



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

COMMITTEES

Economics Legislation Committee

Report

SPEECH

Monday, 16 November 2009

BY AUTHORITY OF THE SENATE

SPEECH

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Questioner
Speaker Eggleston, Sen Alan

Source Senate
Proof Yes
Responder
Question No.

Senator EGGLESTON (Western Australia) (4.53 pm)—I move:

That the Senate take note of the report.

I would like to make just a short comment about the tightening of regulations regarding hobby farms. One of the things that the Economics Legislation Committee was concerned about was an unintended consequence. It was pointed out that, for example, the great Margaret River wine industry as we know it today might well have been prevented from developing had this legislation been in place at the time the first vineyards were put into the Margaret River area in the 1970s. An agricultural scientist from the Western Australian agriculture department, Dr John Gladstone, who was also associated with the department of agriculture at the University of Western Australia, thought that there were some similarities between the land in the south-west of France and some of the now wine-growing areas in Margaret River, which was then a dairy area. His report attracted the interest of some of the doctors in Busselton and Bunbury and they set up little hobby farms growing wine grapes in the Margaret River area. From that simple beginning not so very long ago in the mid-70s, the great Margaret River wine industry has developed.

The coalition senators on the committee were concerned that this legislation, which requires some decision by the Commissioner of Taxation if the claim for a hobby farm being a legitimate business is marginal, might mean that if the commissioner did not have the vision to see the potential of the hobby farm developing into a new agricultural industry it might well not be permitted. Had that occurred in the case of those doctors from Busselton and Bunbury in the Margaret River area, we would not have the great Margaret River wine industry that we have today.

Evidence was also given by alpaca farmers who face exactly that sort of situation. While alpaca farming is perhaps seen as a niche agricultural development, the alpaca farmers themselves have a long-term vision of broadacre alpaca farming where alpacas will be shorn for their wool and that that will develop into an industry in effect competing with the Australian sheep wool industry. But it will take a very long time to get to the point where it is commercially viable because the genetics of the alpaca stock currently in Australia need to be improved and that kind of breeding program

will take a long time to develop. The alpaca farmers expressed grave concerns that, were their industry to be subject to a commissioner's decision as to whether or not it had the long-term potential to be a viable industry, it might not be given the green light and the potential for the alpaca industry to grow into a broadacre farming industry might not occur.

The coalition senators, while not opposing this legislation, certainly had some reservations about some of its other implications. One of the projections which was made with respect to this legislation was that it would raise an additional \$700 million in tax from the fact that the hobby farmers would be subject to taxation on their developments rather than being able to claim them as deductions. It was felt that if the legislation was fairly strictly imposed and the commissioner disallowed various kinds of farming development then the amount of revenue actually realised might be far less than the \$700 million that the government assumed would be the case.

In conclusion, the coalition senators on the Economics Legislation Committee were concerned that this measure may inhibit the growth of new industries such as would have happened had the rules then applied to the Margaret River wine industry and would apply now to the alpaca breeding industry and also to the bloodstock industry from developing in the future into important agricultural industries. We, while not opposing this, certainly have some reservations about the impact of this legislation.

Question agreed to.