

STANDING COMMITTEE ON PUBLIC ADMINISTRATION

**INQUIRY INTO PASTORAL LEASES
IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE
TAKEN AT FITZROY CROSSING
THURSDAY, 7 NOVEMBER 2013**

SESSION THREE

Members

**Hon Liz Behjat (Chairman)
Hon Darren West (Deputy Chairman)
Hon Nigel Hallett
Hon Jacqui Boydell
Hon Amber-Jade Sanderson**

Hearing commenced at 1.09 pm

Mr KURT ELEZOVICH,
Owner–Operator, Country Downs Station, sworn and examined:

The CHAIRMAN: On behalf of the committee, I would like to welcome you to the meeting. Before you begin, I would like you to take the oath or the affirmation.

[Witness took the oath.]

The CHAIRMAN: You would have signed a document entitled “Information for Witnesses”. Have you read and understood this document?

Mr Elezovich: Yes, I have.

The CHAIRMAN: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any documents you refer to during the course of this hearing for the record. Please be aware of the microphone and try to talk into it, ensure that you do not cover it with papers or make a noise near it. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. They are the formalities over and done with, now you can sit back and relax.

We did not have a written submission from you prior to these hearings, so perhaps you would like to make an opening statement to the committee and give us your background and outline the major issues you would like to talk to us about today.

Mr Elezovich: It seems to me that my colleagues who came previously did a very good job of covering the major issues that I am concerned about. I think that anyone in our situation has very similar opinions on issues surrounding sustainability in an economic and environmental sense, as far as the management of the pastoral industry.

The CHAIRMAN: Can you just give us a snapshot of Country Downs—the size and what you are running there? So we can get that full picture.

Mr Elezovich: To begin at the beginning, my family has been involved in the Kimberley pastoral industry since 1975. I grew up in the industry. My family pioneered diversification on pastoral leases. I think they invented it to make room for my father. We had a successful irrigation project on a property we owned south of Broome, and that actually eclipsed the pastoral operation in the first two years. I grew up as a member of this family business. I went off on my own in adulthood and managed to make enough money to buy my own property in my own right. Eleven years ago, I purchased Country Downs, which is 163 000 hectares, situated on the Dampier Peninsula, just over 90 kays from Broome. At the time, it was considered an unviable lease; no-one had ever really done too much with it in the past. I have spent a lot of money, energy and time on it since. It is hard to say it is exactly viable in the current economic climate, but it is certainly far more so than it has ever been in the past. We are running about 3 500 head of cattle at the moment, which is utilising roughly one-third of the lease. We would dearly like to develop it further, but the current

economic climate is not exactly conducive to borrowing more money against what is seen as more of a liability than an asset by lending institutions.

We also have a 230 hectare diversification permit for the purposes of growing supplementary feed, and we are in the middle of a perennial pasture planting operation at the moment. We have only got about one-third of that actually developed to improve pasture, but we see that as part of the long-term goal of our business, being able to value-add on property to allow us to access other markets and sell cattle within the specifications of the market rather than being done up, as my colleague said, when you start trying to send cattle south. The freight costs kill you and if it is not exactly targeting a market, then you are basically giving them away. Does that give you an idea of where I am coming from?

The CHAIRMAN: With your diversification permit, you have currently got that land being used to grow beef?

Mr Elezovich: Correct. We applied for that, in round figures, about four years ago and it took about 18 months to process, I think.

The CHAIRMAN: Could you talk us through the process that you went through to get your diversification permit? I would be really interested to know, from start to finish, what you went through.

Mr Elezovich: It is a fairly convoluted process, which I believe has been streamlined since. Basically, to get the ball rolling, you apply to the Minister for Lands through the Pastoral Lands Board for diversification permission, and you also apply to the department of agriculture for their endorsement. The department of environment gets a say as well, as far as what species you are or are not allowed to plant and whether there are any significant conservation areas within the area that you might be proposing to develop. There are a lot of different obligations that you have before you are allowed to even get a clearing permit to begin with. There is quite a bit to it and, to be honest, it actually took a little bit less time than I thought it would. Bear in mind that we are dealing with a sort of context that—unbelievable as it may sound—we were part of a land-swap agreement with RDL, at the time, that in total took 10 years to complete. Ten years is a very long time in business and when you consider that we are talking about an area that was over 150 000 acres in size that for that period was basically unutilisable for our business, even though we were paying rates and lease fees on it. On one hand you think, “Okay, I still have a title for that area, but I know they are going to take it off me”, and, “I think I am going to get a title for this other area, but I don’t know.” We were left in this limbo for a decade. It was only as little as 18 months ago that we finally got a title over a piece of land that we paid for, four years previously. You are on tenterhooks for a long time with some of these things. When you consider that these diversification permits are rushing through now in about a 12 to 18-month time frame, I think that is relatively fast.

The CHAIRMAN: Was there much cost involved in obtaining the diversification permit?

Mr Elezovich: Not a great deal; it is more cost in terms of man-hours for preparing the submissions and there is also a lot of man-hours involved in assessing what would be suitable in terms of a farming system for our environment. As Phil touched on earlier, there are different soil types and land systems; all these things take a significantly different approach for a sustainable business model. I think a key message that we see so often is that there is this attempt to paint broad strokes across the pastoral industry when you are talking about a huge range of diverse land systems and different climatic zones. Just because something might work for me or Phil down the road here is no indication whatsoever that it will work on the next property, which might have a different soil type, for instance.

The CHAIRMAN: Do you carry out your own environmental programs in relation to keeping an eye on what is happening with the species on your lease?

Mr Elezovich: Yes, absolutely. As part of our rangeland management program, we have our own assessment methods.

The CHAIRMAN: Could you talk us through your methods and what you do?

Mr Elezovich: It is very similar to what anyone else does in the sense that to assess the carrying capacity of an area of land, you cut a quadrant of dry matter, of palatable plant material, and dry it out to assess the percentage of dry matter. You can extrapolate that across the known grazing radius—for our management purposes, we work on a five-kilometre radius from watering points—and then you calculate your adult-equivalent grazing capacity for that season. This, I think, needs to be done, certainly, on a seasonal basis. Once you understand your effective rainfall for the season has finished, that is when you assess what you have left. Of course, the best laid plans of mice and men all go up in smoke come October when someone gets careless with a match, shall we say. A common theme that we see across the countryside is that even with the best planning, come mid-dry season, we are always under intense pressure from that kind of activity. From one week to the next, you can be having an excellent season and the next week you are effectively in drought. It is difficult to manage with these things.

[1.20 pm]

The CHAIRMAN: And your station is 90 kilometres out of Broome, did you say?

Mr Elezovich: Correct, yes.

The CHAIRMAN: North of Broome?

Mr Elezovich: Yes; on the Dampier Peninsula.

The CHAIRMAN: So, have you got a coastal strip on your property?

Mr Elezovich: No. Our lease occupies the centre of the Dampier Peninsula. We are adjoined by another pastoral lease on about one-third of the eastern side; otherwise, we are surrounded by unallocated crown land and ALT land.

The CHAIRMAN: Okay. So with the UCL, what are the issues that you have, having them as a neighbour, as it were?

Mr Elezovich: Essentially, we are talking about a total lack of management, so feral pests, wildfires. There is no management whatsoever across those areas. It certainly contributes to our risks during the season.

The CHAIRMAN: What sort of feral animals do you have coming onto your property?

Mr Elezovich: Our greatest issues are generally wild dogs —

The CHAIRMAN: You have got dogs, okay.

Mr Elezovich: Yes. There is a lot of spring country and thickets along the coastal fringes and that is just an ideal breeding ground for wild dogs. We get issues with wild bulls coming onto our lease, destroying fences and basically pummelling expensive stud bulls that we have purchased from elsewhere. These are some of the issues we have to deal with.

The CHAIRMAN: Do you run a dog eradication program?

Mr Elezovich: Yes, we do.

The CHAIRMAN: What—baits, trapping, shooting?

Mr Elezovich: Primarily, we do a couple of rounds of 1080 baiting a season; otherwise, opportunistic shooting. If we find a fresh dog kill, we will be seeing to that carcass until the culprit returns, and they generally do. It can be very frustrating sitting somewhere for half a day waiting for something to come back when you know you have got a thousand other things to do, but when you

get wild dogs in a pack situation and they have learnt to kill a significant-sized animal, you have to eradicate them at all costs because they will continue to do so until you get rid of them.

The CHAIRMAN: And what about the ALT land? Is that in a similar way with the UCL or are there different issues with that?

Mr Elezovich: It is similar in a sense, but we are seeing a bit more activity by some of the Indigenous ranger groups being a lot more proactive about fire management, which is very encouraging. But there is a lot of political sensitivity locally between different tribal groups as to who it is significant to burn this area or not. Our take on it is that it does not really matter who does it on the day, as long as it is done on the right day, because the difference—I mean, fire is a great asset to the pastoral industry; managed correctly, it is one of our greatest tools. But, as these guys mentioned earlier, it can be catastrophic as well. So, it just comes down to which way the wind is blowing on the day, really.

The CHAIRMAN: And what happened for you during that period of the ban on live export?

Mr Elezovich: Nothing much good. Being a small operator, you get squeezed out by the bigger players, not that I begrudge them that, it is just economic fact. If you are a small operator like ourselves that might have two decks worth of cattle to go into an order and they can approach another operator that can provide 12 decks of cattle, they go to the big players first, which is understandable. So, we find ourselves being under quite intense pressure at times as far as our opportunity comes in a very sporadic sense where they are a bit short on numbers for a particular order and we might get a call to say, “Can you give us four decks of cattle in five days’ time?” Now, if you have got a big crew of men and a helicopter of your own and all these things, that is quite doable. But when you run a family show—literally, it is me and my wife and we have got a couple of small kids —

The CHAIRMAN: They are not old enough to send out yet?

Mr Elezovich: No; sadly, no! So, we come under some pretty intense pressure to be able to deliver, because that is our only opportunity. It is not like we can just say to the agent, “We can do them next Thursday”; that is not the option. We find ourselves in brief periods of intense activity and that is just how it has to be at this stage.

Hon DARREN WEST: Your lease has increased as well. Has that had a big effect on you? How much do you reckon yours has increased by?

Mr Elezovich: It is an interesting question actually because I was pondering it as I was driving over here this morning. I recall when I purchased the lease that the lease fees were around \$4 500 a year just for the pastoral lease. You need to bear in mind that all of the other agricultural protection and shire rates are based upon this—it all comes back to the unimproved value. So, when we first purchased there, the lease was about \$450 a year. A short time later, these were reassessed and it was reassessed to \$8 000 a year, which we then contested and we have now had reduced to \$4 500 a year, which is still 1 000 per cent increase. Considering this was a property that historically had never fed anyone off, which had been operating since 1964, we actually thought we had fairly good grounds to contest that unimproved value. Essentially, where I see it is that the crux of this issue is that it is pastoral land that is being valued on a commercial basis. Essentially, a piece of pastoral land without improvement is pretty much worthless because you cannot run cattle on it if there is no fencing. You cannot run cattle on it if there is no fire management. Ditto for watering points—improved waters. So all of these things rely upon the improvements that we put in to be of any value; otherwise, the cows are not going to survive or they are not going to stay there. We are seeing leases that are valued on a commercial basis when in actual fact the only true value of that land as a pastoral enterprise—I am not including diversification; I am talking about purely pastoralism—is its ability to generate income as a pastoral enterprise; that is, what it can return per annum in terms of livestock sales. Now, if that piece of land stays the same and the price of

beef—not the price of beef; heaven forbid! The price of cattle in Australia has actually declined in real dollar terms since the 1940s, so we are seeing these declining terms of trade but, on the other hand, we are being punished for this perception of value which just is not there. I mean, we cannot borrow against it; it is a liability. This perceived value of unimproved land is just a liability to us because the fact is unless we are getting a return for what we are allowed to do, where is the value? Because if you are paying for diversification, then you are paying for that on a per annum basis. It is not like there is any need to incorporate the value of that diversification into your standard lease fees, because you have to do a financial return for your diversification fairly every season and a profit and loss statement, basically. So whatever has been made then, you are invoiced accordingly, essentially, and it becomes incorporated into the costs of diversification. This is not necessarily the case with all diversification because if it is just for supplementing native pastures, supplementary feed for your own operation, this is allowed for as long as you do not sell the product, which is fine. But the point is: if there is an advantage to be had from diversification, then that is paid for. So I see a situation where we are sort of being double dipped on a bit.

Hon DARREN WEST: The ag department in Broome—is there any presence there of meaningful use to you?

Mr Elezovich: Yes, certainly there are some good people working for the department of ag in Western Australia. One of the things that we see is up until recent times, shall we say, the focus on the southern rangelands, which is where the numbers of businesses are, not necessarily the—we have got some big operations up here, but in terms of stakeholders, we are fairly thin on the ground. When there are a lot of voices, people respond to the voices, not the volumes, I guess. We are seeing there is movement currently afoot that, certainly, there will be an increased presence up here, but as far as there being assistance for diversification, so furthering the business, we have had a lot of help from the Northern Territory and northern Queensland as well. There is a lot of stuff that has been done over there and, in a broad sense, it is a similar land system or a similar climatic zone, which can be extrapolated back to your own circumstances.

[1.30 pm]

The CHAIRMAN: When you say you have had help from the Northern Territory and Queensland, is that from the departments there or from other pastoralists?

Mr Elezovich: Both—talking to other people as well as actually going up there. We have had a lot of help from Rangelands NRM allowing us to go up there and meet other people at field days and see what is going on. This is the way you can find things out. It is no good just sitting at home and wondering what you might be able to do.

Hon JACQUI BOYDELL: Can I ask your opinion of the draft lease and the process that has gone through, if you had any comments on whether you are happy with it or not? How do you think the lease that is currently on the table could be improved?

Mr Elezovich: I have certainly made a number of submissions both as myself and also on behalf of the Western Australian Beef Council to contribute to the proposed models of leaseholds. I guess my big comment on all this is that until such time as we see an actual legal document which is going to be the proposed lease, it is all so much hot air. The state government has been talking about improving the pastoral lease conditions for my entire life. I hope it ends some time soon. The point being there are a lot of things that are allowed for under the original pastoral act which are currently not policy. It is not about the act; it is about policy. For instance, freeholding areas within pastoral leases is allowed for under the original pastoral act. That is why most of the old leases up here have areas of freehold—this was allowed for. It becomes policy not to approve these anymore. It comes down to interpretation, I believe.

As far as the proposal that is currently before us, we need to see a lot higher level of detail in terms of something that is not just a draft. There has been a lot of really good submissions go into this

stuff but when it comes down to what the actual outcome is going to be, until we see the actual legal wording of it, it is so much hot air. A lot of leaseholders up here, as Peter mentioned beforehand, were offered to renew tenure in 2015. Our operation is one of them. I guess we are left with a great feeling of uncertainty in that this is being handled in an erratic fashion. We do not have any assurance that our existing agreement still stands legally; or is the minister saying that the agreement that was made by the previous minister is no longer valid? No-one is too sure about these things. This casts a pall of uncertainty across the entire industry. Essentially we are talking about multimillion-dollar businesses that have a two-year lease. That is what we are talking about. How can there be any value attached to a lease that has two years left to run with no great assurance that it is going to be renewed? I agree 100 per cent with Peter that what we want is perpetual leasehold, and the opportunity for areas to be split off and negotiated for freehold. The problem that we see is the competition policy where, if you want to freehold land, you are forced to basically bid for it on the open market. There is this great aversion to providing benefit to anyone, essentially. You get into a scenario where you are forced to pay the independent market value for a piece of land you already own, in a broad sense, under pastoral tenure. This is a great disincentive for people to develop their businesses. Certainly these tenure issues are the greatest thing that has held back the pastoral industry in Western Australia. When you compare it to other northern states, they have a better tenure model. We see that as why there has been a greater level of investment across the north in other states.

Hon JACQUI BOYDELL: I am interested in your comments around land tenure and the lease, and the capacity to use that as an asset with financial institutions. Do you think that financial institutions need to understand the pastoral industry more than they do when you are negotiating a finance arrangement with them? How is the pastoral industry bridging that gap with those financial institutions if there is that lack of understanding?

Mr Elezovich: My take on it is that a number of financial institutions actually do have a reasonable understanding of the issues that affect the pastoral industry surrounding the tenure models, and allowance is made for that, but I would say that in a broad sense the general lending institutions do not really want to know about it. The fact of it is you have properties that are allegedly worth a great deal of money but you cannot borrow against them. In the majority of operations—certainly our own—our mortgage is over our livestock. The value is in the livestock, not in the land. The land is a liability, if anything. It is pretty disgraceful when you consider on one hand that it is allegedly worth all this money but we cannot borrow a cent against it.

Hon JACQUI BOYDELL: Do you think that is to do with the lease or do you think there is a lack of understanding of how the pastoral industry works?

Mr Elezovich: No. I believe it is connected to the uncertainties over the lease, particularly the rollover of leases in 2015. You have got to look at it in a financial sense. There is no surety after 2015 in a real sense. A lending institution would have to be mad to touch it. Even if you look into the existing act, the lease can be terminated basically for any reason. As far as that goes, there is no surety over it really.

Hon JACQUI BOYDELL: That can happen now, though. The lease could be terminated for any of those reasons anyway, whether it is animal welfare —

Mr Elezovich: Absolutely. It is all provided for under the act. I do not think it has ever been enacted, but the fact is the law remains. It is an opportunity.

Hon JACQUI BOYDELL: I think it has been enacted once.

Mr Elezovich: Okay; there you go.

The CHAIRMAN: Is there any other final issue that you would like to canvass?

Mr Elezovich: No. I would like to thank you for the opportunity of being able to present.

The CHAIRMAN: Thank you for taking the time to drive here today to visit us and tell your story. We will be in touch with you.

Hearing concluded at 1.38 pm
