor recognizes that the scaling down of the tariff or a significant reduction of subsidies cannot be done overnight. Careful planning must be associated with any government decision which can have serious economic consequences for sections of the community.

Tariff Compensation

Where high tariff protection to some secondary industries is justified on non-economic grounds, Labor believes that those export industries which, as a result, are adversely affected by an artificially high domestic cost structure have every right to be adequately compensated. If deliberate Government policies result in unnecessary economic hardship, the prevention of development, or the loss of overseas markets, then counter compensation measures should be written into economic policy.

The penalty borne by major export rural industries through not being able to buy important basic materials such as fertiliser, spare parts, vehicles, chemicals and building materials at import parity prices, must be given every consideration.

Failure of Subsidies

In general the politically motivated subsidy and bounty policies to rural industries have not achieved stabilized development in the best interests of the nation.

The policy of paying subsidies to some rural industries without due regard to overseas market realism has been a costly failure.

Under present economic conditions of full employment and unsatisfactory export markets for some commodities, public policies of permanent subsidies only keep people and materials in production for the accumulation of either unsaleable surpluses or continued overproduction (low prices), at a time when the nation is straining to achieve growth and security.

This type of policy is of no benefit to the Australian public, including the farmer. It simply encourages some farmers to sink deeper into a hopeless economic position of oversupply, while at the same time committing tax funds to support this policy.

Across-the-board subsidy payments without regard for need, creates an inequitable distribution of subsidies. The present distribution of subsidies is so unbalanced that the major share of subsidies is going to farmers who are not in need of the level of subsidies received. It is estimated that 10% of farmers representing the more affluent section of rural producers are sharing in excess of 60% of total subsidies paid.

Labor will use specific grants to the States under Section 96 to enable funds to be used in a manner which will achieve the most efficient use of resources. It believes that this is a more effective use of federal funds than the present across-the-board general subsidy to all producers, which ignores the specific problems being encountered.

Temporary Subsidies

Labor believes that an effective national agricultural policy must include provision for temporary financial assistance to normally sound industries in times of emergency.

In this respect quick and positive action with a minimum of red-tape should underlie all policies relating to emergency subsidies.

National disasters and the need for a National Disaster Fund are self explanatory in this context. The principles of temporary subsidies must be closely related to a reconstruction policy because

of the possibility of a collapse in overseas markets becoming a permanent loss.

Where international marketing indicators warn Australia that trouble is ahead, such as the pending E.E.C. deliberations, Labor believes that positive, planned action must be implemented in advance rather than to wait until a crisis occurs and then apply ad hoc subsidies as a last desperate, political move.

The basis of this planned action to counter a slackening in demand must be related to firm readjustments in production levels as would be undertaken by any sound commercial enterprise which faces a significant reduction in sales.

STABILIZATION

The principles of price stability are considered beneficial when applied to export industries susceptible to wide price fluctuations on world markets.

But when the Liberal/Country Party Government started to alter the basic concept of stabilization by introducing guaranteed prices irrespective of market demand and based on mythical and self perpetuating cost-of-production figures incorporating fallacious imputed costs, the basic principles of stabilization disappeared.

Where practicable a Labor Government would implement stabilization schemes with particular emphasis to the unprotected rural export sector.

Labor recognizes that all stabilization schemes must have some measure of financial limitation as regards federal liability—i.e. through fixed quotas or peaks, by a total financial limit when production is not controlled, or by a guaranteed price related to a fixed quantity produced or exported.

As with subsidies, Labor does not believe that price guarantee schemes can be justified when production is running at a level significantly higher than realistic market demand. Both reconstruction and stabilization policies need to be closely co-ordinated in such circumstances.

Cost of Production Concept

A Labor Government will not accept the mythical cost of production concept which incorporates unrealistic imputed costs, as a basis for determining guaranteed prices under stabilization.

The failure of this concept was clearly shown before the Liberal/Country Party Government was forced to abandon the fictitious formulae for ascertaining the guaranteed cost of production of wheat. If this cost of production formulae applied today, the present wheat price guarantee would be around \$2.30 per bushel with imputed costs representing about 65% of the total cost.

The basis for determining price will be negotiation between industry and government, with due regard to market realism and the changes in prices of cash inputs as shown by price relative indices.

INFLATION AND THE COST-PRICE SQUEEZE

Labor recognizes that the continuous spiralling of production and marketing costs is a serious threat to the export sector of primary industry.

In the last 15 years the price paid for farm materials and labour have increased by over 44% (B.A.E. index).

At the same time the average prices received by the rural sector for commodities produced have shown no increase. In some industries commodity prices have significantly declined.

In this period substantial increases in productivity on farms occurred. This is reflected in the increase of the gross value of rural production by approximately 50% during this period.

On the other hand total farm costs have increased during this period by 100%.

Taking into account the increase in costs, the resultant aggregate value of net farm income has been stagnant. Thus in real terms the financial position of the rural sector is progressively deteriorating.

Labor believes that this decline has now reached serious proportions as the rate of increase in farm costs has been greatly accelerated as compared with the level of rural commodity prices received. Under such conditions severe economic hardship must result for the small producer, in particular, whose net income is insufficient to allow him to maintain the viability of his capital investment.

National indicators show that economic stagnation throughout major portions of the rural sector has a deepening trend which will worsen. This stagnation is revealed by the increase in the gross national product of the farm sector of a little over an average of 1% per annum during the last five years.

By contrast the gross national product of the non-farm sector has increased by 40% in this period, an average of 8% per annum.

Effects of the Cost-Price Squeeze

The crunch of the cost-price squeeze is being felt by all sections of primary industry but most by the traditionally smaller farmer whose net cash income is progressively diminishing in real terms. There is ample evidence to show that highly efficient units which earned a sound living for family farmers several years ago are now in a serious financial position despite increased productivity.

It is useless to deny the fact that increase in wages has been an important contributing factor to the overall increase in farm production and marketing costs.

It is just as useless trying to put all the blame on the unions for wage increases. It is obvious that the overall wage-price system is at fault. This system embraces high tariffs, a lack of effective competition between firms, a free-go for monopolies to increase prices at will and serious deficiencies in the criteria used for measuring productivity and real income by the Arbitration Court.

Labor recognizes that larger farms, increased productivity and the progressive substitution of capital for labour are necessary to combat the cost-price squeeze. But such actions will not solve the basic cost problem which is eroding our ability to compete effectively on export markets.

With export prices remaining static, coupled with the physical and economic limitations of achieving a continuing high rate of

productivity increase, a growing proportion of farmers producing for the export market is in a hopeless economic position.

Competition between wages and prices is now a running battle to maintain economic survival. Unless constructive action is taken to bring about a compromise between big business and big unions there are all the earmarks of a vicious struggle with the rural worker and the farmer desperately trying to survive the cancerous erosion of their living standards by accelerating cost increases.

Labour believes that a brake must be put on the large manufacturing enterprises which are able to increase the prices of basic commodities whenever they choose, irrespective of the level of profits.

Breakdown of Competition.

Labor recognizes that the root of the pricing problem is the breakdown of genuine price competition between those major enterprises which exert a profound influence on the general price level in Australia. The continuing security given to firms by high tariffs and the ease of raising prices, irrespective of profit levels, has been well established under the Liberal/Country Party Government.

Not only is there a firm reluctance amongst important sectors of industry to engage in price competition, but the market is riddled with franchise agreements, collusion and collective price arrangements. This is particularly so with important homogeneous products of steel, chemicals, oil and petrol.

Price Control of Basic Commodities

Labor believes that if the insidious increase in costs throughout the nation is to be halted, the Commonwealth should be given constitutional powers to directly intervene in Australian industry, if necessary, for the regulation of prices of important basic commodities such as steel, aluminium, oil, petrol and chemicals. These are major prime-movers in the economy. It is in these areas that the Commonwealth should take an active and regulatory interest.

A Labor Government, if given the power, would veto any significant increase in the prices of basic commodities, if it believes the increase is not justified and is detrimental to the economy and the public interest. Justification for the price increase would have to be proven before a public tribunal.

Trade Practices Act

A Labor Government would end the present farce surrounding the weaknesses of the restrictive trade practices Act. This Act would be given teeth so that the objectionable practices of non-competition and collusive tendering, blatantly followed by large sections of secondary industry, can be publicly exposed and prosecuted.

Labor believes that where the economy is subject to inflationary forces, productivity indices must play a far more important part in national wage decisions.

Interest Rates

There is ample proof to show that high interest rates are imposing severe burdens on export rural industries, just as they are

on other sections of the community such as young house owners.

A Labor Government would investigate the overall application of interest rates as they affect primary production and productivity, with the objective of providing low and reasonable interest rates to those soundly based rural industries on which the economic health of the nation greatly depends.

RURAL DEBTS—RECONSTRUCTION

Labor believes that the staggering increase in rural debts has now reached such serious proportions that federal action must be taken to stop the widespread collapse of many rural centres.

In the last five years the indebtedness of the rural sector has increased by over 500%. Net rural debts have risen from the relatively low figure of \$120 million five years ago, to over \$1250 million in 1970.

In drought devastated Western Queensland, towns are dying, the drift to the city now includes experienced property owners and their families. The feeling of hopeless despair is spreading with alarming rapidity.

Federal Rural Commission

Labor believes that policies embracing debt alleviation, progressive reconstruction, controlled production and the level of subsidies justified, are all inter-related.

Within the present framework of Commonwealth functions a Labor Government would establish a Federal Rural Commission whose principal functions would be to continually present to the Government factual recommendations designed to solve problems in the rural industries. This Commission would work in close conjunction with State Rural Reconstruction Authorities.

Labor believes that this Rural Commission should be a truly independent fact finding body including powers somewhat similar to those possessed by the Tariff Board as they relate to Secondary industry, but free from political direction and interference.

Although the Federal Rural Commission would be vitally concerned with the implementation of progressive reconstruction programmes, financial measures for debt alleviation would be accorded the highest priority. Both debt alleviation and reconstruction are complementary.

Debt Reconstruction

Labor's debt alleviation policies would take the form of making available to potentially viable properties long term low interest loans to pay off immediately the crippling high interest short term loans, which many producers have been forced to accept from financial institutions and hire purchase companies.

At the same time a Labor Government will allow a holiday period of up to five years for potentially viable farmers as regards the repayment of principal and interest in order to allow farmers to strengthen their financial position.

Rural reconstruction would involve a Labor Government in positive action to achieve a balance of supply and market demand in each industry. As was pointed out earlier, this could mean significant cuts in production and the transfer of resources from

one industry to another.

The Federal Rural Commission would be given wide powers to achieve a measure of rural stability as quickly as possible, particularly with respect to smoothing the consequences of reduced production and the shift of agricultural families to other enterprises.

In achieving reconstruction goals many farmers and their families may have to move out of agriculture. This has happened in every developed nation of the world.

Rehabilitation

A Labor Government will implement a rehabilitation training programme in conjunction with State educational centres, principally Technical Colleges. Every encouragement will be given to training displaced rural families to learn a new trade or to fit themselves into some other aspect of rural production.

Social Problem of Poverty Areas

Labor believes that the social problems of some farmers and rural workers must be solved without further delay before economic depression deepens. Quick and positive action is required. Labor would provide sufficient funds to achieve this objective in the interests of the nation and to bring about a more sane use of the nation's resources.

A Labor Government would insist to the States that when the rural crisis has been rectified, so that production in all industries is related to realistic market demand, this balance must be preserved by effective Commonwealth State co-operation.

Where export surpluses are involved the Commonwealth has a direct responsibility. It is quite irrational for any State to take steps, such as to encourage increased production of a commodity, which would deliberately destroy the satisfactory balance between supply and demand.

For this reason alone a Labor Government would emphasise to the States that controlled production in every primary industry with an exportable surplus must become a national responsibility. A Labor Government would use its economic powers to ensure that this balance between demand and supply is maintained.

Bureau of Agricultural Economics

The Bureau of Agricultural Economics was created by a Labor Government to act as an independent fact finding organization. Under Liberal/Country Party administration the B.A.E. has ceased to become independent of political direction where controversial facts are involved.

Labor believes that the B.A.E. should be directly responsible to the Minister or the Government rather than to the Secretary of the Department of Primary Industry. The Government should have access at all times to the plain, unadulterated facts, even if they represent a criticism of policies administered by the Department of Primary Industry itself, or of the Government.

For example, Labor believes that if the B.A.E. were allowed to investigate and report on the ramifications of meat inspection services in Australia, over the last five years, it would deliver a

damning report on inefficient policies and practices administered over a long number of years by the Department of Primary Industry. The same could be said of the formulae used in ascertaining so-called cost of production figures for stabilization.

Experience in the last ten years has shown the dangers of implementing rural policies based on winning votes at all costs without regard to market demand.

Labor believes that primary industries and the Government, need an independent fact finding body directly responsible to the Government.

The creation of a Federal Rural Commission with consideration being given to the inclusion of the B.A.E. or major sections of it within this Commission, would fill a serious gap which is urgently required in the policy making machinery of a national government.

WATER CONSERVATION

The conservation of water for power, irrigation, stock, flood mitigation, industry and human consumption has always been an integral part of Labor's national development policies as they affect primary industry

Labor policy is firmly moulded around the need for a continuing programme of soundly based large and small scale water conservation projects.

The present slap-dash method by which Federal funds are allocated for water conservation projects is based on ad hoc decisions heavily influenced by political motives and well organized pressure groups. Such methods can lead to a serious wastage of national resources in terms of development priorities.

Proven and Established Areas

In general, a Labor Government's priorities for water conservation would be concentrated in the proven and established areas where the absence of water has been a severe limiting factor to stability and growth, and where serious economic losses have occurred as a result of water shortages.

Burdekin River Basin

The last Labor Government—the Chifley Government—over 20 years ago ranked the Snowy Mountains and the Burdekin River Projects as the two multi-purpose water conservation schemes which had the highest national development priorities. Both regions were proven and established; both had tremendous resources of water for multi-purpose use by people, industry and agriculture.

Although a Labor Government successfully legislated for the construction of the Snowy Mountains Project, the Government was defeated before federal legislation could be enacted to enable construction to commence in the Burdekin region. The Queensland Government had in fact passed complementary legislation establishing a Joint Commonwealth State Authority to plan and develop this rich area.

Like the Snowy Mountains Scheme, the Burdekin River Project is identified with Labor. Both projects were opposed in the plan-

ning stages by the Liberal and Country Parties. If federal legislation had not been pushed through by a Labor Government it is extremely doubtful if the great Snowy Project would exist today.

Despite repeated promises by the Liberal/Country Party Government, the Burdekin River Project has been ruthlessly discriminated against. The Country Party used the promise to build the project as a major plank in its successful election policy in 1949. Sir Arthur Fadden, Leader of the Country Party, solemnly promised that, if elected, his Government would build the project.

But when elected the new Liberal/Country Party Government dumped this Labor initiated project. It was too late for it to stop the Snowy Project but this Government has certainly been successful in preventing any development of the Burdekin Basin.

A Labor Government will honour the undertakings given to the people by the last Labor Prime Minister as well as by every subsequent Federal Leader of the Labor Party, including the present leader, Mr. Whitlam, to develop the vast natural resources of the giant Burdekin Basin.

The combination of huge resources of water, soil, coal and other minerals, backed by well established cattle and tropical agricultural production in association with railways, roads, ports and an infra structure of permanent settlement centred on Townsville, offers tremendous potential for sound decentralized development based on water as the initial prime mover.

National Water Conservation and Construction Authority

If it is possible, a Labor Government will establish a National Water Conservation and Construction Authority from the remnants of the Snowy Mountains Authority.

Labor considers that the refusal of the Liberal/Country Party Government to allow the Snowy Mountains Authority to construct further projects in Australia, but yet allowing it to construct in foreign countries, is an act of irresponsibility and national inefficiency.

Labor believes that a National Water Conservation and Constructing Authority working in conjunction with the States, on priorities determined on sound economic development principles, will be a powerful force in the future development of this nation. A Labor Government would not confine the skills of this highly organized team to water conservation projects only.

Murray-Murrumbidgee-Darling

The progressive development of the Murray/Murrumbidgee/Darling complex has proven its worth in economic development and decentralization. It is the outstanding example of permanent decentralized settlement based on a permanent resource.

A Labor Government will implement properly researched programmes of water resource development designed to further promote decentralized development in this most important complex which is vital to the economy of New South Wales, Victoria and South Australia, as well as to the nation.

Along with the development of the huge untapped resources of the Burdekin and Fitzroy Basins, the Darling River Basin will

form an integral part of a long term development programme incorporating the National Water Conservation and Constructing Authority and State instrumentalities.

EVALUATION OF WATER AND OTHER DEVELOPMENT PROJECTS

Labor believes that there is a need for a complete revision of the methods used by the Liberal/Country Party in arriving at decisions on development projects.

The unwritten history of Stages I and II of the Ord River, Nogoia, Burnett and Chowilla Projects, and the beef road and brigalow development schemes is a picture of inefficiency in the wastage of funds in the State and Federal Public Services before the long drawn out decisions were finally taken when the political climate was considered expedient.

Labor recognizes that the political process is the most important part of the decision making machinery for public investment. But this is no excuse for inefficiency. When a government deliberately employs stalling tactics which involve the nation in a wastage of resources, simply because the time is not politically expedient, this is poor government.

Labor deplores the method of allocating funds whereby States are asked to put forward to the Commonwealth their so-called priority projects. After long periods of delay, promises, arguments and pressure group activities, the Liberal/Country Party Government finally capitulates—usually just before elections—with a blaze of triumphant political trumpeting.

Priorities

Labor believes that it is essential that development priorities are established without any emphasis on State boundaries or the political colour of State Governments. Priorities for water conservation should be based on competent economic analyses of alternative projects on a national basis. Benefit-cost analyses should be used in the correct manner, in order to choose the best project on national economic grounds as distinct from local or regional criteria.

The judgment by a State, often on non-economic grounds, that a particular project is its No. 1 priority without any comparative economic evidence to back that contention, should not be acceptable to any responsible Federal Government until the economics of alternative projects are thoroughly investigated.

Federal funds earmarked for water conservation projects should be invested in those projects which will give the greatest benefit to the nation.

Labor accepts the economic criteria used for determining project justification in that priorities should be formulated on the project's net contribution to export income and the degree of development which will flow from the project, both regional and national.

Private and Public Enterprises

Labor believes it is essential that basic standards be established in the evaluation of development projects, particularly irrigation.

In doing so it is necessary to distinguish between projects which involve a large proportion of public funds (e.g. large scale irrigation) and projects which are financed principally from private sources (e.g. mineral processing).

In the latter case, the policy-makers (Board of Directors) are acutely conscious of the profit motive and the demands of shareholders so that the economic analysis is usually restricted to a study revolving around projects receipts and expenditures in relation to capital invested. This type of analysis is broadly one of maximising net financial returns to the company and shareholders.

National Benefits

On the other hand, an appraisal involving federal funds, such as irrigation, is concerned with the real economic costs and benefits of the project to the nation. Here the objective of development is to provide the greatest possible net benefit to the nation. This implies that a Government, in taking a decision regarding the employment of public funds, may (and in most cases does) use criteria different from the orthodox financial accounting analysis of private enterprise.

Decisions to invest funds in education, housing, social services, development of a national capital, defence, flood mitigation, railways, roads, ports, airways, bridges, power and water development, etc., involve qualitative and quantitative considerations far wider than those embodied in the financial accounting approach of private enterprise.

Labor recognizes that an inherent element in the appraisal of projects involving public funds is the existence of alternatives and the need to allocate national resources efficiently. In this respect, a particular project which might look sound when evaluated in isolation may nevertheless compare unfavourably with some alternative project which involves the use of a similar magnitude of public resources.

Limitation of Benefit Cost Analysis

Labor believes that the limitations of the use of benefit-cost analysis in the evaluation of development projects involving public funds should be fully appreciated.

The benefit-cost criterion presupposes that it is possible to measure how much the Australian people would be willing to pay for all non-marketable goods (intangibles) involved in the project. For example, some may argue that an irrigation project is necessary for more balanced development, for various defence reasons, to provide a solid base for the employment, assimilation and settlement of aborigines, or to satisfy Australia's moral international obligations with respect to the millions of Asians living at subsistence levels on Australia's northern doorstep. But what values can be placed on such viewpoints. Even if every Australian were interviewed as to the price he or she may be prepared to place on such issues, it would probably be a somewhat meaningless answer in terms of specific monetary benefits.

Nevertheless, Labor recognizes that the measurement of such aspects is a vital part of the ideal benefit-cost analysis involving

public funds. But it is impossible to construct an equivalent to the measurable market mechanism to aid the collective political judgments. If it were possible to place quantitative values on such issues, the benefit-cost criterion would provide the same answer as the market mechanism would provide, if it were free to function for valuing these intangibles.

Labor believes that although such intangibles should be a part of every project evaluation, it is considered that these value judgments should be qualitative and should not be pushed into the analytical benefit-cost analysis. The responsibility for evaluating such intangibles should rest with the Government.

Conceptually, direct net benefits from an irrigation or other development project are straightforward representing the net increase in the value of production derived from the project. The great difficulty of forecasting future market prices and production costs is, of course, a major deficiency.

Indirect Benefits

Indirect benefits from a development project are reasonably easy to appreciate but they are most difficult to convey in quantitative terms. Labor believes that these indirect benefits nevertheless are an integral part of the benefit-cost analysis irrespective of whether the project is looked upon from the national or the regional viewpoint.

Labor will not accept the negative argument that there are no indirect benefits of resource development which can be validly included in an analysis of the economic justification of the investment of public funds from the national viewpoint. This point of view is based on the belief that indirect benefits of equal magnitude will arise wherever the same value of resources are expended, and therefore indirect benefits are not a factor in determining the economic feasibility of a project. Although the difference in indirect benefits associated with one project as contrasted to those of another like or unlike project may be small or large, there will be some difference such as mining and irrigation. Whether or not these indirect benefits are significant in choosing between or among alternative projects is a major question in resource policy.

Labor emphasises that all indirect benefits of development projects are real and significant, once a project has been finally selected and constructed.

Labor recognizes that the problems of measurement of indirect benefits of a development project from the **national** viewpoint are insurmountable. Theoretically indirect net benefits could vary from zero (or negative) to some very significant positive value. The problem however, is to place meaningful values on the net effects of the countless and self-generating economic processes as they spread throughout the economy, particularly in a period of full employment of resources.

Placing values on the net effects of displacement of labour and capital resources, the effects of a redistribution of income, the effects of the increased rate of demand for particular goods such as tractors and chemicals, the effects of an increased local supply

of consumer goods such as cotton fabrics, for example, must of necessity be left to Government policy deliberations.

Local Effects of Irrigation Investment

If the evaluation of an irrigation project is looked at from the **local** as distinct from the national viewpoint, the indirect effects are easier to measure and interpret. The importance of indirect benefits to local development can be illustrated by reference to the thriving irrigation towns, throughout Australia. The hard core is agriculture, but the benefits arising to the local business complex are most significant.

A Labor Government will emphasise to the States that the viability of an irrigation project is dependent on the economic soundness of the hard core of the farming sector based on national criteria. If agricultural production is unprofitable in the accepted sense of the term, the project must be regarded as uneconomic.

Under these circumstances a Labor Government could not be expected to provide permanent subsidies to commence an uneconomic proposition. If, on the other hand, the agricultural enterprise is a profitable undertaking the next decision is to consider whether the degree of profitability of the irrigation enterprise as a whole justifies the public investment required in dam construction, reticulation, power, roads, etc.

DECENTRALIZATION

The Liberal/Country Party apathy to the need for progressive policies to promote viable decentralized centres can be explained by the political philosophy of the Country Party which is basically opposed to large scale processing or industrial complexes in rural areas.

The establishment of steel works, large scale mineral processing, chemical complexes, or secondary industry in general, is not an objective of the Country Party in rural areas unless these development projects are located in safe Labor or Liberal electorates. Industrial development brings large numbers of Labor or Liberal voters. These are certainly not wanted by Country Party leaders in Country Party electorates.

As long as the Country Party has a dominant say in the Federal Government, policies of decentralization, based on large scale industrial activity and the creation of prosperous provincial cities, will remain deliberately dormant.

The implementation of policies to establish permanent decentralized cities and towns with a solid economic base to allow for steady growth, is an important platform of Labor policy. Processing and ancillary servicing industries will be given every encouragement through financial and taxation incentives.

Consideration will be given within federal constitutional limitations to implement the objectives of pioneer taxation provisions to help the establishment of new industries in rural areas along the same principles as apply at present in New Guinea.

The harnessing of water resources has been demonstrated throughout the world as one of the most successful measures to achieve permanent and viable decentralization. The growth of the

Western States of the United States is the outstanding world example of massive development based on water.

In Australia, the development of the Murray and Murrumbidgee systems has shown how a solid economic base centred on water, can achieve successful decentralization.

Because of the increasing financial burdens being imposed on the nation by the self generating sprawl of urban development, and its associated problems, Labor believes that decentralization action is urgent.

The present drift to the city, particularly by the rural workforce must be halted.

Female Rural Workforce

A Labor Government in determining its specific policies for the establishment of decentralized development will give top priority to processing enterprises which will promote employment opportunities for the young female workforce.

Labor believes that the serious lack of opportunities for girls in rural areas is a major reason for the decision of families to move to the cities as soon as schooling is completed.

The continued drain of country girls from rural areas means that these areas have lost the foundations of future families and increased population.

DROUGHT

Although there is a tendency to concentrate federal funds for water conservation on major power and irrigation projects, Labor believes that the continuous construction of small storages, located strategically in watersheds to serve areas where permanent water supplies for stock are a major problem, would reap substantial national benefits.

The great bulk of cattle production in Queensland and a large proportion of the Northern Territory and Kimberley areas suffer from periodic shortages of water in areas which are well served by river systems.

The Queensland watersheds offer outstanding examples of the benefits which could accrue to the nation from the provision of low cost, permanent water storages, in rivers which for several months are raging torrents, but for the remainder of the year are little more than dry sandy bottoms.

Of all major primary industries in Australia beef cattle is considered to have the soundest economic future. This was the view immediately after the second World War and, in 1971, this considered opinion has strengthened. But the recurring losses from droughts and seasonal failure of protein has resulted in huge economic losses to the nation.

Queensland possesses the largest areas of undeveloped fertile soils in the Commonwealth, located in regions which, under known technology, are climatically suitable for intensive cropping and/or improved pasture. A major advantage of these areas, which include the rich brigalow region, is that they are located relatively short distances from the eastern seaboard and are well served by transport systems. These areas already carry the highest concentrations

of beef cattle in the Commonwealth despite their enormous potential.

But these are also the areas which are highly susceptible to drought devastation. The cumulative value of livestock and agricultural losses alone in some of the watersheds of the Burdekin, Fitzroy and Burnett Basins in the last 25 years are far greater than the capital and revenue costs associated with the construction and maintenance of major headworks and reticulation systems in these river systems.

Arid and Semi-arid areas

Labor recognizes that water conservation is only one measure required to minimize stock losses. In the nation's arid and semi-arid sheep and cattle areas, large scale water conservation is not practicable. Even in some of the more favourably located livestock areas lying adjacent to the coast line in which an abundance of undeveloped water resources occur, economic criteria can not be forgotten in the allocation of federal funds. It will take a long time before Australia's major water resources will be harnessed.

It is apparent that as Australia becomes less dependent on rural exports, because of mineral development, the attitude of the present Government to drought mitigation plans has become less sympathetic.

The assumption must be made that serious droughts will continue to occur. A Labor Government will recognize the national economic importance of drought, as well as the misery and suffering experienced by farmers, the workforce and business communities.

National Fodder Conservation Scheme

In addition to a continuing programme involving large and small scale water conservation, the provision of long term finance and the implementation of special taxation concessions to help producers construct facilities for drought, Labor will implement a national fodder conservation scheme designed to minimize drought losses.

The basis of this policy is the stockpiling and sale of surplus or unsaleable grains and fodder in strategically located areas that are highly susceptible to recurring drought.

Most of the major drought areas in which the heaviest losses of national income occur are located in close proximity to rail heads or established roads. Periodic excess capacity of rolling stock could be utilized for the transport of grains and fodder in surplus producing years.

This policy would be closely co-ordinated with the provisions of the existing Wheat Stabilization Act as well as proposed stabilization plans by Labor with respect to coarse grain production.

RECOGNITION OF CHINA

Labor believes that the exclusion of the People's Republic of China from officially recognized international discussions is a serious blunder. As far as primary industry is concerned, the present Liberal/Country Party Government, by its outmoded and stubborn policy of non-recognition of China, must accept full responsibility if Australia loses its valuable wheat trade with China.

A Labor Government will recognize China and will make every effort to develop a soundly based trading pattern with China.

Labor believes that with commonsense diplomatic action, China could become a major market for Australia in many rural products, particularly coarse grains, and at a later stage, beef. Present economic surveys indicate that there is a greater potential for coarse grain imports into China than wheat.

As China's capacity to pay for imports increases, Australia could, by intelligent policies, become an important customer because of her favourable proximity to the East and the ability to produce cheap foodstuffs.

UPGRADING OF THE STATUS OF THE DEPARTMENT OF PRIMARY INDUSTRY

Despite the undoubted importance of primary industry in Australia, the important policy making Department of Primary Industry is ranked as a second class establishment by the present Liberal/Country Party Government. Its Permanent Head and Senior officers are paid less than their counterparts in other departments such as Prime Minister's, Treasury and External Affairs, despite similar policy responsibilities and status.

This is an indictment of the Country Party and is just one further example of its complacency and neglect of the role and status of agriculture in Australia.

A Labor Government will end this injustice and upgrade the status of the Department of Primary Industry to that enjoyed by the other major policy making departments in the Commonwealth Public Service.

EVALUATION OF PROMOTION AND RESEARCH

Labor cannot stress too much the need for a greater concentration of technical and economic research into Australia's basic problems of production and marketing.

Labor believes however, that any national agricultural policy which commits large amounts of Federal and industry funds to promotion and research should make provision for the constant evaluation of the benefits and costs to the nation of resources expended on promotion and research.

No government should accept the widely held belief that promotion and research are magic words, beyond criticism and beyond scrutiny.

Labor fully recognizes the need for continuous research, but resources expended on promotion and research should be subject to priority decisions.

For example, Labor is of the firm opinion that if a significant proportion of the total funds already spent on wool promotion had been used instead to streamline some of the archaic wool selling methods, this action would have yielded a greater financial gain to the wool producers both now and in the long term.

A Labor Government will make provision for a continuous evaluation of promotion and research programmes to ensure that funds are being used effectively, and in an efficient manner.

Labor also believes that many research programmes are lopsided in terms of priorities and the allocation of research funds. Under a Labor administration, market and economic research would be given far greater priorities than exist at present.

LONG TERM FINANCE AND THE RATE OF INTEREST

Long term finance at low rates of interest is the backbone of Labor's rural reconstruction and rehabilitation policies.

Such financing is fundamental to Labor's policies on housing, education, essential services, and the development of the nation's natural resources for the benefit of the Australian people.

Labor's long term development policies and reconstruction policies will be financed through the Commonwealth Bank under the best possible terms and conditions which the nation can afford.

Labor is not tied, nor has it any allegiance to the private banking sector and hire purchase institutions, whose operations are based on the normal business objective of maximising profits and returns to shareholders.

Labor believes that a lowering of the rate of interest for funds used for the efficient production of commodities, particularly for the earning of export income, will assist increased productivity. This in turn is necessary to counter the forces of inflation associated with full employment and growth.

Credit for Export Sales

A Labor Government will rewrite the terms and conditions associated with the sale of Australian produce to overseas countries. Labor believes that the market potential which exists in many developing countries, such as in Asia, should be explored and assisted more vigorously.

The establishment of an Export Credit Corporation as an ancillary of the Commonwealth Bank will have as its principal objective the provision of low interest credit finance to assist in the sale of Australian exports, while at the same time helping to build up the demand potential in the developing countries.

Labor believes that more liberal credit arrangements coupled with aggressive Trade Commissioner and Agricultural Attache services will help to achieve greater opportunities for the disposal of Australian primary products.

SHIPPING

Labor recognizes the vulnerability of Australian primary production to the vagaries of foreign shipping policies and the monopolistic actions of some conference lines.

Labor deplores the present situation whereby Australia's most important export industry, wool, has no effective say in the determination of the level of freight charged on wool exports. This is an intolerable situation for any major Australian industry.

A Labor Government, acting on behalf of the industries concerned, will attempt to secure the most effective competitive freight schedules for rural exports.

At the same time Labor policy is to progressively expand the use of modern shipping services maintained by Australian built, owned and manned ships.

Containerization

Labor believes that a thorough review of the benefits and costs of containerization must be undertaken. The claims made on behalf of containerization have not been substantiated. Many port authorities have been involved in, what could be, wasteful expenditure.

A Labor Government will not accept the objective of centralization of container cargoes for rural exports in a few major ports unless it can be shown that the net benefits warrant such action.

Labor will not support a policy of centralization of cargoes which would result in the death of viable ports and coastal towns, unless guaranteed alternatives are available to substitute for the losses sustained.

At the same time however, Labor recognizes that there is a definite place for containerization of rural exports, and that some degree of centralization will lower freight costs.

DOMESTIC FREIGHTS

Although transport systems and policies are in the main under the jurisdiction of the States, Labor believes that there are many factors which are inhibiting and penalising the movement of rural produce.

Labor recognizes that the objectives of a State as regards the operation of transport systems are basically different from the role of a national government. The States are primarily concerned with fixing freight rates on the basis of "what the traffic will bear" in order to earn maximum revenues. A State is not directly interested in the promotion of rural production to earn export income, whereas the Commonwealth is vitally concerned in this objective to the degree that a federal freight rate policy could be quite different from that of a State.

Freight Rate Policies

Labor believes that there is an urgent need for the Commonwealth and the States to get together in formulating freight rate policies on a national basis in order to maximize the benefits to the nation. The wide differences in the costs of transporting wool by rail as apply in New South Wales and Queensland, and the inhibiting effects on increased productivity of severe road-taxes in some areas are instances of policies which are considered detrimental to the efficient marketing of rural production.

A Labor Government will co-operate with the States in improving their transport systems and freight rate policies with the objective of allowing the movement of produce to markets in a more efficient manner.

Sales Tax on Freight

A Federal Labor Government will take action to amend the existing sales tax regulations in order to remove the inclusion of freight costs from capital cities as part of the landed cost of any

item despatched to country areas. Labor believes that the present practice employed by the Liberal/Country Party Government of progressively penalising people who live away from capital cities, by increased sales tax, is a discriminatory policy which cannot be substantiated.

Co-ordinated Research

Labor believes that co-ordinated research between transport authorities and specific rural industries is necessary. For example, it is known that tremendous savings can be made in the transport of wool by using more densely packed bales. Low density or shed pressed bales mean that flat top and semi-trailer road vehicles are operating at only 60% of their capacity. The same rail average is only 40%. This wasteful use of road and rail capacity is costing the wool industry an estimated extra \$7 million per year.

BEEF ROAD INVESTMENT — NORTHERN TERRITORY CATTLE COUNTRY SUB-DIVISION

A Labor Government will implement continuous programmes of road construction for the long term development of the vast underdeveloped cattle areas of northern Australia.

Labor believes that one of the major deficiencies of the current beef roads programme is the refusal of the present Government to guarantee continuity of specific road construction programmes well in advance of the termination dates within the relevant Acts.

Such uncertainty can involve contractors and States in unnecessary costs while waiting for Commonwealth decisions as to whether the programme will be extended or not.

Ancillary Action

Although investment in beef roads has greatly increased productivity in some areas by encouraging more intensive development, Labor believes that ancillary governmental policies are required to obtain maximum benefits of beef road investment.

A Labor Government will initiate policies in the Northern Territory with the objective of—

- (a) providing a secure tenure which will allow long term property development;
- (b) ensuring that cattle producers have access to long term finance essential for the development and maintenance of properties;
- (c) allowing for the progressive sub-division of some large properties into more efficient units, with the emphasis on the settlement of experienced cattlemen and their families.

Labor stresses the utmost importance of having long term finance available to develop cattle properties even if more efficient transport systems are available. In the absence of adequate funds, Labor considers it would be wiser to allow the northern cattle country to be retained in large areas by bona fide land development companies which are prepared to develop and use the land effectively, as opposed to implementing poorly designed policies of

sub-division which will bankrupt the small man with insufficient resources.

Subdivision of properties

Labor believes that a progressive programme of subdivision in the northern areas does not necessarily mean properties should be fragmented immediately, or even in the near future. The actual method of achieving smaller properties will depend on policy decisions backed by careful examination of the issues involved:

In many instances the most effective method of securing rapid development of properties in the remoter areas is to allow those bona fide company interests who are prepared to fully develop their properties to be responsible for this risk development and future subdivision, under an Agreement with the Government.

Although such action may mean substantial profits being earned on the final disposal of land, this may be secondary to the greater national benefits accrued from rapid development.

In the more favourably located areas where risk capital is more easy to secure Labor believes that land settlement schemes, based on the experience of the Brigalow Projects, could be justified providing sufficient long term finance was available.

Resumption of Properties

In Commonwealth controlled territories a Labor Government will take strong measures against cattle interests whose policies of continually flogging the land under a system of indiscriminate open-range grazing have caused widespread ruination of some of the north's most valuable land resources.

On properties where management is causing widespread degradation of pastures and soil erosion, resumption rights will be exercised. This is particularly relevant to the arid and semi-arid areas where conservation of national resources must be the overriding objective.

A Labor Government will not grant conditional freehold or perpetual lease in the arid or semi-arid areas unless provision is made for resumption rights in the event of over-grazing with resultant deterioration in pasture and soil structure.

A Labor Government will insist that any programme of subdivision in the Northern Territory should be based on sound scientific, economic and local practical knowledge, taking into account the land classes and their potential, the prevalence of erosion, the availability of water and natural boundaries, and major economic factors such as distance from markets.

A Labor Government will inform the States that it will not provide funds for beef road programmes until it is satisfied that the States possess policies which will ensure maximum possible development of cattle country in those areas in which a heavy outlay of federal funds on beef road construction is involved.

CROP INSURANCE

Labor will explore the practicability of implementing a national livestock and crop insurance scheme with the objective of preserving the stability of incomes of growers, particularly in

areas susceptible to natural disasters.

This scheme could also apply to those export industries whose markets are based on shaky foundations and subject to sudden price fluctuations.

Labor believes that a national crop insurance plan could be operated conjointly with a National Disaster Fund.

SPECIFIC INDUSTRY POLICIES

The central theme underlying Labor policy for all rural industries is the implementation of decisions designed to bring the level of agricultural production into balance with what the market will absorb at prices acceptable to the farmer and the consumer.

Labor will frame its policies to concentrate on the production of those commodities embracing specific types of wool and dairy produce, grades of wheat, quality of sugar, cotton and beef, etc., for which there is a recognized current and future demand. It follows that encouragement will not be given to the production of commodities for which a satisfactory price (as determined by market demand) does not exist.

A Labor Government cannot be expected to continue present Government policies which commit the nation to paying continuing subsidies for the production of rural commodities for which a satisfactory market is not available, in the same way as it cannot be expected to subsidize some high cost secondary industries by means of the tariff.

The above objectives of Labor policy need to be stressed. They underlie all specific considerations of individual rural industries and rural problems.

WOOL

Handling

Labor will initiate a Commonwealth State industry programme, designed to overcome proven inefficiencies in the handling of wool including—

- encouragement of effective mobile shearing facilities.
- streamlining of shearing and wool classing operations to reduce unproductive movements caused by poor shed design which in turn results in wool damage and unnecessary man power.
- increasing the density of bales pressed in the sheds so that rail and road vehicles can operate with maximum load capacity.

Wool Scouring

A Labor Government will initiate feasibility studies of the establishment of wool scouring centres throughout Australia. Improved technology as well as economies associated with the sale of clean wool demand that serious consideration be given to the preliminary processing of wool.

Statutory Authority

Labor recognizes that there are serious unknowns regarding the future of wool. Under known conditions, as exist today, Labor's policy is founded around the establishment of a statutory wool

marketing authority which would acquire, appraise and market the Australian wool clip on behalf of growers. (It is stressed this policy is open to change. Its strength and duration is closely tied to immediate future experience of the world wool marketing situation).

The Authority which would be conducted on sound business lines applicable to co-operatives, would arrange for the clip to be located in decentralized modern wool marketing complexes.

Wool would be appraised and catalogued by competent appraisers under the jurisdiction of the Authority in the short term, with rapid progression to pre-sale testing by objective measurement and equivalent scientific techniques designed to improve, standardise and streamline the sale of the clip.

After consultation and collaboration with world wool organizations, exporting and importing countries, an average appraisal price for the Australian wool clip would be determined, based on the level of realistic world prices.

A set of minimum reserve prices (floor prices) would be then placed on all wools; those lots not realising the floor price, either by auction, tender or private treaty would be "taken over" by the Authority at a figure equal to or less than the minimum reserve price. The set of floor prices would be subject to frequent review in accordance with supply and demand criteria.

Special contracts or international bi-lateral agreements would be negotiated by the Authority, acting in association with the Federal Government.

Wool growers would contribute a small percentage of the gross proceeds of their annual wool clip for a period of say five years in order to build a capital fund to control and market all surplus wools "taken over". (This would act as an "insurance fund" until any wool "taken over" is disposed of at the most satisfactory level of prices).

The capital fund would be guaranteed initially by the Commonwealth Government by loan until the Authority's fund was fully subscribed.

In addition to the Commonwealth loan for the growers' revolving fund, the Authority would have the backing of the Commonwealth by having access to readily available finance in the event of additional funds being required for emergency conditions.

All profits, after working expenditure and the provision for normal reserves, would be returned to wool growers each year.

WHEAT

There is a serious deficiency of marketing information regarding the dynamic changes in production and marketing patterns being followed by the traditional major importing countries. Several of these countries have embarked on massive planting programmes of wheat varieties which have been specially developed for their particular environment.

Labor's specific policy on wheat production and marketing is—

Wheat Stabilization and Price

- A continuation of the Wheat Stabilization Act based on a weighted one price criteria for domestic consumption and the appropriate guaranteed export quantity as determined within the Act. This price will provide the grower with the same financial return as the two price differential. But whereas the relatively high domestic price of wheat has to be borne principally by the family man under the two price scheme, the increased costs of the one price basis would be borne by the nation in general.
- In determining the domestic and guaranteed export price, consideration will be given to real changes in cash costs of wheat production. Labor will not fix a price based on the cost of production concept which includes the imputed costs of fallacious values of land as well as the qualitative judgments on sideline income and the rate of interest on all farm assets, including the self generating value of land.

Controlled Wheat Production

- Labor supports the principle of controlled production in relation to aggregate demand on a national basis. There should always be provision for minimum individual quotas to allow a producer to earn at least a livable income.
- Quotas will be fixed well in advance of preparatory land workings.
- The principle of reducing all quotas by a fixed pro-rata percentage which can mean that a small producer could be left with a quota below economic subsistence level, is unjust.

First Advance Payments

- the first advance payment financed by the Reserve Bank will be applicable only to the national quota. But where the Wheat Board secures markets above the quota (which have become available through sudden fortuitous demand) after plantings based on the national quota have been undertaken, the first advance will be extended to cover this additional production, if it is available.
- Where major crop failures will result in a production below the national quota, based on the total of individual quotas, first advance payments will be paid on a pro-rata (i.e. say 20% above quota) to those producers who have been fortunate to have above quota wheat available to make up the national quota.

At Own Risk

- The important principle underlying Labor's wheat policy is that controlled production is essential but any producer is free to grow above his quota if he desires on the strict basis that he does so at his own risk. In some years his judgment of growing above quota wheat may be correct, in others it may not, but Labor will not pay first advances, or otherwise, on wheat produced above the quota if a market does not exist for that wheat.

Second Pool

Because it is virtually impossible to produce exactly the quota required, producers, in the main, plant to achieve a production level slightly above their individual quotas to counter possible emergencies such as drought.

If good seasons prevail above quota wheat will be produced. If this wheat cannot be sold within the terms of the International Grains Arrangement, the Wheat Board will make arrangements for this wheat to be stored in strategically located storages to be used for the purpose of drought and special sales. This wheat is referred to as No. 2 Pool Wheat, as distinct from No. 1 Pool which constitutes the national quota.

Unless determined otherwise this No. 2 Pool—above quota wheat—will be sold under normal demand and supply conditions. The risk and level of return for producing over quota wheat rests always with the producer.

Storages in Drought Areas

In view of the huge economic losses to the nation caused by recurring drought, a Labor Government will assist in the financing of major storages for No. 2 Pool Wheat in those livestock areas highly susceptible to drought.

At the same time encouragement, through development loans and income tax concessions, will be given to producers in drought areas to make provision for on-farm storages for drought reserve.

Wheat Quality

As with wool, Labor recognizes that the grading of wheat is unsatisfactory as regards specific market requirements.

A Labor Government will arrange for the payment of premiums for those grades of wheat which have the best demand on international markets. At the same time a Labor Government will insist to the States that quotas should be designed to give priority to those areas, including new areas, which can produce the types of wheat the market demands most.

A Labor Government will not financially support the production of inferior wheats for which no satisfactory market exists.

Feed Grains

Labor will provide positive forward information to wheat growers as to changing market patterns for grains. Available evidence indicates that there exists a sound future for feed grain varieties, including high yielding wheat varieties suitable for livestock production.

A Labor Government will step up the activities of the Trade Commissioner services in order to provide continuing information to the Government to supplement Wheat Board data on current and future market demands for different types of grains.

DAIRY PRODUCTION

The need for the urgent reconstruction of the dairy industry was recognized ten years ago by the official Commonwealth enquiry into the problems of the dairy industry.

Because it was not politically expedient for the Country Party

to implement the main constructive recommendations of this Enquiry, the Liberal/Country Party Government has allowed the economic position of the industry to sink progressively deeper into an intolerable economic mess.

Objective of Reconstruction

Labor believes that dairying is, and will continue to be, an important industry but that a drastic overhaul of the traditional production and marketing mechanism is necessary, including a substantial reduction in butter production in some areas.

A Labor Government will phase out of production inferior dairy producing areas whose physical resources are not capable of economic production.

A positive programme, in co-operation with the States, will be implemented with the dual objective of allowing more efficient production by voluntary amalgamation of some farms and the diversion of inferior dairy land into beef production or other land use.

Labor believes that there is an urgent need for controlled production within a programme of priorities laid down for specific types of dairy produce.

Change in Priorities

The present dairy subsidy system will be overhauled with greater emphasis being directed, through Section 96, to those potentially efficient dairy areas which need financial assistance for reconstruction. At the same time justifiable subsidies should be directed at those dairy products for which production is recommended based on current and future market demand.

Labor believes there is an urgent need to redefine priorities for the types of dairy produce required in order to achieve maximum benefits for the industry on both domestic and overseas markets. It is obvious that the emphasis on butter production must be drastically revised.

Dairy Farm Registration

In consultation with the dairy industry a Labor Government will implement a system of dairy farm registration in order to assist in controlling production.

As has been elaborated earlier, rehabilitation of phased-out dairy families will be given the opportunity of a retraining programme in conjunction with technical college, trade, and general education facilities.

Labor deplores the deliberate tactics which have been followed by the Liberal/Country Party Government in refusing to implement a constructive and positive phasing-out programme of inferior dairy areas, particularly in northern New South Wales and Southern Queensland. The States have been conveniently blamed for this stalling as instanced in the Government's dairy farm reconstruction proposals. These marginal areas represent a major part of the Country Party's electoral strength. The objective of preserving Country Party votes at all costs has involved the nation and the taxpayer in large amounts of economic waste while at the same time intensifying the financial misery of growing numbers of poverty stricken dairy farm families in the marginal areas.

Labor believes that by intelligent policies of controlled production within the provisions of priorities for specific types of dairy produce, based on market demand, the dairy industry can be welded into a strong national industry which will grow in line with both the nation's growth and the level of realistic international market demand.

BEEF

Because of Australia's ability to produce relatively low cost of production cattle (on world standards), due to immense tracts of breeding and fattening country, coupled with the recognized world marketing potential for beef, Australia possesses excellent opportunities for a steady increase in beef production at profitable prices.

Labor recognizes that the four main problems of the export beef cattle industry are—

1. vulnerability to uncontrolled rising costs in the export producing sectors.
2. the concentration of a major proportion of export production in areas devoted exclusively to cattle which, as a consequence, are at the mercy of the export market.
3. the uncertainty of the United States market and the need for a sounder trade arrangement between the United States and Australia.
4. the growing threat of technological achievement in marketing low cost synthetics as a superficial substitute for relatively highly priced beef.

As explained earlier in this document a Labor Government will take positive steps to freeze the insidious forces of inflation which are affecting the economic viability of unprotected export beef production.

Labor will also give immediate financial relief to the monoculture beef producing regions of the north in the event of a sudden collapse in the export price due to exogenous factors such as politically motivated import quota reductions in the U.S.A.

Labor will collaborate with the powerful trade unions movement in the United States to inform the salary and wage earners in the U.S. of the availability of relatively cheap beef from Australia if United States/Australia trade ties can be strengthened to the mutual advantage of both countries.

Meat Inspection

A Labor Government will overhaul the present unsatisfactory methods of meat inspection services in Australia, particularly with respect to the supply, recruitment, training and salaries of qualified meat inspectors.

Labor will work in close collaboration with the U.S. authorities in making public to registered export works the requirements of the relevant U.S. standards of meat inspection in clear and unambiguous terms.

A Labor Government will approach the U.S. Authorities to implement methods where an instant review can be made of autonomous decisions taken by U.S. Veterinary inspectors which recommend de-registering of export works, if it is considered such decisions are based on trivial grounds.

Trade

Labor believes that greater emphasis must be given to exploring and steadily developing the Asian market where beef consumption is becoming more important as standards of living improve.

The fact that this market is not as lucrative, at present, as the U.S. or United Kingdom markets is no excuse for virtually ignoring its potential. Because of its future importance to Australia, Labor will investigate means of building up footholds of beef trade with countries like China even if it means in the short term that some small reduction in profits may be incurred by sending small parcels of beef to the lower priced, but potentially important, markets.

EXPORT FRUIT PRODUCTION

If the States are prepared to enter an arrangement with the Commonwealth to implement policies of planned development and controlled production in relation to realistic export market demand, a Labor Government will provide comprehensive Stabilization Schemes for export fruits—fresh, canned and dried.

The basis of Labor stabilization schemes will be to stabilize the incomes of producers, particularly that section concerned with export.

As over 90% of the gross returns from the sale of apples and pears in Tasmania is derived from export markets the vulnerability of Tasmania's production is very real. The need for an effective Stabilization Scheme is an urgent requirement for the industry in Tasmania.

Similar conditions apply to other export fruit regions in which the economy is closely linked with the uncertainties of overseas' market behaviour, involving an increasing proportion of exports sold "at risk".

Labor believes that planned development is urgently required in the dried fruits industry in order to prevent serious problems associated with overproduction. The significant increase in the plantings of dual purpose grapes in Victoria is not based on realistic market demand.

SUGAR

Of the major export industries, the sugar industry is the best organized both in terms of market demand and to withstand sudden changes in international marketing patterns.

Labor supports the principles of the International Sugar Agreement in that the major part of world production of export sugar is rigorously controlled and bears a realistic correlation with the world demand for sugar on the free market.

Changes in the level of the free market price are the determinant for enforcing changes in production levels. If the world sugar price falls measures are automatically applied which will bring supply and demand into balance at prices satisfactory to both farmers and consumers. Labor believes that these principles should be applied, wherever practicable, to all export crops.

Federal Policies

Labor recognizes that the structure of sugar production has dramatically changed since the last expansion in that almost 70% of production is sold on the export market. The future of the sugar

industry is completely in the hands of Federal legislation and policies. The embargo on imports, the determination of domestic wholesale prices, and the level of concessions for the fruit industries are also supplementary federal functions which have a controllable influence on the sugar economy.

Labor recognizes the value of the many organizations closely associated with the administration of the industry. It has no wish to disturb the role of these organizations. It would assist in strengthening such bodies as Sugar Research Institute and the Sugar Experimental Stations.

Australian Sugar Marketing Board

A Federal Labor Government will take steps to strengthen the hand of cane growers by ensuring that cane growers have a greater say in the consideration of marketing policies concerned with the export of Australian sugar.

As federal policies determine the economic viability of the sugar industry a Labor Government will establish an Australian Sugar Board which would be responsible for the export marketing of sugar.

This Board would have similar status to the Australian Wool, Wheat, Meat and Dairy Boards. It would include a representative of the Commonwealth as is the case with all other major export industries. He would be an expert in international marketing. This organization would include cane growers and sugar manufacturers, with cane growers having the dominant say.

The Australian Sugar Board would work closely with the Queensland Sugar Board, or its equivalent, and the industry's marketing agent, the Colonial Sugar Refining Company.

Finance for advance payments for sugar acquisition would be arranged through the Reserve Bank in line with other relevant industries.

Critics

Labor is conscious of these critics who through deliberately inspired selfish or political motives have attempted to denigrate the concept of an Australian Sugar Board democratically controlled by Queensland and New South Wales cane growers by claiming that this would allow or encourage sugar to be produced in other States. This type of hypocritical propaganda is to be ignored. These critics well know that any State in the Commonwealth can grow and manufacture sugar if it wishes to do so. But it would be most difficult to do so without Federal Government policy assistance.

Labor believes that the present, well organized concentration of controlled efficient sugar production in Queensland and Northern New South Wales is in the best interests of the nation. There is no economic justification in expanding less efficient sugar production in other States which would only weaken the overall viability of sugar production in Australia.

Federal Responsibility to Negotiate International Agreements

A Labor Government will ensure that the national Government takes full responsibility in co-operation with the relevant States, for the negotiation of all international sugar agreements including the

important and very delicate implications of the relationship of the Commonwealth Sugar Agreement to the policies of the European Common Market.

TROPICAL FRUITS

Labor emphasises the need for caution in too rapid an expansion of tropical fruit production unless this expansion is related to realistic domestic and overseas' market demand.

Where export surpluses are involved a Labor Government would be prepared to implement stabilized schemes to provide stability to growers.

Decentralized Fruit Processing

Labor recognizes the need to establish decentralized tropical fruit processing works especially in Central and North Queensland. Experience has shown that Country Party administration does not encourage the establishment of processing works employing large numbers of workers in Country Party held State or Federal electorates.

A Labor Government will assist through the Reserve Bank in providing loan funds to establish soundly based processing works in the interests of industry efficiency and decentralization.

COTTON

The discrimination shown by the Country Party against cotton producers, as compared with the hand-outs to other more politically significant industries, is to be deplored. As cotton growers have little electoral importance to the Country Party they are being blatantly discriminated against.

The phasing out of the cotton bounty cannot be justified unless similar treatment is given to other primary and secondary industries.

Labor recognizes that export opportunities for Australian cotton is seriously affected by U.S. policies which include heavy export subsidies. These export subsidies substantially lower the true world price for cotton to the disadvantage of potential export countries like Australia.

A Labor Government will not discriminate against the cotton industry as regards differential subsidy policies and will encourage it to operate within controlled levels of production.

Labor will assist the cotton industry to negotiate with the Japanese market which is the world's biggest importer of raw cotton.

Labor cannot accept the argument that if Australia sells raw cotton to Japan it will incur the displeasure of the powerful U.S. cotton lobby.

Efficient Production

Experience has shown conclusively that Australia can produce quality cotton under large scale irrigation equally efficient as the best cotton areas in the U.S. More importantly, Australia's intensive irrigation areas can produce quality cotton at a significantly lower cost of production than in the U.S., principally because of the lower costs of land and water.

POULTRY

A Labor Government will initiate a comprehensive evaluation of the benefits and costs of C.E.M.A. particularly with respect to its effects on overproduction, efficiency of egg production, stabilized marketing, benefits to North Queensland growers and the general economic welfare of the commercial poultryman.

If the investigation shows that a national stabilization scheme incorporating controlled production principles in relation to realistic aggregate market demand is desirable, Labor will negotiate with the industry and the States for a Stabilization Scheme.

PIG PRODUCTION

Labor believes there is need for an expansion of physical and economic research activities associated with pig raising.

If pig producers are to be responsible for financing a proportion of research programmes Labor believes that bona fide pig producers should be able to express their opinion on the levy before any legislation is enacted.

COARSE GRAINS

The economy of coarse grain production is directly dependent on the type of farm enterprise conducted—specialist, supplementary or competitive with wheat, wool or other forms of production.

At the same time the economics of coarse grain production can change dramatically depending on the supply and pricing problems of wheat and the proximity to livestock areas in drought.

International evidence suggests that there will be a strong demand for selected coarse grains in Asian markets, principally grain sorghum. Labor recognizes that there is tremendous scope for efficient sorghum production in Australia. Very heavy yields can be obtained in the northern half of the nation through ratoon cropping.

A Labor Government will explore the practicability of implementing a stabilization scheme aimed at smoothing out the violent fluctuations which occur in coarse grain prices, although the serious difficulties of implementation must be admitted.

The pattern of grain sorghum production and marketing in Australia indicates that a price stabilization scheme for the export proportion of production would be a practicable proposition.

FAT LAMBS

There is a pressing need for an overhaul of export pricing arrangements particularly in relation to more specific lamb export gradings.

A Labor Government would be prepared to negotiate with the industry a price stabilization scheme for export lambs in order that a greater degree of income stability can be achieved.

Labor recognizes there is need to maintain continuity in lamb exports to many Asian markets which have the capacity to develop into stronger markets with careful promotion and nursing.

A Labor Government will co-operate with the Australian Meat Board in ensuring continuity of specific grades of lamb to those developing export markets which indicate a sound potential.

RECOMMENDED ADDITIONAL READING:

"OPERATION BANKWATCH" by Jim Cronin. This is the account of the remarkable grass-roots campaign to protect primary producers against predatory banks on the Eyre Peninsular of South Australia. For the first time ever, irresponsible banking policies were successfully resisted by desperate farmers. \$4.00.

"The Story of the Commonwealth Bank" by D.J. Amos. Forgotten history of how Australians used their own credits to finance important projects without debt. \$6.00.

"The Money Trick". The original illuminating text-book on the creation of credit, the nature of money, inflation and taxes. Provides answers to questions of finance which are otherwise mysteries. \$6.00.

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