

NSW CENTENARY OF FEDERATION COMMITTEE Barton Lectures

THE CITIES OR THE BUSH: IS THAT THE REAL PROBLEM?

Barton Lecture No. 3

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I acknowledge the Wiradjiri People, the traditional Aboriginal owners of the lands where we meet, and offer my respect to their Elders and to their living culture.

Australia's Aboriginal culture is the oldest surviving culture in the world. I would like to borrow from it and tell you my story so you have a context in which to judge my comments today.

I was born in north Queensland, where the closest capital city is Port Moresby. I went to school and university in Brisbane, which is as far from Cairns as it is from Melbourne. My degree is in drama and literature, which no doubt was of some help later on the political stage.

I was a city boy - at least as far as Brisbane qualified as a city in the sixties. Many would argue that it did not achieve such status until after the Commonwealth Games and Expo. My father died when I was young and my mother worked to ensure my sister and I attended private schools. She believed that a good school (not only a good education) was essential to our future prospects. Ours was not an affluent household.

My university days were coloured by sixties "flower power", a lot of heady but ultimately impractical debate, theatre and some radicalism - the Springbok demonstrations, anti-Vietnam marches. In those days, young people still believed it was possible to change the world.

After I graduated, I moved to Nimbin for the Aquarius Festival - Woodstock - and enjoyed being a hippie for a while. I sometimes still wonder what I'm going to do when I grow up.

In 1974, I moved to Rockhampton, became a journalist on the local newspaper, and ended up on the staff of a Minister in the Whitlam Government. I helped set up a Labor Government public relations machine to take on the Bjelke-Petersen Government. The Cattlemen's Union was formed in 1976 as a break-away from the established Graziers Association. They wanted a PR operation and offered me a job. Whitlam had been sacked, I was at loose ends and so I took the job. That changed my life. It started my apprenticeship in rural politics, one I might say that never has ended.

I worked for the Cattlemen's Union for 10 years and became its Executive Director at the age of 26 - with my liberal arts, hippie, ALP background. They were brave men, those leaders of the Cattlemen's Union.

I went from Rockhampton to the National Farmers Federation in Canberra for another 10 years and was Executive Director for 7 of them. Some people thought I was "the leftie from the right".

During my 20 years with farming organisations, I saw and learned a lot.

I saw the face of rural poverty up close - stalwart families who opened up brigalow blocks with minimal capital, only to see beef markets collapse when Japan closed its markets after the oil shock. Many were living in tin sheds with earth floors, young kids and a car seat for a lounge. Not the common view of a pastoralist.

I saw the class differences and bitter splits between the established graziers - mostly woolgrowers and the large cattle companies and the farmers and small cattle operators. Part of the folk lore was that you could always tell the difference between a grazier and lesser mortals by their boots. Graziers had leather soles because they never got off their horse.

I saw fierce internal farm sector debates about protection and tariffs. In general, those industries operating on the domestic market wanted some protection, while exporters, who paid for it, wanted protection reduced. Every farmer wanted a more flexible labour market.

I saw the sector come to understand and accept that protection was the trade-off for centralised wage-fixing. If there was to be more competition in the labour market, there had to be more competition in product markets. Two of the pillars of the post-Federation 'Deakinite settlement' to which Paul Kelly refers in "The End of Certainty" had to be dismantled together.

I saw the pain that goes with industry deregulation - in the sugar industry, the dairy industry, the grains industry, the citrus industry and finally in the wool industry. Many people went broke, empires collapsed, and the social structure of rural and regional Australia changed enormously.

I saw industries grapple with the impact of changing from a fixed to a floating exchange rate and the rapid development of a much more international market place, propelled by the communications revolution. More people got left behind, not only in the regions, but throughout the national community.

I saw the costs of environmental degradation hit home. The farm sector started to calculate losses in potential production and to focus on the need for more sustainable management of natural resources. That prompted the historic negotiations between the NFF and the Australian Conservation Foundation, which led to the national Landcare program and the Decade of Landcare. It also generated even more pressure for changes in enterprise management.

I saw the Mabo judgment and the legal reality of native title - another major and long overdue change in the nature of relationships in rural and regional Australia.

I left the NFF in 1995. Since then, I have shifted from the macro to the micro - from the somewhat rarefied heights of national policy to trying to achieve change at local level. I now work in the area of land use agreements, where industry needs to accommodate native title rights and environmental safeguards. It is much different to what I used to do. For the last 10 years, I have been heavily involved in the reconciliation movement because there is no other choice about race relations that is acceptable to me. I have seen the generosity of Indigenous People as they continue to offer us the gift of their culture while everyday they feel the deep pain of social injustices that shame us all.

It is my honour today to present one of the Barton lectures as part of the Centenary of Federation. I must warn you that I am not an historian, not even an academic. All I can do is share with you some of the understandings I have come to from my range of experiences. I can not speak for other people and therefore speak only for myself. The cities or the bush ñ is that the real problem? I don't think so. I think the real issue is how Australia manages the forces of inevitable and ever faster change. There are problems that are common to the capital cities, regional cities and rural areas. They no doubt will have new prominence in the wake of the Western Australian and Queensland elections, but they have been around since Federation, although more acutely since the big economic decisions of the eighties.

I shall begin by reminding you that the three practical forces that shape our communities are the inter-related forces of landscape, employment and population.

First, the landscape helps to shape our communities. The saltwater people are different to the desert people. Water catchments define regions of common interest because water is the most precious commodity in the driest continent on earth except Antarctica. Two thirds of our country is arid or semi-arid. The most hospitable country, where there is relatively secure rainfall, is on the east coast and in the south-east and south-west corners. That always will be where most people want to live.

Second, there has been a major shift in employment since Federation away from primary industries and manufacturing towards service industries. Primary and manufacturing industries' share of employment has fallen over the century from one third to about 6%. Services now account for well over 85% of total employment. That too has shaped our communities. Service industries need population to be concentrated, and employment has been falling in rural areas.

Third, as a result of those landscape and employment pressures, population has shifted over the century to larger centres and towards the coast, where it is most attractive to live. At the time of Federation, almost half the population lived in communities of less than 3,000 people and 40% lived in rural areas. By 1996, only 18% lived in these small communities and only 15% lived in rural areas. More than 80% lived within 50 kilometres of the coast.

The capital cities always have accounted for a huge slice of the population, but regional cities also have grown substantially since Federation. Indigenous people are becoming a bigger part of remote communities. Australia's national identity, as Donald Horne has identified, now is more about the beach than the bush.

The social structure of rural and regional Australia therefore has been undergoing profound change over the century. Population has shifted and concentrated, reflecting employment opportunities, and infrastructure has followed.

Middle sized family farming enterprises are under the most pressure. They either are being amalgamated for economies of scale, or carved up as hobby farms around regional cities.

In January, the Australian newspaper carried a feature article, "Bitter harvest burns sugar" which dealt with the problems encountered by the small South Johnstone sugar mill in north Queensland as it attempted to adjust to world markets. It had gone into receivership owing \$25 million.

Just two weeks later in the same newspaper, there was another feature article that quoted Janet Holmes a Court: "Everyone in farming in Australia realises it's a new ball game. It's not all about hands in the dirt, it's about hands on the computer. It's not about talking to your bank manager - most have disappeared. It's about talking to your rural adviser and scientific adviser."²

The same article reported that Stanbroke Pastoral Company, the largest landholder in Australia and the biggest cattle producer, was well down the road to vertical integration, owning its own feedlots and abattoirs. Kerry Packer's cattle company, Consolidated Pastoral Company, also was reported as vertically integrated, with its own breeding, fattening and abattoir operations.

That's the changing face of rural and regional Australia. The ruling equation is how best to operate in the international market place. If you can't get better or get bigger, get out. And there is no going back. Our nation simply is too small to stand apart from the rest of the world. While we have a population of 20 million people, we have a small domestic market so our companies have to export in order to grow. Our small population also translates into a small tax base, so the levels of support and assistance available from our government are much lower than the levels available to countries with large populations.

The major economic decisions of the eighties - to float the Australian dollar, deregulate financial markets, reduce industry protection and free up the labour market - were inevitable and they are irrevocable. They recognised finally that Australia had no option but to become part of the growing international market place. Change always has occurred in Australian society, but the pace now is accelerating. The competitive environment in which Australia has to operate is evolving ever more rapidly. The Chief Scientist has noted: "Thirty years ago, knowledge doubled every fourteen years - it is now doubling every seven years. Not only is the speed of discovery increasing, but the rate at which knowledge is applied also has become more rapid."²

As change continues to accelerate, groups in the community have been left behind - not only in rural areas. They are concentrated around primary and manufacturing industries, where employment has fallen in relative terms.

In my view, there is a community of interests between smaller farmers and those displaced in the restructure of manufacturing industries - between, if you like, elements of the bush and the outer suburbs of the capital cities. Both have been hurt by the pace of change. Both have been unable to find a place in the new international world. This assessment is shared to some extent by the Business Council of Australia, which has noted:

"In terms of income distribution between 1982 and 1997, every income group has improved its position with income gains exceeding price increases. In relative terms, the top and bottom of the distribution have done better than the middle."²

In other words, the rich are getting richer, the poor are being helped up, and the group in the middle can see the rich getting further away and the poor coming closer.

That is a recipe for frustration, bitterness and anger. I think we now are seeing a new politics of the powerless. There are many people in the community who believe they have lost control of their lives, through no fault of their own, in the whirlpool created by

internationalisation of Australia¹'s economy and markets and the communications revolution. They feel left out and want to lash out.

In perhaps one of her more intuitive statements, Pauline Hanson said last month she didn't only want to keep the bastards honest, she wanted to get rid of the bastards. She is a touchstone for the politics of the powerless because they know they can't change things, they just want revenge. One Nation is the vehicle. I believe the real problem is not the cities or the bush. The real issue is how to ensure that as a nation we shape the way in which we have to react to change more effectively and provide equal opportunity to share in its benefits.

It's not as simple as the bush versus the cities. The problems are common in the bush, some regional cities and the outer suburbs of the capitals. They have developed over the century, but became much more severe after the big economic decisions of the eighties - particularly floating the Australian dollar and reductions in industry assistance. They were compounded by the mostly laissez-faire / let the market rule approach to their social impact adopted by successive governments.

An issue associated with how we manage change is the relative depopulation of the bush over decades. Population has shifted towards the coast, regional cities and the capitals, driven by the landscape and jobs. If Australia wants to change that, the landscape and jobs are the keys.

Change affects the entire Australian community. Many groups are caught in the fall-out. Many would argue that their issues deserve public priority eg: how to give new hope to the youth of the nation and reduce youth suicide and involvement with the criminal justice system;

- a more efficient tax system;
- how to deal with an ageing population;
- funding of private and public education;
- a more efficient health system;
- Indigenous land rights and a treaty;

But in today¹'s political circumstances, there is a good chance that the issues of on-going structural adjustment in the primary and manufacturing industries and the relative depopulation of the inland will receive close attention. That being the case, it probably is helpful to think about an agenda for the process. Others also will have many valuable suggestions.

The first agenda item should be sustainable natural resource management. In many ways, it is the defining issue. Care for country is basic to the survival of our entire nation, not just particular sectors.

Without more sustainable use of natural resources, the ability of the country to support families and communities will be reduced even further. If we want to improve the long-term survival chances for industry, and therefore our ability to manage change, we have to look after the natural resource base and particularly water. We're not doing a great job.

Land degradation is extensive. In 1999, around 20% of farms experienced some form of land degradation, 16% reported productivity declines and 10% removed land from agricultural production.

Around 2.5 million hectares of land currently are affected by salinity, which in time could rise to over 15 million hectares.

Weeds cost over \$3.3 billion in lost production each year.

Nearly 90% of temperate woodlands and mallee have been cleared, resulting in loss of biodiversity. Large scale clearing continues, particularly in Queensland, despite clear evidence that this increases salinity.

There are increasing concerns about water quality and there is not enough water in some of our river systems to meet the combined demands of agriculture, human consumption and environmental flows.

The cost of arresting these trends is enormous, let alone remedial action. The Murray Darling Basin Commission says it will be impossible to reverse salinity in some areas of the basin.

If comprehensive action is to be taken, there have to be permanent partnerships between landholders and government. Neither can do the job without the other and it will take a long time. The partnership has to include long-term public funding so landholders have the confidence to change their management practices. That implies the support of all political parties.

The National Farmers Federation and the Australian Conservation Foundation estimate the cost of necessary work at around \$60 billion over 10 years. They propose that government meet half the total. The other half would come from landholders and industry.

To build on that proposal, Phillip Toyne and I, in a paper for the Australia Institute last year, suggested a 1% tax levy to raise the government's \$30 billion. That would be a transparent mechanism to raise public funds in the long-term.

I choose to believe that the electorate would support such a levy, providing they were confident it would be used effectively. There are many precedents for a special purpose tax levy, including the Medicare levy.

How we price natural resources deserves very close attention. Until the costs to environmental capital are clearly identified, management of our industries is incomplete. There is no environmental account in the national account. Water is our most precious resource, but markets now are inaccurate and incomplete. There are different pricing regimes on different sides of the River Murray. There is no pricing regime on the giant Fitzroy system in the Northern Territory. Emission markets also are not fully developed. The question then of who pays once costs are identified is a separate matter for community and political debate.

The second agenda item is infrastructure. If industries are to compete as successfully as possible on international markets, they must have access to efficient public infrastructure. However, the Institution of Engineers in 1999 expressed considerable concern about this.

The Institution issued a report card in nine categories from national roads to planning. The highest mark was a C. There were five Ds. The Melbourne / Sydney / Brisbane

railway system rated F. The report found major problems with the road and rail systems, water supply and sewerage not just in rural and regional areas, but in the cities as well. Clearly, upgrading of national infrastructure is overdue and would have benefits across all industries. Everyone's competitive position would be improved. Rural and regional areas would derive additional benefits to the extent that they now are disadvantaged. To be effective, there would need to be cooperation and integration between all levels of government. National markets offer the greatest efficiencies and strong inter-linkages are necessary to develop them. That in turn argues for initiatives to be developed by the Council of Australian Governments (COAG). However, COAG would have to be strengthened as the current Prime Minister has not relied on it much to date.

The costs of any such exercise would need to be transparent and taken into account by government and the community. The costs will be high and those with other policy priorities legitimately will want public debate about value for money. Communications are another important agenda item. Equal access to information and service flows is another critical factor in dealing with the relative depopulation of the inland. As markets have internationalised, access to efficient communications has become essential. Without it, industries are at a serious competitive disadvantage. That plainly is the case in some rural and regional areas where there is no mobile phone coverage and restricted internet access. In those areas, the capacity of businesses to compete is reduced substantially. So is their capacity to protect and create jobs and retain and attract population.

Adjustment packages are also important. They can be targeted to industries and regions experiencing particular difficulties. Regions also can be targeted for special development. There are many such examples since Federation – motor vehicle plans, steel plans, the brigalow schemes, Albury/Wodonga and so on. The packages can include things like access to discounted capital, tax incentives, education and training, provision of infrastructure and research and planning.

Elements of the primary and manufacturing industries have a legitimate case for special adjustment assistance. They were left largely to fend for themselves after Australia's markets were opened in the mid-eighties. The social impact of change was managed woefully by government in many areas. Their position now raises important national issues, not least the relative depopulation of the inland.

If the issues are to be addressed, once again an integrated approach by all levels of government would deliver the most benefits. The Commonwealth, States and Local Government all have programs that could be applied. COAG again would be the most logical vehicle and particular regions could be targeted according to an assessment of needs.

For this to occur, the national community would need to agree to give priority, both political and economic, to the problems of the primary and manufacturing industries and to some regions of Australia. There would need to be a national debate where those with other priorities could put their case. Costs would need to be understood clearly. Government should only be prepared to proceed where there is a clear mandate for action. The support of all political parties would be necessary because programs would have to extend well beyond the normal budget process.

Local ownership and delivery is also an important agenda item. From the recent State elections and public opinion surveys, we know that a lot of people feel disconnected from governments and public institutions and absolutely frustrated about their ability to control their lives. We also know that the most effective government programs are those which reflect the priorities of the local community and which are owned by the community.

The concept of giving communities some control of government programs in their region therefore should have some attraction. It could serve both to engage those who now feel shut out and improve the ownership and effectiveness of the outcomes.

Noel Pearson is discussing an exercise like this with the Beattie Government on behalf of Aboriginal communities on Cape York. He calls it the "Partnership Program."² The principle is to regionalise program administration, identify all the ways government is dealing with the community, and give the community some say in priorities and how the programs are delivered.

Regional administration and delivery of programs by all levels of government, with some community control, certainly appears worthy of further discussion. Water catchments can help to define natural regional boundaries. It would have the added dimension of government and public institutions being seen to reach out for the disaffected in the community, and trying to heal divisions that clearly exist.

Once again, it would be logical to approach such an exercise through COAG because all levels of government have some programs in the same areas.

At the end of the day, when everyone else has packed up and gone home, it is the people in the community who have to live next door to each other and deal with each other. If they are not happy with the outcomes, there will be no final resolution of the issues and government and politicians will continue to have a big problem.

In relation to Native Title, my experience has been that after some initial hysteria, developers are learning how to deal with native title, although with some extra costs. Indigenous communities are not opposed to development ñ in a lot of cases, it is their only chance to develop their own economic base.

Companies have developed new skills, just as they had to do for environmental assessments. Their preferred approach usually is to reach an agreement with Traditional Owners, recognising that they have the same community obligations to Indigenous people as they do to other groups. In a more pragmatic sense, they also recognise that it is better to front-end load their risk and devote some resources to negotiated outcomes in the first instance, rather than face the prospect of litigation over the life of their project. This is particularly the case where companies expect to do repeat business with Indigenous communities.

The desire of companies to reach legal agreements about native title now generally exceeds the capacity of Traditional Owners to respond: traditional boundaries have become blurred by dispossession so identifying the native title group often is difficult; genealogical research has not been completed before many native title applications are lodged so defining the native title group also is difficult; Native Title Representative Bodies are not in a position to devote significant resources to agreements. Their main priority is test cases to extend the law; many Indigenous communities do not have corporations that can deal commercially with developers and government, and that can hold native title rights and interests.

Government also has its own gaps to fill on native title. Some States still have not fully resolved the evidence they require before accepting groups as legitimate claimants for the purposes of an agreement. Some still have to develop efficient protocols between their agencies to consider and sign off on agreements.

Negotiated outcomes about land use obviously are the best result for everyone. There is community ownership of the results, costs are reduced and the benefits of development are shared. It therefore would be sensible to devote greater public resources to facilitating native title agreements. Native title clearly is a factor in managing change in many inland areas.

The most important step would be for everyone to look forward. There certainly have been mistakes made in the past, but they are in the past. The most relevant question is what should be done to fix them so work can begin on a forward agenda. The politics of revenge can only go so far. Eventually, people have to roll up their sleeves and get on with the real job, which is to find some solutions. There really is no other alternative. Internationalisation of trade, capital and information will continue. Australia can't stop it and we are too small to remain as an isolated fortress economy. Change will occur faster and faster ñ consider the recent breakthroughs in gene mapping and the possibilities they raise. Australia has no option but to swim in the international whirlpool and our industries will have to continue to adjust.

The issues are tremendously complex. Many of them have been around since Federation. The shifts in employment and population certainly have occurred over many years. The accelerated pace of change since the big economic decisions of the eighties has brought many issues to a head. Because social impact has been dealt with poorly, there has been a loss of public faith in the central institutions of society. Just get rid of the bastards. That confidence must be restored or Australia will take the first steps towards anarchy.

Part of the challenge is to provide the leadership and vision necessary to chart these waters. Leadership needs to be at many levels ñ certainly from the Prime Minister and Premiers, but also in the regions, from business, trade unions, Indigenous people and learning institutions.

A coordinated national effort, in which everyone looks forward, would be in Australia's best interests. We have little enough resources as it is. It makes no sense for our communities to diminish our potential national effort by indulging in vendettas. The tasks would be easier if there was a set four-year term of federal government. The current arrangements limit the viability of long-term initiatives to address structural change. The benefits don't necessarily emerge during the effective two-year political cycle and it is difficult to achieve a bi-partisan approach to major issues. There is more opportunity to shape the impact of change where the term of government is longer. Some of the States already have four-year fixed terms, so there are working precedents for the Commonwealth Parliament.

In conclusion, I think the value of the Centenary of Federation is the opportunity it provides to reflect on our history and where we go from here. I sincerely hope that opportunity is not by-passed and wasted. There are many important issues for Australians to consider.

The cities or the bush is not the real problem. The core issue is how we all shape and manage the impact of change and internationalisation on our communities. Change has been occurring throughout the century. At the time of Federation, almost half our population lived in small communities. Many of them have disappeared over time. It is not a new trend. Population has moved consistently to regional cities, the capitals and towards the coast. Over 80% of the nation now lives within 50kms of the coast.

Population has shifted in response to landscape and job pressures. Primary and manufacturing industries have declined in relative importance since mid-century and service and information industries have grown. The new growth industries are based in population centres, particularly along the coast where rainfall is more reliable and the country is most hospitable.

Government managed the social impact of the big economic decisions of the eighties very poorly. As one result, there are elements of primary and manufacturing industries that have not been able to adjust fully, and whose share of national wealth has been reduced.

They tend to be in particular regions, so the impact is not spread evenly across all regions. They are not confined to rural areas. There are common adjustment issues in the bush, some regional cities and the outer suburbs of the capitals.

Those people have a legitimate gripe. They have been left behind and their predicament raises a lot of very important issues, including relative depopulation of the inland. There are things that can be done to help them – better resource management, infrastructure, communications, adjustment packages. It is possible to provide targeted assistance to particular regions.

But for that to occur, there needs to be a national debate about the directions we want to take as a nation – the priorities for political and financial capital. The cost of initiatives for particular regions would need to be identified clearly and interest groups with other priorities should be able to state their case.

However, the issue of sustainable use of natural resources is a stand-alone issue. It should be on every agenda because it is a national priority, as well as a priority for particular regions. Australia has a unique opportunity to take a holistic approach as ours is the only continent inhabited by a single nation.

The Centenary of Federation provides an opportunity for that sort of debate, but it requires sophistication as a nation. It can only be productive if everyone is prepared to look forward, to concentrate on solutions and outcomes, not revenge. Part of looking forward is to recognise the issues we all have in common, rather than concentrate on things that divide us. Every Australian is touched by at least three fundamental issues: how we look after our land and waters;

how Australia shapes its involvement in the international market place;
how the pain and benefits of change are shared by people and families.
The national spirit in which we all responded to the Olympics, particularly the huge volunteer effort, shows our capacity to pull together.

There clearly are political pressures now for the needs of particular regions to be addressed. The marginal nature of many regional federal seats and the preferential voting system have created a political asset for some. But in my view, it would be foolish for politicians to automatically accept that these areas of the community should have public priority. There will be many who want to debate that proposition and they must have the opportunity. Unless they do, the outcomes will be tainted and lack the community mandate essential for long-term structural adjustment.

Leadership is a key ingredient to finding solutions. It needs to come at many levels of our society. Australia is a small nation and cannot afford the indulgence of internal division as we try to carve a place for ourselves in the international economy. Neither, it seems, can political parties and partners afford division and instability.

A holistic approach to managing change needs to be developed by government at all levels. Every level of government has a role to play. COAG is the natural vehicle for this process and can be used to a much greater degree.

Finally though, Australians should think about the soul of our nation. Our future is not just about economics and population trends. The country - the land and waters - sustains us all. If the country is sick, it can't support us as well. If we don't care for it, it can't care for us.

If the country is sick, the soul of our nation also is sad and diminished. Our enthusiasm and energy as a nation fall. Our faith in ourselves and our national confidence are sapped.

I think there are two areas where we can do much more to nourish the core of our national identity. Our land and waters now are badly degraded and we need to manage them much better. The country is sick for that reason.

The country also is sick in its spirit because there are disputes over it. The different interests of the First Peoples and those who came later have not been reconciled yet. The First Peoples have special rights and interests arising from their unique position. Until they are accepted and respected, the cultural fabric of Australia is incomplete and our soul will stay sick.

So the real problem is not the cities or the bush.

The real equation is how the Australian national community manages change, respecting the interests of all groups in our society. We have not been very good at it so far.

We now have another opportunity, offered by the Centenary of Federation, to consider what our national directions and priorities should be and to forge a national effort to achieve them. The nation did that at the time of Federation and it is well past the time to do it again.