Heads of Agreement
Reform of the Queensland Sugar Industry

Statement of Intent

• The Queensland sugar industry and the Queensland Government are committed to supporting and promoting comprehensive reform and restructure.
• It is acknowledged the legislative impediments to reform must be removed.
• It is recognised by both millers and growers that the future cannot simply be an extension of the past and that previous assumptions driving production and structural arrangements need to be changed.
• Industry is committed to transformational change required to achieve sustainability.

Legislative Reform

To pursue the vision outlined in the above statement of intent, the Queensland Government, CANEGROWERS and the Australian Sugar Milling Council agree to reform of the Sugar Industry Act 1999 subject to the following:

1. for an 18 month period commencing 1 July 2004, arbitration shall be based on the principles outlined below.
2. an exemptions system from the domestic single desk for alternative products (eg ethanol, bioplastics) and bagged sugar for export, but not for bulk raw sugar for use in manufacturing. It is recognised that the Ministerial Direction on Export Parity Pricing must be retained to achieve this outcome. This will commence on 1 July 2004.
3. the industry will establish a working group to develop voluntary marketing arrangements as soon as possible. The objective of this working group is to work towards a new system for marketing of raw sugar prior to the requirement for review in 2006.

Principles of Compulsory Arbitration

The guiding principles for arbitration in the interim period are:

1. the system should encourage the changes necessary to make the industry viable in the long-term.
2. the system will promote economic outcomes.
3. recourse to arbitration should be available for the key issues of a cane supply contract.
4. access to arbitration is available to both growers and millers.
5. arbitration should be able to be initiated where an issue arises affecting the eligible parties involved in negotiation of a contract. It should not be able to be used by smaller groups to prevent a larger group from moving to a new outcome.
6. the basic division of proceeds must be negotiated in partnership and not arbitrated upon.
7. the interim system must be consistent with the ability under the new Bill for growers to collectively bargain in one or more collectives.
Legislative Proposal on Arbitration

To implement an interim arbitration system for 2005 according to the above principles, the following legislative proposal will be adopted.

1. arbitration is available for one year only, and any contracts that are arbitrated upon last for one year only.
2. growers could apply for arbitration within an individual mill area where the dispute affected a collective involving at least 75% of production that has been previously supplied in 2004 to the mill involved in the arbitration.
3. growers would have to sign intents to contract and agree to be bound by the outcomes.
4. arbitration must not apply to the formula commonly known as the cane price formula.
5. the definition of the "supplier" for the purposes of the Act and matters related to exemptions are specifically excluded from the scope of any arbitration.

The parties agree to arbitration over 18 months as follows:

- **From 1 July 2004 to 31 December 2004**: compulsory arbitration under the current Act will be retained, but final offer will not be available unless agreed by the parties. Final offer will be replaced with compulsory commercial arbitration.
- **From 1 January 2005 to 31 December 2005**: an interim model of arbitration as above is implemented in addition to other changes in the statutory bargaining system as provided in the Queensland Government's Bill.
- **From 1 January 2006**: parties will have access to arbitration by agreement. The Act will continue to provide for dispute resolution for disputes arising out of contracts.

Signed:

JE Pedersen  
Chairman  
CANEGROWERS

GE Mitchell AO  
Chairman  
AUSTRALIAN SUGAR MILLING COUNCIL

The Honourable Peter Beattie MP  
Premier of Queensland and Minister for Trade

1 March 2004