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AUSTRALIAN BEEF
TO THE WORLD

Consolidated Pastoral Company Pty Ltd

ACN 010 080 654

PO Box 332,

Wilston QLD, 4051

P+ 61 7 3174 5200

F+ 61 7 3861 1707

Consolidated Pastoral Company

Submission to the Northern Territory Assembly's Economic Policy Scrutiny Committee inquiry into the Pastoral Land Amendment Bill 2017

Consolidated Pastoral Company Pty Ltd

PO Box 332

Wilston QLD 4051

Submission contact:

Troy Setter

Chief Executive Officer

CPC

T: 07 3174 5200

F: 07 3861 0305

M: 0429 048 078

Email: troy.setter@pastoral.com



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10 November 2017

Mr Russell Keith
First Clerk Assistant
GPO Box 3721
DARWIN NT 0801

Dear Mr Keith,

Consolidated Pastoral Company (CPC) welcomes the opportunity to have input into the Committee's review of the Pastoral Land Amendment Bill 2017.

CPC would also welcome the opportunity to appear before the committee to expand on this submission if a suitable date and time can be arranged. I understand consideration is being given by the Committee to holding public hearings on 22 November 2017. Unfortunately, I would not be able to appear on that day because of prior commitments.

Yours sincerely,

Troy Setter

Chief Executive Officer



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Terms of reference

CPC notes the terms of reference for the Assembly committees, in part, requires them to inquire and report on any matter within a subject area referred to them.

Further, in relation to any bill referred by the Assembly a Committee is required to advise:

- whether the Assembly should pass the bill;
- whether the Assembly should amend the bill; and
- whether the bill has sufficient regard to the rights and liberties of individuals.

Summary

CPC is the biggest private beef producer in Australia with an enterprise value in excess of \$950 million.

In the Northern Territory, we hold 10 pastoral leases and are responsible for the sustainable management of 2.5 million hectares.

CPC strongly supports broadening the diversification of pastoral land use across the Northern Territory, and Northern Australia generally, as an effective means of building and strengthening the northern economy.

CPC supports the reform of regulations that limit the ability of pastoralists to maximise the economic return from their landholdings.

CPC therefore supports the amendment to allow for the grant of a sublease of a pastoral lease for non-pastoral purposes and for the sublease to be registered on the title as security.

CPC also supports the reform of the methodology for the calculation of annual pastoral rent but does not support the proposed Estimated Carrying Capacity (ECC) as a measure of the value of the property.

CPC believes the best measure would be Unimproved Carrying Capacity (UCC) and we support the amendment to that effect proposed by the Northern Territory Cattlemen's Association (NTCA).

Consolidated Pastoral Company (CPC)

CPC is the biggest private beef producer in Australia with an enterprise value in excess of \$950 million.

CPC owns and operates a portfolio of 16 cattle stations and capacity for 400,000 head of cattle across CPC operations.



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In the Northern Territory, we hold 10 pastoral leases and are responsible for the sustainable management of 3.1 million hectares.

In the Territory, our holdings have a carrying capacity of 201,000 cattle.

The company is a significant contributor to the Northern Territory economy and employment with an annual Australian turnoff of some 80,000 cattle for the live export trade, the boxed beef export sector and the domestic processing industry.

Diversification

CPC strongly supports broadening the diversification of pastoral land use across the Northern Territory, and Northern Australia generally, as an effective means of building and strengthening the northern economy.

A fundamental plank in CPC's strategy is building a cropping capacity alongside our existing beef operations across northern Australia to maximise utilisation of the land.

CPC management has been working with agronomists to identify cropping opportunities and the company has plans in place to commence a pilot cropping operation in 2018 as a first step.

Proposed reforms

Sublease security

The Government is proposing amendments to the Pastoral Land Act and the Pastoral Land Regulations to promote diversification on pastoral land.

The amendments will allow for the grant of a sublease of a pastoral lease for non-pastoral purposes and for the sublease to be registered on the title as security.

That is, they will provide leaseholders with greater security when entering into subleases with third parties to support investment and promote more intensive land use.

Rent reform

CPC supports reform of the methodology for the calculation of annual pastoral rent.

However, we note that the Bill refers to Estimated Carrying Capacity (ECC) as a measure of the value of the property not Unimproved Carrying Capacity (UCC).



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CPC notes the NTCA submission reference to the current wording in the Bill not being consistent with the negotiations between the NT Department of Environment and Natural Resources and industry during the consultation process.

CPC also notes the NTCA statement that in all correspondence and communication with the Department throughout the development of these changes the Association has advocated the shift to from an Unimproved Capital Value (UCV) model to an UCC model.

CPC recommendations

CPC supports the reform of regulations that limit the ability of pastoralists to maximise the economic return from their landholdings.

CPC therefore supports the amendment to allow for the grant of a sublease of a pastoral lease for non-pastoral purposes and for the sublease to be registered on the title as security.

CPC does support reforms to the methodology used to calculate annual pastoral rents but we do not support a model based on ECC and therefore do not support this Bill in its current form.

However, CPC will support the Pastoral Land Amendment Bill if the Government accepts the amendments proposed by the NTCA and the Minister provides satisfactory answers to the questions raised in relation to section 30 (B) 2 and section 68 (A) 1.



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Attachment

Summary of amendments proposed by the NTCA to the Pastoral Land Amendment Bill:

1. Entire Amendment Bill - All references to “*Estimated Carrying Capacity*” be changed to “*Unimproved Carrying Capacity*”, and all references to “ECC” be changed to “UCC”.

There is no specific methodology for calculating “estimated carrying capacity”, creating uncertainty for industry.

The “unimproved carrying capacity” (UCC) of the pastoral estate has been determined (during the 2015 valuation), and this figure will not change over time.

The UCC is a more objective method for calculating the productive capacity of pastoral land and remains constant, leaving the pastoral lease rent factor as the sole variable in the calculation of pastoral rents. The purpose of changing the methodology is to provide certainty for both Government and pastoralists about the calculation of pastoral rents.

2. Section 54: Change heading to “Determination of unimproved carrying capacity” as per Amendment 1.

3. Section 54 (1): Change “The Agency” to “The Pastoral Land Board”.

The Pastoral Land Board is the most appropriate and qualified authority available to determine the unimproved carrying capacity.

4. Section 54 (1): The carrying capacities referred to in this section must refer to the unimproved carrying capacities agreed to by industry in the 2015 review conducted by Herron Todd White on behalf of the NT Valuer-General.

This sub-section should state, to the effect of, “The Pastoral Land Board must use the 2015 Unimproved Carrying Capacities to calculate the pastoral rent”.

The unimproved carrying capacities, which were determined in 2015 by an independent party, and done so using a scientific methodology, were endorsed by both the pastoral industry and the Northern Territory Government as an accurate representation of the productive capacity of the landscape without improvements.



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Therefore, these carrying capacity figures will not change over time, and provide a consistent and reliable factor for calculating pastoral rents. Using this figure will remove any requirement or need to review the unimproved carrying capacities as currently stated in the Amendment Bill.

5. Section 54 (2): Remove subsection.

Unimproved carrying capacities do not change over time, and using UCC and the pastoral land rent factor to determine pastoral rents will remove the need to conduct unnecessary, expensive and potentially contentious periodic recalculations. Using UCC also provides the stability and certainty that industry has asked to be delivered through these changes to the PLA.

6. Section 54 (3): Remove subsection.

As per amendment 4.

7. Section 54 (4): Change “The Agency” to “The Pastoral Land Board”.

The Pastoral Land Board is the most qualified, and therefore the most appropriate agency to assess the carrying capacity of unimproved pastoral land. This should be reflected in the legislation.

8. Section 55 (1): Change as per Amendment 1 (replace “ECC” with “UCC”).

9. Section 55 (2): The Act must state that the pastoral lease rent factor is to be the same for all pastoral leases across the NT, but the Minister may choose to waive the pastoral rent for certain districts in the event of exceptional circumstances, such as drought.

10. Section 30B (d): remove, or change to “significant variation of a sublease”.

The requirement for a lessee to apply for ministerial consent to vary a sub-lease arrangement can be considered excessive and unnecessary, especially should the variation be of an administrative nature only.

11. Section 30B (2): A number of issues arise with this subsection, namely the changes to control.



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The following issues are identified:

The consequence of non-compliance with this section is a \$100,100 penalty and possible forfeiture of title. This could be considered excessive.

Is 15% as a threshold for change in control an appropriate threshold? This could be considered too low, especially when considering the effect of application to publicly listed entities and the effect on family restructures dealing through shares.

12. Section 68A (1): Query the requirement to register a sublease within 12 months when there are no such obligations under the *Land Title Act* or *Crown Lands Act*.

13. Section 68(5): Under the Regulations include carbon abatement and conservation under non-pastoral use provisions.