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Review

Shifting to Certainty?: Australian Rural Policy in 1987

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This article describes the Commonwealth Government's rural policy activities over 1987. In that year, policy was shaped by three interrelated factors: the uneven but marked recovery of commodity prices and the associated diminution of the urgency and political intensity of the "rural crisis"; the Government's survival in the election; and the gradual transformation of policy emphasis from intermittent "political" crisis management towards managerialist and microeconomic efficiency reforms. The intensity of rural politics declined sharply after the election. The amalgamation of the Department of Primary Industry with the Department of Resources and Energy dominated the continued restructuring of rural policy institutions. This restructuring, together with the broadening of the scope of rural policy and the preoccupation with deregulation and economic efficiency, were the incrementalist motifs of the shift towards managerialism.

1. Introduction

The major factors affecting rural policy in 1987 were the levelling off of the 1985-86 agricultural commodity price slump and the July election. Both turned to the Labor Government's advantage, allowing some scope after mid-year for policy-making relatively free of the intense political pressure of the previous two years.

The year saw the Government persist with the two basic rural policy thrusts defined in the earlier phase of its rule: the widening of the scope of rural policy from its "traditional" coincidence with commodity policy to encompass rural communities, and the pursuit of policy rationalisation, in administration as well as economic management.

This brief description overstates the degree of change instituted by the Government. For example, previous non-Labor governments had implemented policies that advantaged rural communities; the cross-subsidisation of rural roads and telephone users are two obvious illustrations. But this Labor government alone has developed an integrated policy set that sought to take into account the whole gamut of social and economic aspects of rural policy. The creation of the Rural and Provincial Affairs Branch in the Department of Primary Industry and Energy institutionalised this change in the policy field.

Particularly after the election the emphasis in economic management turned to microeconomic "efficiency" issues. Rationalisation, deregulation and cost-recovery became the catch-cry of the second phase of the Hawke Government's restructuring of the Australian economy. Consequently deregulatory and efficiency issues will provide the major common thread through this review. In fact efficiency had been a dominant objective of governmental rural policy since Kerin became the Minister for Primary Industry in 1983. Its adoption as the central thrust of governmental policy in July 1987 strengthened the Minister's hand.

The directions of rural policy implementation continued incrementally to follow paths estabished by Kerin in the first years of the Hawke Government. The emphases were threefold: the creation for each commodity of policy councils and marketing boards that incorporated the producers but were not dominated by them; the devolution of accountability for the day-to-day management of the industry to these authorities; and the insistence that they manage their industries on an economically efficient and internationally competitive basis. The post-election amalgamation of the Department of Primary Industry (DPI) with the Department of Resources and Energy both concentrated and (temporarily?) confused these objectives.

The year also saw the emergence and consolidation of some issues that are going to be increasingly important in rural policy in the future, notably the general question of Australia's physical resources. Conservation issues will soon profoundly affect the political context of rural policy. And water conservation and soil degradation promise increasingly to preoccupy the agricultural policy planners over the next decade.

For comparative purposes, this article follows the format set in the review of 1986 (Gerritsen and Murray 1987). The first part details the "recurrent" policy development pursued during the year. Recurrent policy-making happens

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mainly in the formal institutional structures of the rural policy field and deals with matters that occur with regularity or predictability. Intermittent policy-making is crisis management, a reaction to unexpected events like the collapse of the dairy plan. It is unplanned; administratively diverting; often focused on a particular "problem"; and usually attracts excited media attention, thereby exacerbating the difficulties of its resolution.

2. Recurrent Policy

The easing of the intensity of the "rural crisis" during 1987 allowed less-interrupted policy attention to the on-going Labor agenda of rural policy reform. As in the previous review, for convenience we have grouped recurrent policy-making in 1987 under five headings: infrastructural and institutional developments; marketing organisation; advisory processes; fiscal developments; and industry regulation and management.

2.1 Infrastructure/Institutional Developments

Rural policy has a great deal of administrative continuity. It has always been a Federal-State affair. This is both because the States manage, share or part-fund many Commonwealth programs such as Rural Adjustment and Natural Disaster Relief arrangements, and because the States have their own extensive departments and research activities in the sector. The necessity of intergovernmental cooperation has long been recognised through the Australian Agricultural Council (AAC) and the Standing Committee on Agriculture (SCA). The Council is a Ministerial body, comprising all Commonwealth and State Ministers, and is the oldest such Ministerial Council in the Australian federal system, being founded in 1934. The Standing Committee comprises the senior or, in the case of its numerous sub-committees, the relevant departmental officials. The Committee meets immediately prior to the Council. In more recent years the Council has become a cooperative forum where "party" politics are generally eschewed. This outcome is achieved through the operations of the Standing Committee. Its officials meet and normally sort out issues before the Council meeting. Conflicts are thus customarily resolved away from the spotlight of the media and the exigencies of electoral policies. The Standing Committee is an effective structure to deal with emergencies such as, in 1987, the chrysanthemum rust and potato nematode outbreaks. The wide range of the Standing Committee's sub-committees is able to bring the full range of Australian agricultural expertise to bear on any question.

The Council is a "legitimating" body, where the common courses of action decided upon by negotiations between State and Commonwealth departmental officials can be publicly announced. It can thus usually function free of the otherwise irresistible electoral attractions to all parties of Federal-State conflict.

However, in 1987 most institutional change in the rural sector arose as a result of the major departmental shake-up after the July elections, when the Departments of Primary Industry, and Resources and Energy, were merged to form the Department of Primary Industries and Energy (DPIE). Despite rumours that he wanted a change to Defence, Kerin retained the enlarged portfolio and a Cabinet position. The former Transport Minister, Morris, was made the Minister for Resources and Kerin's junior Minister. The potential for conflict between the junior and senior Ministers as well as problems of coordination were obvious. However the Ministers, while not close personally, avoided the public embarrassments that afflicted other Ministerial pairings during the year.

Any merger of two corporate identities brings problems of dual allegiance, mistrust and defensiveness, as well as opportunities to remove duplication and achieve coordination over a wider policy field. The merger to create the new DPIE led to some reported feeling that the agriculture core of the new department was weakened (*PIN*, No. 1083, 11 January 1988). The former DPI Secretary, Miller, left to become Associate Secretary of the Department of Foreign Affairs and Trade. This meant that the Secretary of Resources and Energy, Evans, became the DPIE Secretary and McGaurr, formerly Secretary of the Department of Special Minister of State, the new Associate Secretary. Neither Evans nor McGaurr had a industry background. As well the former DPI was under-represented in the first two levels of the DPIE hierarchy having, in Fitzpatrick, only one of the four Deputy Secretary positions. Many departmental officers felt a power vacuum was thus created, with a relative loss of access to the top decision-making levels, while former Resources and Energy executives, unfamiliar with rural issues, inclined towards their previous constituencies' agendas.

The potentially negative impact of the restructuring was, however, not particularly in

evidence during 1987. This was for two reasons, one organisational and the other more "political". Within the DPIE the priority accorded the broadened Policy Development Division, headed by Core (a DPI division head), which was responsible for cross-commodity and "global" issues, kept primary industry issues on the bureaucratic agenda. The second, "political", reason was the continuity at the Ministerial level and of the staff within Kerin's office. This maintained a high level of rural issue expertise at one of the important decision nodes of rural policy.

Rural policy-making under the post-July arrangements thus depended upon a balance between bureaucratic decision-makers—in a department whose upper echelons were not sympathetic to "traditional" rural concerns—and political decision-makers, the latter led by an informed and determined Minister. Inevitable tensions exist in any case between these "political" and "bureaucratic" interests, especially in areas of discretionary decision-making. So the new structure certainly placed more stress on department-Minister relations. Perhaps the only certain conclusions that can be drawn from all this is that continued commitment to rural issues is heavily reliant upon Kerin and his team of advisers.

So that this may not be seen as too pessimistic a judgement, it should be acknowledged that there are important policy advantages in bringing infrastructure issues under a single portfolio's control, which should eventually enable the rural sector to grasp some of the "post-farm gate" problems that have bedevilled the cost-efficiency of Australia's agricultural export industries. Work practices, transport and handling decisions can be implemented in a unified manner, for example, after the Grain Handling Royal Commission's findings are brought down in 1988. There is advantage too in seeking comparative solutions to the perennial questions of input prices, value-adding, finance provision, and enterprise viability across a range of export-earning industries and free of the previous barriers of differing departmental agendas. For example, negotiation of the workforce reduction package for the coal industry has provided valuable experience to the new Department for the inevitable restructuring of grain transport and handling to come in 1988.

Representative of the complications attending the new arrangements was Kerin's inheritance as Energy Minister of a role in deregulating the oil price, which fitted the macroeconomic strategy of the government but was poorly received in the rural sector. The division of powers between DPIE, the Department of Industry, Technology and Commerce, and the Australian Customs Service on questions concerning manufactured fertilisers also remains an unwieldy set of instruments to administer an important farm input.

The continued evolution of Industry Policy Councils was another major institutional development of the year. This featured the incremental shift to these bodies of day-to-day policy-making, such as the setting of producer wool prices with only formal reference to the Minister. The use since 1985 of specially-created selection committees to recommend appointments to the various industry bodies was designed to secure the best appointments and prevent the alleged "cronyism" of the past. This "arms-length" industry administration did not come without some industry criticism that the Minister's office was avoiding farm interest groups by deflecting their representations on to the Councils.

1987 also saw the beginning of a general Industry Development and Assistance Review. This review was designed eventually to make an input to the projected governmental microeconomic management statement subsequently scheduled for unveiling by the Cabinet Structural Adjustment Committee in May 1988. The exercise presages the likelihood of major institutional changes during 1988.

Research and information structures

1987 saw the continuing growth of the information advisory services resulting from the new developments in rural and provincial policy. Advisory processes have two aspects: the consumers of policies and programs must be made aware of government measures, and the government must solicit feedback from the public about the efficacy of these policies. The task of information processing is done at a departmental level via its public relations functions, and at the political level by formal and informal consultation (such as the National Farmers' Federation (NFF) meetings with the Prime Minister and Kerin). DPIE conducted several public awareness projects to propound its views during 1987, as well as hosting occasions such as the National Agricultural Outlook Conference and the Albury Rural Australia Seminar. Other client/public information activities were the

"Gold Book" (Miller 1987) with its associated debate, and the World Food Day essay competition which was held across all Australian secondary schools. Another continuing information dissemination activity was the Rural Policy Action pamphlet series on primary industry policies and programs. These attracted favourable attention and were partly distributed (in NSW) by the NSW Farmers' Association.

The Rural Seminar in Albury led also to *The Rural Book* (DPI 1987), a directory produced by DPIE for non-metropolitan Australia and composed of entries from all Commonwealth departments providing services to rural people. As a result of the incrementally cumulative effect such projects often generate, the 1987 Budget approved the provision of $770,000 for the pilot Commonwealth Services Information Project (CSIP), designed to provide on-line the type of information found in the *Rural Book*. If successful, the project was eventually to offer consumer information in any rural bank agency or post office, thereby overcoming the lack of access to governmental services information that disadvantages many rural Australians.

Another initiative was the compilation during the year of a data base on pesticide residues, to assist in isolating the problem regions and in the development of remedial strategies.

The government's emphasis on public sector rationalisation was again in evidence in the area of research. In June the advent of what will prove to be an inevitably protracted process of coordination of rural surveys was announced. In addition to the Bureau of Agricultural Economics' (BAE) Australian Agriculture and Grazing Industries Survey, it was proposed that the Australia Bureau of Statistics would reintroduce the annual Agricultural Finance Survey. To minimise the time costs for surveyed farmers, a number of mechanisms to achieve data compatibility and to control questionnaire overlap were to be installed. The BAE's Dairy Industry Survey and the Australian Horticultural Industries Survey are intended to be incorporated also once the new systems were functioning.

There are now 17 Rural Research Councils operating under the 1985 Act, and one "catch-all" council, the Australian Special Rural Research Council. Much debate on research was carried out during the year, with CSIRO examining its corporate directions with the help of McKinsey and Co., and the new Department of Employment, Education and Training proposing the establishment of an Australian Research Council to focus and determine priorities for research in funding tertiary research institutions. The 150 per cent tax concession for R&D administered by the Taxation Office operated in much the same way as did previous tax concessions for the film industry, in encouraging private firms to invest in R&D or to contract research out to appropriate agencies. Rural research administered by the Research Councils was to cost the Commonwealth some $48.9m in 1987-88, or some 9 per cent of total outlays on the primary industry segment of the portfolio. Total research expenditure by the funds amounted to $97.6m. In future it is unlikely this expenditure will go unscrutinised, especially in the comparative context of minerals and energy research which is funded far more liberally by the private sector and hence cannot as easily invoke market failure arguments.

A major change in the institutional structures of agricultural research occurred in September with the amalgamation of the BAE and the Bureau of Resource Economics into the Australian Bureau of Agriculture and Resource Economics (ABARE), headed by the BAE Director, Bain. This action coalesced the sources of independent research advice to the Minister and replicated the expansion of the Ministry. The reduction of administrative duplication was one long-term advantage, another being the potential for intellectual cross-fertilisation. It is interesting to note, however, that the Bureau of Mineral Resources and the Bureau of Rural Science were not similarly amalgamated, though also under the new portfolio.

Bureau of Rural Science

In March the appointment was made of Rothschild, formerly the Assistant Chief of the CSIRO Division of Entomology, as inaugural Director of the Bureau. Rothschild's appointment was probably influenced by his ability, while at CSIRO, to develop networks of researchers in the State departments and universities. This task was seen as important a role as the Bureau's stated function of improving the standard and application of scientific knowledge within the Commonwealth Department. The Bureau's major task during 1987 was to organise the internal transfer, centralisation and consolidation of the DPIE's agricultural science resources, principally from the fisheries and quarantine areas. This proceeded slowly, hampered by the requirements that the Bureau act as a secretarial agency (for example in administering trust funds) for the

Rural Industry Research Councils. The Bureau also serviced the Advisory Committee for the Plant Variety Rights legislation, which had its first meeting in November. PVR, since its proclamation in March, had become recurrent management, free from the controversy attending it in the previous year.

The general area of rural research is fraught with problems. Fiscal stringency, the hesitant development of the Bureau of Rural Science, the differences in funding structures and objectives for research across the portfolio, the difficulties of coordinating seventeen Rural Industry Research Councils, and a shift of the agenda at CSIRO away from agriculture and towards manufacturing and information technology, are all areas of rural research management that remained substantially unresolved. There is also a case for consolidation and amalgamation of some of the Industry Research Councils.

Rural Australia Symposium

In July the Department of Primary Industry, together with the Rural Development Centre of the University of New England, sponsored a Rural Australia Symposium. This attracted wide publicity and promised to encourage valuable cooperation between government and industry. It also served the government's agenda of expanding the proper ambit of rural policy to include a concern with rural communities and the socio-economic impacts of agricultural and industry restructuring.

Rural and provincial developments

After the July departmental amalgamation, the Rural and Provincial Affairs Unit of the Department was upgraded to a full branch, demonstrating the government's continuing intent to broaden the policy field from its perceived former preoccupation with commodity policy. The new rural and provincial policy innovations begun from the April 1986 Economic and Rural Policy White Paper (Commonwealth Government 1987) were subject to an evaluation of sorts during the year. In June the Department of Community Services, jointly with the NFF, ran a rural "hotline" project. This project discovered that, though the government's new rural welfare programs were having some effect, the populace of rural Australia still did not have enough information about its entitlements to welfare and government services.

The creation and operation of rural counselling schemes proceeded slowly but steadily. By the end of the year, twenty-one schemes were in existence, drawing heavily on rural traditions of self-help. The Rural Women's Access Scheme also provided grants to various communities.

The Department of Community Services cooperated with the Primary Industry rural and provincial programs, its principal initiatives being the establishment of a network of regional rehabilitation centres and its work on the provision of child care services tailored to the needs of rural areas.

2.2 Marketing organisation

The emergence during 1987 of the chemical residues problem with Australian beef underlined the necessity for centralised regulatory powers and for compliance among producers. At stake were $2 200m of exports to the US and Japan. The "crisis" was met with an integrated action plan drawn up and implemented by the Australian Agricultural Council and its Standing Committee on Agriculture. Domestically, the issue provided additional pressure to induce the States to overhaul and rationalise legislation on agricultural and veterinary chemicals.

Despite the residue problem, improving the marketing of, and maintaining and developing the markets for, Australia's agricultural products was a major emphasis of policy during 1987. There was, however, more tangible progress on the domestic front than was realised in the international sphere.

International developments

A tactic devised in 1986, of producing research documents to influence the agenda of international trade, continued in 1987. As a complement to the well-publicised study of the economic distortions caused by the agricultural policies of the European Community (BAE 1985), the Department produced the "Gold Book" (Miller 1987), which focused more broadly on the costs of international efficiency distortions of the agricultural marketing practices of major trading powers.

During 1987 trade improvement was a multi-Minister and multi-trip affair. Kerin visited London, Rome, Brussels, Bangkok and Kuala Lumpur in February, and Rome and Tokyo in November; Dawkins attended the Wheat Exporters meeting in San Diego and visited Washington. The Prime Minister also campaigned overseas on agricultural issues. Formidable difficulties stood in the way of their success.

Short-term self interest persisted as the major obstacle to agricultural trade reform. Japan still saw world trade problems as merely supply/ demand imbalances, and not of its making. The European Community agreed in principle to some reductions in protection, but expected most of the adjustment burden to be borne in the short term by other countries. France offset overproduction by bargain exports, undercutting negotiated US sales of subsidised wheat to the USSR. In the run-up to the US Presidential primaries in 1988, protectionists from the farm belt ensured that the farm crisis took precedence over reform measures, resulting in subsidised sales to "traditional" Australian barley markets in Saudi Arabia and wheat markets in Egypt.

Diplomatic efforts during the year concentrated on reform of world agricultural trade through getting the issue on to the agenda at a number of international fora. Four main targets were pinpointed:

1. The Uruguay Round of Multilateral Trade Negotiations, launched at the GATT Ministerial meeting in September 1986. In 1987, building on the previous year's historic inclusion of agriculture, Australia's objectives covered a number of areas: market access barriers and subsidies in agriculture, and the question of safeguards against discriminatory non-tariff bodies such as voluntary restraint agreements and dispute settlement. Through participation in the market access workshop group, Australia sought to expand negotiations on unbound (*i.e.* domestic) tariffs and on non-tariff barriers (for exports).

Participation in the Cairns Group of nations continued to be an effective lever in negotiations (all 14 members are also members of GATT, with the exception of Fiji), and the Group submitted a joint proposal on reform, seeking early or interim arrangements on the negotiating process, as provided for in the Uruguay Declaration. The initial phase of GATT negotiations (submissions and information gathering) was largely concluded by the end of 1987. The Cairns Group envisaged a three-tiered approach with both standstill and roll-back provisions; a reform program to reduce trade-distorting policies to be implemented for ten years maximum by the end of 1990; and early relief measures, with a pre-emptive freeze in farm support levels to be implemented by the end of 1988 (or sooner).

Australia offered a broad reform package including cuts to tariffs and elimination of quantitative import restrictions over an appropriate period, and looked for reciprocation. A meeting of Cairns Group Ministers was held in Ottawa in May 1987, and a mid-term Ministerial Review was projected for 1988.

2. The World Economic Forum gathering at Davos, Switzerland provided an opportunity for Australia (represented by the Prime Minister) to put a seven-point proposal for reform of world trade as a "parallel program" to GATT and envisaging short term relief consistent with the principles of the Uruguay GATT round.

3. The OECD Ministerial Mandate on Agricultural Trade finalised its joint work program in January, recognising a serious imbalance in markets for main agricultural products, and that domestic support policies were the key to any solutions, both short and long term. The Cairns Group welcomed the statement as evidence of wide and growing acceptance of the need for agricultural trade reform.

4. The June Venice Economic Summit (the 14th in a series since 1974) comprised the heads of government of seven major western industrialised countries and representatives from the EC. It was a disappointing forum in that President Reagan made it clear that the US would continue farm support. The meeting however endorsed the results of the OECD Ministerial Meeting in May. Nevertheless, the impending American elections meant that significant reform to agricultural trade could not be expected until 1989.

Domestic developments

The gains on the international trade front were somewhat amorphous, often agreements on principle rather than actions. By contrast, the domestic sphere provided a number of more concrete advances during 1987.

The deregulatory/efficiency themes preoccupying much rural as well as general governmental policy were reinforced in February by the changes in the quarantine registration procedures for exporters. The Australian Quarantine and Inspection Service was to permanently register Australia's two thousand exporters, removing a substantial administrative burden (to exporters as well as government) caused by the previous requirement for periodic re-registration.

Progress in obtaining a national meat inspection service continued with Victoria (despite initial Opposition procrastination in its Legislative Council) handing over inspection to

the Commonwealth leaving only Queensland and Western Australia with separate export inspection services outside the national ambit. In May a review of the cost savings created by the amalgamation of the NSW meat inspection service in 1983 identified savings in industry fees alone of $13.6m. In addition significantly increased slaughterings had been handled by an inspection service comprising 110 fewer inspectors than required previously. In August, as part of a continuing attempt to induce greater market efficiency in service usage, the government announced that from July 1988 it would introduce fee-for-service charging for all Commonwealth export and domestic slaughter inspection services. The intention of this cost-recovery, as with the service nationalisation, was to induce cost minimisation and maximise competitiveness. The advantage for the governmental fisc in the "user-pays" element of the new system was considerable, though industry was less than enthusiastic. The improvements in operating efficiency, however, led to charges generally being held constant in real terms, somewhat offsetting the potential effects on industry of the cost-recovery program. The main exception was the National Residue Survey, which saw the introduction of higher charges in November to fund increased testing during the pesticides "crisis".

In December the government expanded the application of the principle of 50 per cent cost-recovery from industry for export inspection costs to exporters of fresh fruit and vegetables, removing their previous exemption. In part-compensation an imaginative scheme was formulated to allow exporters to enter an "Approved Quality Assurance Scheme", with significantly lower inspection requirements and hence charges. This two-tier mechanism of "user-pays" built in incentives to achieve and maintain quality. At the same time the government announced upward revisions to grain export charges on prescribed grains such as wheat, barley, oats, sorghum, lupins and field peas.

The necessity for a consistent stance on industry protection and free trade issues prompted the government to continue permitting the export of entire merino rams. In May, following a review by the Merino Export Review Committee, it was decided to increase the export quotas from 500 to 900 rams in the 1991-92 season. In announcing the decision Kerin acknowledged that the issue was contentious, but justified it as necessary for improved trade relations with major wool importers such as China and the USSR. In the event opposition was somewhat diminished, suggesting perhaps that the case for freeing-up merino exports was gradually gaining acceptance. Kerin explicitly rejected industry calls for export bans to Argentina, because of that country's non-membership of the International Wool Secretariat, and the Wool Council's call for a ban on Corriedales and other merino-derived breeds. In the latter case he argued that such a measure would hand the international live sheep trade over to New Zealand.

The year saw the formation of a national organisation of commercial mohair growers. The goat industry also pressed to obtain similar institutional arrangements to other rural industries, with a Mohair Industry Council and a Goat Fibre Research Council. The industry appeared poised to obtain greater returns through enhanced marketing efficiency.

In January important discussions were held with senior Japanese government officials concerning Australia/Japan quarantine arrangements. These promised to secure Japanese acceptance of Tasmania as a fruit fly-free zone, thereby enabling the export of horticultural products with government certification and obviating the need for costly insect treatment procedures. An agenda was set for similarly reformed procedures for Australian citrus, grapes, apples, melons and kiwi fruit. By 1988, it was hoped, these agreements would dramatically improve access for Australian horticultural products in the growing Japanese market.

The Innovative Agricultural Marketing Grant scheme, introduced in the April 1986 White Paper, continued to concentrate upon establishing new product markets, and upon targeting opportunities created by changing consumer tastes in traditional markets. The widespread interest in this scheme was evidenced by the number of applications. For 1986-87 over 280 applications were made. Even more were expected for the $5m available for grants in 1987–88. The meat industry continued to benefit from the Meat Marketing Innovation Scheme introduced in 1984–85. For example, two-thirds of the $1.8m 1987 grant to the Australian Meat and Live-stock Corporation (AMLC) was used for marketing purposes.

Special research funding schemes were designed to complement these marketing endeavours. Such was the case for grants for horticultural quarantine research, which were

designed to encourage research on horticultural export products facing quarantine barriers in overseas markets. This program was to supplement the Agricultural Council's Fresh Fruit Disinfestation research program. 1987 was a year for public relations campaigns mounted for market gains by commodity bodies. The AMLC confronted white meats, to which it had lost market share, with a campaign much more effective than its previous "Feed the man meat" slogan. The sugar industry ran a sophisticated campaign on its product as "the natural part of life" and received very little criticism from dentists or nutritional groups. The tobacco lobby found its products detached from sporting advertising in South Australia; the same is likely to apply in Victoria. A major campaign was foreshadowed for the Bicentennial celebrations by the Australian Wool Corporation, with an international fashion parade of woollen fabrics.

Statutory Marketing Authorities

As a result of the Industries Assistance Commission's (IAC) inquiry into wheat marketing, some fundamental questions were raised during the year concerning the organisation of that industry. Further deregulation of the marketing powers of the Australian Wheat Board were canvassed, as it became obvious that the crop would be the smallest since the 1982-83 drought. Two major changes were mooted: firstly, that the Wheat Board lose its statutory monopoly of marketing; and, secondly, that the Board be able to purchase wheat on the international market to maintain existing or develop new markets when there were supply shortfalls in Australia. These issues should be resolved during 1988.

In July the Pork Promotion Committee was superseded by the Australian Pork Corporation. The pig meat industry was undergoing the type of radical reorganisation consistent with the government's growing emphasis on enhanced efficiency, improved product, and niche marketing. Consequently the declining market position of pork was to be tackled by a more intensive research effort; through an increase in producer levies, funding for the Pig Research Council for 1987-88 was 47 per cent greater than the previous year.

An unforeseen threat to the meat export industry occurred in January, when the Co-ordinator of Australians for Animals claimed to the Senate Committee Inquiry into Animal Welfare that kangaroo meat was still being substituted in export product. Extensive checks of the allegations were made, discovering them to be groundless. The Minister repudiated the assertions with some acerbity, drawing attention to the dangers such irresponsible claims posed to Australia's exports.

2.3 Advisory processes

The transfer, as part of the July restructuring of portfolios, of the IAC from the Department of Industry, Technology and Commerce to the Treasury proved highly significant for the rural policy advisory process. It meant that the economically "rationalist" IAC now had a sympathetic bureaucratic master. This development ensured the deregulatory approach had powerful political support, and placed pressure on the rural sector to follow suit. Accordingly, the IAC could not be so easily used as a deflector of industry demands (Gerritsen and Murray 1987, p. 11): its recommendations were now likely to be implemented.

Institutional advisory developments

There are two important advisory institutions in the rural policy field, the Rural and Allied Industries Council and the Murray-Darling Commission. The latter is a Ministerial Council that grew out of the River Murray Commission and is of central import for incremental progress on soil erosion and saline degradation awareness and policy development. The Agricultural Council and its associated Standing Committee provide the institutional mechanisms for dealing with other issues.

In January the Minister released a report from the Australian Meat and Live-stock Industry Policy Council (AMLIPC) on the adverse impact of differing State regulations on the efficiency of road transport of livestock and meat. The AMLIPC recommended the standardisation of State loading controls for livestock carriage along the lines of the Queensland "volumetric" system. It also made other important proposals concerning regulatory effects on road construction and maintenance costs. All these reforms will take some years to implement.

Official inquiries/industry assistance

Because of its enhanced position in the bureaucracy, the IAC was to be increasingly an influential source of advice. In November 198 the IAC inquiry into the tobacco industry was released. The industry had undergone major restructuring since 1985. The IAC recommende

the phasing out over five years (to October 1993) of the tobacco industry stabilisation plan and its eventual abolition. Given both that public opinion, as organised by active lobby groups, is moving against the consumption of tobacco, and that the industry is allocatively inefficient, this will probably happen.

The IAC also published its final report on the rice industry. As with its report on the wheat industry, this also proposed a tough allocative efficiency course. Assistance to the industry was to be phased out, and the States pressured to implement strategies to remove the marketing monopolies of the State Rice Marketing Boards, deregulate farm ownership and land controls, and make the usage of water more efficient (IAC 1987, p. 97).

In September the IAC published an interim report on marketing and industry assistance for the canned fruit industry. The Government acceded to the industry's request that current marketing arrangements be extended until the end of 1988 to allow amalgamation and re-organisation of the industry's canneries. Nevertheless the Government accepted the IAC's critique of the industry's policy arrangements, which had reduced competition between canneries while encouraging excess production and supporting high prices. Reform was presaged by the Minister, who promised complete de-regulation of the industry in 1989. Other reports during the year covered the cotton, and pulp and paper products, industries.

The Grain Handling Royal Commission was another important advisory influence during the year. It presented some discussion papers which gave a clue as to the directions of its report, due in early 1988. In particular bulk handling authorities were likely to lose their monopolies of grain transport, and road transport looked like getting a larger role in that system.

One innovation that removed some "industry assistance" but attracted little attention was the Commonwealth's sale of its shares in the Primary Industry Bank of Australia (PIBA). Along with the similar sales of other State banks' interests in the PIBA, this allowed the merger of PIBA's activities with Western Australia's R & I Bank. Whilst this action was consistent with the general (deregulatory?) policy thrust of a government limiting its activities in areas adequately served by the market, and was not strictly "privatisation" of a Commonwealth asset, the lack of public interest was surprising.

Relations with other departments and agencies

The Rural and Allied Industries Council (RAIC) provided a framework, through McLachlan and Crean's membership, for consultations between the farm interest and the Australian Council of Trade Unions (ACTU). The government sees co-operation between these two groups as important if the inadequate linkages between agriculture and manufacturing, essential for down-stream processing to improve the value-added structure of Australian agriculture, are to be developed. These two groups will also be involved in any implementation of the Grain Handling Royal Commission's eventual recommendations. Establishing a less suspicious understanding between the NFF and the ACTU also had an ancillary intent—to improve the farm industry's understanding of industrial relations, farmer hostility to unions having always been a problem for Labor (Gill 1981). At the December RAIC meeting, McLachlan and Crean were able to agree on the necessity for joint NFF and ACTU action when the Royal Commission on Grain Handling eventually reported.

Austrade, despite being under another portfolio, and the preserve of that portfolio's Minister Button, effectively co-ordinated its activities on an officer level with DPIE's marketing strategies. This co-operation was especially evident during Kerin's visit to Japan for the coal negotiations, when an integrated approach to Japan's Ministry of International Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries provided telling advocacy for Australia's export industries.

After the difficulties in 1986 with the Department of Transport's air freight regulation policies, 1987 saw more substantial progress in enhancing efficiency in the transport and freight of agricultural products. Deregulatory reform of air freight continued, and the government's announcement of its intention to end the two-airline agreement promised eventually to improve the competitiveness of internal air freight. One previously untouched area of transport inefficiency, sea transport, was placed on notice that change was inevitable. The Department of Transport instituted an inquiry into shore-based shipping costs and the IAC carried out a report on coastal shipping. Major reform of industrial practices on the waterfront and in coastal shipping were presaged for 1988 as part of the government's attack on uneconomic

work practices. Further to this general policy thrust, the Trade Practices legislation was used to force more competitive practices on the Liner Conference.

The increased emphasis upon rural community welfare that was a central feature of the new directions presaged by Kerin in the April 1986 White Paper inevitably led to close coordination between the DPI and the Department of Community Services. In June their Ministers, Kerin and Hurford, together successfully intervened with the Social Security Minister, Howe, to achieve changes in the hardship eligibility criteria for rural applicants for unemployment and sickness benefits assets tests. This removed some of the disadvantages suffered by farm families as a consequence of the government's May Economic Statement, in particular for families where the spouse had to seek work to obtain a family income or where the burden of debt made assets unrealisable.

Finally, an occasional player in the rural policy field, the Australian Science and Technology Council, produced a discussion paper on fisheries post-harvest technology, a project of great interest to the rural sector.

2.4 Fiscal developments

The exchange rate stabilised in 1987 (despite periodic fluctuations). This meant that macroeconomic strategy remained under some threat from the potential repercussions of money market panics. By the end of the year, the balance of payments was improving, and interest rates and inflation were falling. During the year, however, fiscal caution was what the economy required, the markets demanded, and the electorate expected. Consequently the fiscal tenor of 1987 was set by the May Economic Statement, which again cut programs, in particular forward outlays, as well as allowing for substantial sales of government assets. It was not an environment favourable even to the modest increases in rural policy expenditures seen in the April 1986 Rural Package.

The 1987/88 Budget

The 1987 Budget reduced outlays for the agricultural sector by just over 7 per cent in nominal terms. In part this reflected anticipated savings both in the cost of rebating anti-dumping duties on fertilisers, and from the one-off effect of the transfer in the previous financial year of the Wool Research Trust Account to the Australian Wool Corporation. But there was still a substantial real decrease in rural sector outlays. Notwithstanding the government's determination to achieve fiscal restraint, which required real reductions in expenditure to achieve the balanced budget required for the government's macroeconomic strategy, Kerin had two major fiscal victories in the 1987 Budget process. The first was procedural. Kerin was allowed by the Cabinet Expenditure Review Committee to hold off incremental budget cuts, which can be both politically and functionally debilitating, until completion of a comprehensive Industry Development Review. This Review should give Kerin a much greater capacity to establish his own spending priorities within his portfolio's set global allocation. This was a signal recognition of the regard in which he is held within the government.

The second distinct but related feature was the allocation of $15m over three years to a new National Afforestation Program. The Program was to allow an increase in investment by State governments, landholders and industrial forestry enterprises in the development of hardwood plantations and the rehabilitation of degraded land through afforestation. This initiative was encouraged by the difficulties the government was facing in reconciling the conflicting demands of the conservationist lobby and the forestry industries (*cf.* Section 3.2).

The gradual development of a serious policy concern about Australian soil degradation, frustrated by Treasury in the initial years of the Hawke government, received further impetus in November with the announcement of the draft national soil conservation strategy. Prepared by the joint Federal-State Australian Soil Conservation Council, the draft was released for public comment with the intention of framing a final strategy in 1988. Though unable to achieve his 1983 policy promise of $20m expenditure on soil conservation over the 1984-88 period, Kerin had made a substantial beginning with a program that had allocated about $6m within the target period. Perhaps in compensation for this lesser achievement, Kerin was able to expand water research outlays in the 1987 Budget by 74 per cent over 1986 (to $5.8m).

On the negative side (for the rural sector's producers), the government announced the intensified application of cost-recovery to its services. For example, the rate of management cost-recovery from existing managed fisheries was raised from 44 per cent to 60 per cent, with stepped increases to 90 per cent foreshadowed by

1990. New fisheries were to be subject to immediate full cost-recovery. The Budget confirmed that where the government ran an inspection or management service that benefited the long term profits of producers (by preventing individual behaviour that was collectively counter-productive to that industry), then the government expected in principle that the industry would pay for such a regulatory service.

Rural adjustment

The slight growth ($6.7m in new outlays) in Rural Adjustment Scheme (RAS) expenditures in 1987 indicated that the government, while drawing attention to the fact the Commonwealth was financing a record amount of the total rural debt, was keen to shift more of the burden of adjustment on to the banks and rural industry itself. In May the government was able to announce the implementation of its April 1986 promise with the creation of the National Fisheries Adjustment Program. This had $6m to fund adjustment in any fisheries seeking to reduce over-fishing.

In September the government announced the appointment of private consultants to prepare a pilot evaluation of the RAS. The review was to examine whether the existing Commonwealth/ State arrangements were meeting the Scheme's requirements, though the Commonwealth betrayed some sensitivity towards likely State reactions by assuring them that the evaluation was not to be of State administrative practices. The review team reported in December, and further evaluation and action is promised for 1988.

Marketing expenditure

During the year further grants were made under the government's Innovative Agricultural Marketing Grants scheme. Begun as an April 1986 development, by the end of the 1986-87 fiscal year 38 projects had received assistance totalling $2.14m. In line with the government's macroeconomic focus on the current account deficit, projects to develop new export products or markets were given funding precedence.

The further incremental rationalisation of agricultural outlays was signalled by the appointment in September of a Committee to review government funding of wool promotion. The dramatic recovery of wool prices during 1987 reduced any likely pre-emptive hostility from the industry. This initiative may presage similar cost-benefit analyses of other joint industry-government promotional funding.

2.5 Rural primary industry policy

For convenience we have retained the arbitrary distinction between industry regulation and industry management used in the review of policy in 1986 (Gerritsen and Murray 1987). The difference between the two is that, in the case of regulation, there is probably no direct DPIE involvement in the industry, nor significant personnel devoted to it. In the case of industry management, DPIE has a direct regulatory role and numerous personnel involved in controlling the industry. Regulation involves other Commonwealth Departments, in particular Transport, and State governments or statutory marketing authorities usually have direct management of the industry in question (in theory at least).

Industry regulation

One priority in industry regulation was completing the standardised network of institutional arrangements designed to manage Australia's agricultural industries. Other priorities were economic-microeconomic measures such as cost-recovery and regulatory changes to achieve greater industry competitiveness, as well as the encouragement of further processing of Australia's agricultural product. An example of the latter occurred in the buoyant cotton industry. To obtain more value-added from products such as cotton (90 per cent of which is exported unprocessed) the government decided to provide assistance for investment in the clothing textile and footwear industries. In December it made $27m available through the Australian Industry Development Corporation for this purpose.

Probably the main achievement of industry regulation, at least in overcoming producer resistance, was in the commencement of the new institutional framework for horticulture. The creation of the Australian Horticultural Corporation was bedevilled by suspicion on the part of the producers, in particular apple and pear growers who resented losing "their" Apple and Pear Corporation with the establishment of the Horticultural Corporation. The horticultural industry's policy structure was developed along the same "corporatist" (Gerritsen and Murray 1987, p. 10) lines of other rural industries, with marketing, research and policy-making structures, the latter with strong producer representation.

1987 also saw the completion of the wine and

grape industry management restructuring begun in 1986. In June appointments were made to the Wine and Grape Industry Advisory Council, which (together with the Wine and Brandy Corporation and the Grape and Wine Research Council) completed the tri-segmented industry management structure so much a feature of this government's approach to primary industry management.

Other industry areas saw regulatory alterations, in some cases consistent with the deregulatory microeconomic accent the government increasingly adopted as the year progressed. The new, streamlined (and cheaper!) arrangements for monitoring wool standards, through a Wool Measurement Inspection Service, relied upon the industry's recognition that its long term market prospects were predicated on the maintenance of quality standards.

Not all the deregulatory activity was accepted as successful. For example, the citrus industry continued to attribute its woes to the sales tax imposed on previously exempted fruit juice in the 1986 Budget. In fact the industry's problems are structural: over-production and too great a concentration on the juice market at the expense of developing fresh fruit markets, especially overseas.

One regulatory issue that received excess publicity, via media reports of the Grain Handling Royal Commission and an IAC inquiry, was what to do about the organisation of the wheat industry. The IAC interim report in October recommended deregulation of the Wheat Board's monopoly powers when the 1984 Act expires in 1989. Kerin appeared disinclined to accept this advice, despite its according with the government's actions in refusing to establish a coal authority with similar powers. The Minister argued that Australian wheatgrowers compete in a world market dominated by a few buyers who would be able to exercise market control over unorganised producers. The interest groups were divided, and the issue remained a major agenda item for resolution in 1988.

Industry management

Again this involves multiple agencies and governments. Typically the Commonwealth has a more direct role, though it may still operate through State personnel at the field level.

(a) Fishing industry

The management of Australia's fisheries saw significant advances during the year. Incremental regulatory improvements included:

- The expansion of the management zone for the North-West Shelf deep water scampi fishery.
- A new management plan for the east coast tuna longline fishery.
- Introduction in February of catch controls on the recently-discovered orange roughy fishery within the South-Eastern trawl fishery. These controls were both to protect the resource and to inhibit over-investment for licence endorsements in that trawl fishery. Restrictions were also placed on the transfer of Danish seine licences to trawling licences to maintain the inshore fishery and prevent a precipitate diversion of effort to the orange roughy fishery. The southern shark fishery had gear restrictions imposed to reduce pressure on the resource.
- The exclusion of prawn trawling from the pearling beds off the West Kimberley coast.
- Amendment of the Southern Bluefin Tuna management plan.

As part of a long-term program to improve the productive economic efficiency with which the industry utilised its catch, the Fisheries Service conducted a survey to identify suitable export markets for seafood products not currently realising their full export potential.

The renewed growth of the fishing industry continued through the year. The development of new fisheries was actively explored. In May licences were issued for the new Great Australian Bight trawl fishery, and in September a fishing development plan was announced for deep sea areas outside the continental shelf but within the 200 nautical mile economic exploitation zone off the eastern seaboard. A similar fishery off the Western Australian coast attracted less interest. Three developmental permits were issued for the deepwater zone of the South Eastern trawl fishery.

1987 also saw the successful conclusion of protracted attempts at simplifying the regulation of many of Australia's fisheries. Eleven years of Commonwealth-State negotiations finally led in May to extensive rationalisation of Commonwealth-State fisheries jurisdiction under the Offshore Constitutional Settlement. A total of sixteen fisheries, previously under overlapping management, were to be managed by the four participating States—Western Australia, Tasmania, South Australia and Queensland. This change removed the complications for fishermen (and administrators) of the cumbersome dual licensing system. In addition the Commonwealth was given exclusive control over the tuna fishery in State as well as Federal waters. Similar

negotiations with NSW and the Northern Territory continued.

In some instances the Commonwealth did not secure industry compliance with its regulatory objectives. In May the Opposition and the Democrats in the Senate blocked the government's proposed compulsory retirement of units from the Northern Prawn Fishery, preferring to let the industry self-regulate a buy-back scheme to retire fishing effort from the fishery (Gerritsen 1987b). This provided both a salutary reminder that much rural policy required industry cooperation and an illustration of the difficulties of government under Australia's "Washminster" system. Nevertheless, the regulation of this fishery continued with further incremental measures to expand seasonal closures.

The government signalled that it saw the process of simplifying the administration of Australian fisheries as nowhere near complete when, in December, it announced that a major review of the administrative processes of the Commonwealth's fisheries was to be conducted in 1988.

(b) Sugar industry

The widespread acceptance of the microeconomic efficiency agenda was probably best demonstrated by the progress in amalgamating sugar mills during the year. In 1986 the acceptance and implementation of the Commonwealth and Queensland governments' Sugar Industry Plan had been delayed both by the State government and by grower resistance. The continuing deterioration of prices in early 1987 led to greater grower acceptance of the inevitability of rationalisation of mill capacity. Though this rationalisation was intended to be implemented by the Sugar Mill Adjustment Committee, in some cases (*e.g.* in the Far North Sugar Region) the Queensland government overrode the Committee's procedures and amended the relevant State legislation without engaging in the consultative process with CSR Ltd, the growers and the mill workers' unions envisaged in the Plan. The difficulties of Commonwealth-State relations in rural policy provide their most obvious model in the sugar industry because it is largely confined to one State.

(c) Forestry

In the July election campaign the Prime Minister promised a National Afforestation Program, which was duly implemented in the 1987 Budget. This aimed to stimulate investment by States, individual landowners and industrial forestry companies in the development of hardwood plantations and in the rehabilitation of degraded land through afforestation. In the longer term it was hoped that this initiative would reduce pressure on native forests, an idea with obvious political attractions.

A more contentious policy area here was the forestry industry—which was being sacrificed for the votes of (urban) conservationists—and required conflict with the Tasmanian and Queensland governments to secure those votes. The complications of a Federal Labor Government's dealings with fraternal State governments was illustrated by the protracted delays in decision-making over woodchipping of the southeast NSW state forests. Commonwealth action in 1987 was deferred because of its likely electoral effect in the Eden-Monaro seat. The issue was sure to resurface in 1988.

Not all forestry management revolved about disputations (or covert collaborations) with the States over woodchipping. In May the Australian Forestry Council released a report, *Australian Bushfire Research*, designed to improve information flows and collaboration in as well as implementation of research results.

3. Intermittent Crisis Management

1987 began with the continuing "rural crisis" that had dominated rural policy-making in the previous eighteen months (Gerritsen and Murray 1987). The antics of Premier Bjelke-Petersen and the Queensland Branch of the National Party made it increasingly obvious that the government would force an early election. So the rural "crisis" was, initially, a fundament of the government's political outlook. It eventually proved to be far less dangerous to Labor than it appeared in the twelve months following the big farmer rally in Canberra in July 1985 (*e.g.* Gerritsen 1986).

The election as a political "crisis"

Three interacting factors—here, for convenience, labelled "structural", Labor policy, and electoral—contributed to defuse the "rural crisis" as a political issue in the period leading up to the July election, and allowed Labor to win.

There were several interrelated facets of the "structural" variable. Firstly, the slide of rural commodity prices levelled out (ABARE 1987b). In April the ABARE forecast that the average

income for family farms would rise from $12,600 in 1985–86 to $16,400 in 1986–87 (ABARE 1987a). Only wheat prices continued to decline, and even that outlook appeared better by the end of 1987. Then, because the exchange rate stabilised, interest rates stopped increasing and by the time of the election had begun to fall, albeit slowly and marginally. This reduced the intensity of rural distress and portended relief, as seen in the ABARE's reduction in the estimate of the proportion of farmers "at risk" from 7 to 5 per cent. A climate of opinion that the worst was over emerged by mid-year. So the media lost interest in the rural crisis, thereby adding to a national (if not bush!) attitude that the situation was rectifying itself. In part this phenomenon reflected the short "issue-attention" cycle of the media, but it certainly advantaged the government by reducing the intensity of rural politics. This changed climate of opinion was one of the reasons for the failure of the NFF's "Our Country" campaign. The urban middle classes, whose votes were to retain Labor in government, had lost interest in and sympathy for the rural sector.

That is not to say that the rural crisis ended in 1987. The underlying problems of severely distorted international agricultural markets remain, probably for the next decade at least. The fragility of the export receipts recovery was dramatically underlined by the pesticide contamination "crisis" with the United States in mid-year. Again generally the government was not blamed for this situation, as it would have been in 1985. Rural media and farmer organisation opinion inclined towards a trade conspiracy theory, inadvertently strengthening the government's restructured "don't-blame-us" agenda established during 1986 (Gerritsen and Murray 1987, pp. 27ff.).

Kerin repeatedly re-emphasised this agenda. For instance in addressing the February Sydney meeting of the Farm Writers' and Broadcasters' Society he contrasted the Hawke government's efforts to get agriculture on the GATT negotiations agenda with the Fraser government's alleged preoccupation with avoiding international scrutiny of Australia's industrial tariffs and consequent failure to address agricultural trade protection.

The second major factor that secured the Labor victory was its determined and largely successful policy program. This had two aspects: the widespread national acceptance of Labor's economic strategy, and the government's progress on its April 1986 White Paper rural initiatives. Broad acceptance of the Labor macroeconomic policy approach was demonstrated, *post facto*, by the manner in which its vote held up in the seats dominated by the large provincial cities. It was apparent from that result that the NFF's five-point agenda—expenditure cuts; withdrawal of the government's industrial legislation; removal of petroleum product excises; decreases in indirect taxation; and the reintroduction of income equalisation—had not spread beyond the farm constituency.

In its electoral advocacy Labor drew attention to its rural policy reforms: the formation of the RAIC; initiatives on agricultural trade; the rural counselling and rural adjustment programs; the replacement of agricultural machinery tariffs with bounties; the innovation grants in agricultural marketing; fertiliser subsidies; and the new services access programs. Presumably this information played some part in forming the general perception in the provincial cities that Labor was acting to solve the rural crisis.

The third variable that devitalised the "rural crisis" as a policy crisis was the election campaign itself. In one sense the election was the ultimate test of Labor's rural as well as its general policies. And what won Labor the election was that it was fought (with the possible exception of Queensland) on national rather than regional issues. Nonetheless the result was a startling victory for Labor in the rural areas where, contrary to expectations, it actually gained rural seats such as the Northern Territory and Hinkler in Queensland.

Labor held its rural seats for three reasons: a positive (if unenthusiastic) acceptance by the electorate of the Labor view of the economy and its requirements; the confusion among the non-Labor elements in politics; and the more professional carriage of the election campaign by the government. The anti-Labor cause was bedevilled by internal conflicts and lacked credibility, especially after Keating demolished the Liberals' tax cuts policy. The Queensland Nationals' flat tax proposals intensified the dissonance that bedevilled the anti-Labor electoral cause. The government was able delightedly to inform farmers that the proposed flat tax would mean taxpayers on average farm income would have their imposts increased by $1,200.

The much vaunted NFF campaign in its targeted seats failed to divert or threaten Labor. In all the NFF-targeted seats in Victoria and Queensland the Labor vote increased. In NSW

only in Calare did the non-Labor vote improve, and for no net result. And in Tasmania Denison was lost by the coalition. In part this was a product of the superiority of Labor's marginal seats campaign, which maximised the number of seats won even though its national vote decreased by 1 per cent. But it also reflected Labor's successful strategy in isolating the effects of the NFF's political hostility. The government's tactics in dealing with the NFF continually sought to establish that the Federation was partisan and irrevocably hostile to Labor, and advocated policies that were counter-productive to the long-term interests of farmers. For example, when in April he announced the cancellation of the planned "Rural Industries 2000" Conference, Kerin drew attention to the NFF's refusal to participate and claimed, "The farmers' national organisation has missed an opportunity to consider crucial issues affecting the domestic and international future of their own industry" (Press Release PI/73, 26 April 1987).

Ultimately Labor succeeded in holding its rural vote because of national political trends, which voters in the provincial cities copied. But Kerin's increasingly successful control over the agenda of rural politics—the shift of focus to international factors—coupled with the reduction in the intensity of farmer hostility to the Labor government, undoubtedly played a significant part in the final result in seats such as Eden-Monaro, Hinkler and the four Victorian rural Labor seats.

In August, addressing the Victorian ALP Country Conference, Kerin exulted: "The reason for our revival is simple—we have proven ourselves to be a competent government for all Australians. The old conservative claptrap about Labor being 'anti-rural' has been exposed as the fallacy it always was". Perhaps, but the divisions in the rural elements of the anti-Labor forces undoubtedly played a part in the election surprise.

After the election the NFF tacitly recognised the failure of its 1987 campaigns by shifting the emphasis of its advertising to the provincial cities, emphasising their dependence on the surrounding rural areas. But the tensions within the farm sector were revealed by the formation of the Union of Australian Farmers, which had its genesis in western NSW amongst indebted wheat farmers convinced that the NFF no longer represented the smaller family farmers.

Labor's political management strategy

A further factor in the government's successful rural policy performance during the year lay in its adroit rural policy management strategy. During 1986 the government pursued a five-pronged strategy to deal with the "political/policy economy" of the rural crisis. The tactics comprising this strategy were labelled "benign neglect"; "depletion"; "amelioration"; "symbolic satisficing"; and "restructuring the agenda" (Gerritsen and Murray 1987, pp. 20-21). The policy strategy of the government during 1987 will, for the sake of analytical utility, again be categorised by a similar schema.

"Benign Neglect"

This tactic, abandoned in late 1985, again became acceptable after the July election victory, when the electoral threat of farmer disaffection disappeared. It was expressed by a complete disinclination—with exceptions not entirely under the Commonwealth government's control (such as the dairy industry)—to engage in the traditional "pork barrelling" of rural industries in trouble because of market forces. The Minister constantly reminded farm groups that it was not the government's job, nor was it to the advantage of Australia, that they be protected from the marketplace. This tactic was reinforced by the quest for microeconomic efficiency, which dominated governmental economic policy during 1987. That it was also popularly accepted was indicated when the practices of some rural credit providers attracted well-deserved opprobrium but few calls for the Commonwealth's direct intervention.

"Depletion"

The political depletion of its opponents was achieved in 1987 without any real effort on the part of the Labor government. The Nationals tore themselves apart and the Liberals proved unable to fill the vacuum. The government's success in out-manoeuvring the NFF prevented any cohesive anti-Labor crusade that might have spilled over into those seats dominated by large provincial cities. Encouraging non-viable farmers to leave their properties—"industrial depletion"—was pursued through the Rural Adjustment Scheme, though the failure to expand outlays significantly in that area meant that few farmers did leave. Probably the activities of the burgeoning rural property trusts did more to achieve that type of rationalisation than any governmental endeavours.

"Amelioration"

Though the government was less inclined to

implement palliatives for the rural crisis than it had been, as shown in the April 1986 White Paper, some important ameliorative policies continued to be developed. For example, in March the Cabinet met at Bathurst and announced a number of decisions to improve rural people's access to governmental services. These involved the creation of computerised information services and the establishment of a 008 toll-free telephone information service (the NFF joined the government in this scheme, paying the Telecom costs in the initial trial period). Another major decision was to co-locate governmental offices in rural regional centres. Cabinet's Social Policy Committee coordinated the new arrangements.

Also in March, the government set up a Rural Education Working Party to examine rural education needs and improvements to access to rural post-secondary education, including greater coordination of services between existing rural educational institutions.

"Symbolic satisficing"

This tactic continued apace. During the first few months of the year Kerin (fortuitously, given the early election) spent about one-third of his time travelling the rural areas talking to farmer groups and rural communities. Despite the likelihood that this activity garnered few votes for Labor, it contributed at least to the impression that the government was sympathetic to and informed about the plight of the farm sector—an impression very important in the subsequent July election because it reduced the intensity of farmer opposition to Labor. In politics, even if you cannot secure the votes of naturally opposed groups, it is important to reduce the intensity of their hostility to your party. That will mean that these groups will not be quite so wholehearted in working (and spending!) to obtain your removal in any subsequent election.

"Restructuring the Agenda"

In 1987 the government's tactic of agenda deflection and restructuring, accentuating the role of international agricultural trade distortions, proceeded apace. The widespread acceptance of this as *the* agenda of the "rural crisis" was helped by the constant publicity that trade matters received. It also was aided by the government tactic in the pre-election period of circumventing the NFF by the Minister going direct to the State commodity organisations. This reinforced the image of a government interested in constructive dialogue with the farm sector, and reminded the NFF that its authority amongst farm groups was dependent upon its representative function with government. Consequently, after the election a more cooperative relationship with government was sought by the NFF.

Three 1987 policy "crises"

There were three intermittent rural policy "crises" during 1987.

(a) Pesticide residues

The pesticide contamination problems with meat exports to the United States had its purely domestic complications. The Commonwealth allocated one million dollars to assist the States to recover surplus dangerous chemicals, transport them and provide the appropriate storage. In the best traditions of its Federal-State relations the Queensland government refused to cooperate, passing the responsibility on to allegedly unprepared local governments and significantly aggravating the Commonwealth's difficulties in arranging the collection of the chemicals for destruction.

(b) The dairy crisis

The 1987 dairy crisis was triggered in April by a Victorian milk company, Midlands, selling fresh milk to Jewels, a NSW supermarket chain. Structurally it was a consequence of the imminence of competition resulting from the CER with New Zealand. Victorian dairy farmers were determined to speed up the rate of adjustment to eventual trans-Tasman competition allowed under the Kerin dairy plan. The NSW farmers (and their government) were equally determined to hasten slowly. The NSW tactic, to reduce the market support levy and threaten to cease paying its share to Victoria was a zero-sum game that, in effect, said to the Victorians that NSW was prepared to bring the whole interstate milk marketing edifice down if its farmers were threatened. Though NSW would be the worse affected, the threat carried sufficient costs to pressure Victorian compliance with NSW's demands. But the crisis required two special meetings of the Australian Agricultural Council and essentially remained unresolved at the year's end.

With market support net transfers to the industry from consumers of some $80 million, the fresh milk component of the dairy industry remained the largest single rural industry anomaly in the government's push for allocative efficiency and competitiveness from the agricultural sector. The only real option open to

the Commonwealth, given the likely future behaviour of the State governments involved, was to continue to press the industry to accept orchestrated change, thus minimising dislocation from a process that virtually all observers agreed was inevitable.

(c) Forestry

In 1987 the issues of woodchipping and native forests remained in policy turbulence. The previous year had seen the issue raised in Tasmania, but in 1987 the question of national estate values and the forest industry spilled over into Queensland and NSW.

In February the government introduced legislation to establish a Commission of Inquiry into forestry operations in the Lemonthyme and southern forests of Tasmania. This inquiry had been long threatened if the Tasmanian government could not agree to stop logging until the World Heritage values of the areas in question were established. As part of its strategy to recapture the allegedly "traditional" Labor vote for the election, the government took a more aggressive stance towards the forest industries than it had previously. Labor's Environment Minister, Richardson, received some indication in Queensland of the excited local response of the industry's workforce to the removal of their livelihood. Increasingly during the year the government indicated that it was prepared to sacrifice the forests industry for the votes of urban environmentalists. The undoubted policy preferences of the Primary Industry Department and its Minister were overridden by this political exigency. The only policy response possible, the new National Afforestation Strategy, was at best a long-term resolution of the imbroglio, where politics, contrary to the general thrust of Labor government policy-making, overrode economic rationality.

The NFF recognised the potential threat posed to the farm sector by the new environmental militancy by announcing in November that it would use its fighting fund to enter the public debate on the issues of conservation and animal welfare.

4. Conclusion

In 1987 the government had considerable success in rationalising and reorganising the rural sector. With some exceptions, respectable progress was made in continuing reform of marketing and regulation of rural industries. This program, which had been part of Kerin's intentions since 1983, received impetus and legitimacy from the government's post-election assumption of the policy agenda of microeconomic reform. This reform seemed increasingly possible as macroeconomic stabilisation began to take effect, thereby reducing the immediate economic constraints upon policy-making.

The year ended on a prevailing note of optimism. Australia, the NFF President, McLachlan, declared was "poised to do in agriculture what Japan has done in manufacturing" (*Australian Financial Review*, 24 December 1987). Perhaps, but whatever the facts the government had benefited from the change of mood. After its difficulties in 1986 the government, buoyed by a surprisingly decisive electoral confirmation, ended 1987 in a confident manner. Intermittent crises, including the most serious post-war rural crisis of all, had been managed and looked like being replaced by managerialist incremental predictability and certainty.

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