



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE

**Reference: Iraqi wheat debt**

TUESDAY, 22 FEBRUARY 2005

PERTH

BY AUTHORITY OF THE SENATE



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## SENATE

### RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE

Tuesday, 22 February 2005

**Members:** Senator Ridgeway (*Chair*), Senator Heffernan (*Deputy Chair*), Senators Buckland, McGauran, O'Brien and Stephens

**Participating members:** Senators Abetz, Allison, Boswell, Brown, George Campbell, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Greig, Harradine, Hutchins, Ludwig, Knowles, Lightfoot, Sandy Macdonald, Mackay, Mason, McLucas, Nettle, Payne, Robert Ray, Santoro, Tchen, Tierney, Watson and Webber

**Senators in attendance:** Senators Brown, Buckland, Ferris, Heffernan, McGauran and Stephens

**Terms of reference for the inquiry:**

To inquire into and report on:

Compensation arrangements for wheat growers after the writing off of the Iraqi wheat debt, with particular reference to:

- how decisions were made; and
- the impact on wheat growers.

**WITNESSES**

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**Committee met at 8.43 a.m.**

**ACTING CHAIR (Senator Heffernan)**—I declare opening this public hearing of the Senate Rural and Regional Affairs and Transport References Committee. The committee is inquiring into the compensation arrangements for wheat growers following the writing off of the Iraq wheat debt. I welcome everyone here today. This is a public hearing. There will be a Hansard transcript of the proceedings. The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings.

Before the committee starts taking evidence, I place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given. Any act by any person which may disadvantage a witness on account of evidence given by him or her before the Senate or a Senate committee is a breach of privilege. While the committee prefers to hear all evidence in public, the committee may agree to take evidence confidentially. If the committee takes confidential evidence it may still publish or present all or part of that evidence to the Senate at a later date. The Senate has the power also to order production and/or publication of confidential evidence. The committee would consult the person whose evidence the committee was considering publishing before taking such action.

[8.44 a.m.]

**BRADLEY, Mr Leon John, Chairman, Western Grain Growers Division, Pastoralists and Graziers Association, Western Australia**

**FIELD, Ms Emma, Policy Director, Grains, Pastoralists and Graziers Association, Western Australia**

**WILSON, Mr Rick, Vice Chairman, Western Grain Growers, Pastoralists and Graziers Association, Western Australia**

**ACTING CHAIR**—I welcome our first witnesses today. If you wish to make a statement, please do so, after which we will ask you some deep and meaningful questions.

**Ms Field**—Thank you. I might just table two documents, if that is okay.

**ACTING CHAIR**—That is all right.

**Ms Field**—One is a Grains Council memorandum that went out in 1993. The other one is a document that we made up for our members regarding the Iraq wheat debt issue when it came up again last year.

**Mr Bradley**—Thank you for your invitation. By way of introduction, we are an independent farm lobby group. We seek to foster private enterprise in agriculture and we have a long history of trying to deregulate statutory marketing authorities in grain, meat and wool, for example. We come to this issue not as a member of the Grains Council of Australia, which you are probably all familiar with, because we are not affiliated with them. We have a completely different view of the world. However, on this occasion we find ourselves in agreement with the Grains Council's original decision to accept the offer made by the government at the time of the debt default by Iraq with regard to those pool sales in 1987, 1989 and 1990.

We usually have a conflict of views with the Grains Council. It is unusual for us to come to a similar position to theirs. At the time this decision was made we studied the reasons they provided and found them eminently sensible. I believe that they struck a very good deal with the government and you can see from one of the papers we have provided there that the government actually threw in \$32 million as a sweetener, which they said they considered was 'an achievement that should not be understated'.

Going back to the bulk of the problem, this document explains that the wheat growers were actually getting a particularly favourable deal from the government as regards the insurance arrangements which facilitated the wheat board to sell wheat into risky credit markets. When the creditor actually paid, the growers collected the premium for the risk and when the credit defaulted the taxpayers wore the loss. It was an arrangement of such suitability to the wheat industry that the Grains Council were determined to keep the nature of it confidential and to see that it continued. There are a couple of relevant quotes here that support that. On page 4 it says:

In seeking credit insurance cover, the AWB is continually making judgements about selling wheat at a higher price on credit with the prospect of the 20% uninsured portion falling to the account of growers ... and the next available (lower priced ...) 'cash' market.

In general, the bottom line is that wheat growers are better off running the gauntlet of incurring the loss of 20% of the total value of the credit sale made at a much higher price than would have otherwise been the case had the sale either been made at a lower cash price or sold into an alternative lower price, less preferred cash paying market.

They go on to say:

I hasten to add that this is not an argument that we have run publicly or with vigour.

They are worried about exposure of it, because one of the problems with this issue, and why growers in Western Australia have been so easily manipulated, is that because it is confidential nobody actually understands the particulars of the wheat marketing arrangements and the deal between the government and the AWB and the Grains Council at the time. So we believe that growers have been quite artfully manipulated whenever there has been a quiet time in the news and other parties want to make themselves look useful. So in fact we believe we have had a pretty good deal from the government. We think that the Grains Council negotiated a very good settlement. We do not believe that there is any further need to call on taxpayers to throw any more funds growers' way.

**ACTING CHAIR**—In the shortfall, which was spread across the pool, how many dollars a tonne was it? It was 43c in the first pool, \$4 in the second pool and near enough to \$5 in the third pool.

**Mr Bradley**—Yes, that is right.

**ACTING CHAIR**—Reading some of the publicity, you would almost have yourself believe that somehow individual growers and not the pool bore the cost, especially some growers on this side. Have you got any comments to make about the way the pool averaged the loss?

**Mr Bradley**—Those two prior payments were eventually rolled into the 1989-90 pool.

**ACTING CHAIR**—So there was near enough to \$10 coming off the—

**Mr Bradley**—Yes, but the total amount estimated to be owing has been arrived at through compounding interest and so on. I am not exactly sure. It is actually inflated a bit, and it is also inflated from another angle in that the full costs have not been deducted from those pool sales as well, and so the actual deficiency at the time would be considerably less than what is stated here, I would think. But we do not have any figures on that.

**ACTING CHAIR**—Thank you. Senator Brown?

**Senator BROWN**—The evidence of the Grains Council of Australia and others is that 80 per cent of the total outstanding debt has been recouped and 20 per cent has not. But from what you have been saying, it sounds like the individual grain growers have not taken on board that 20 per cent outstanding debt. Is that your assessment, or is it something different?

**Mr Bradley**—Actually, our understanding is that because of the generous insurance arrangements, which were provided on non-commercial terms, really—I suppose you could describe them as a subsidy for wheat growers—AWB was able to sell into higher paying, risky credit markets in the knowledge that if the buyer were unable to meet his obligations they could fall back on the 80 per cent component when necessary, put that in the pocket, and collect the full amount when the creditor was actually able to pay. So for the growers it was actually a no-lose situation and for the taxpayers it was a lose-lose situation.

**Senator BROWN**—I am aware that in various submissions here we have got the terms ‘Australian government’ and ‘taxpayers’ changing as they go along, according to—

**Mr Bradley**—We assume that the government has not got any money that has not first been taken off someone.

**Senator BROWN**—So when you say ‘taxpayers’ you also mean ‘Australian government’ and vice versa.

**Mr Bradley**—Yes.

**Senator BROWN**—Let me go back to my question: was there a 20 per cent shortfall which has been estimated at \$US98.1 million?

**Mr Bradley**—Yes, the growers—that is right.

**Senator BROWN**—That debt is still outstanding?

**Mr Bradley**—Yes, that is right. Iraq defaulted.

**Senator BROWN**—Yes, due to global political action at the time. The question I want to get to is: was \$US98.1 million defaulted by Iraq?

**Mr Bradley**—That is right.

**Senator BROWN**—Is it incorrect for me to say that grain growers bore part or all of that default? Are you saying to the committee that grain growers were not out of pocket because of that default—that somebody else is owed the \$US98.1 million?

**Mr Bradley**—No, if Iraq had been able to honour its full commitment, that money, less costs, would have been paid to growers.

**ACTING CHAIR**—It would be fair to say, though, that EFIC would not have come into play.

**Senator BROWN**—That is right.

**ACTING CHAIR**—EFIC did come into play, though.

**Mr Bradley**—We would not have had to call on the insurance arrangements.

**Mr Wilson**—If EFIC was not in place, then the AWB may have made a commercial decision not to sell into that market anyway. That is the point of the evidence—

**Senator BROWN**—But that is an ‘if’; I am dealing with the reality of what happened. EFIC was in place and the Australian government has been involved throughout in the process, as is usual with international trade arrangements. The point I am getting to here is that, nevertheless, wheat growers are still owed \$US98.1 million because of the default from Iraq. You can argue that whoever is the Iraq authority or the inheritor of rule in Iraq owes that money. I am not disputing that, but Iraq owes that money and wheat growers have not been paid it. Isn’t that clear?

**Mr Bradley**—I think, in business, if you deliberately take on risk in a calculated manner and the risk turns out to be downside rather than upside, that is just the cost of doing business. If you go to page 5 of the Grains Council document, about halfway down, you will see that at the time nearly all our competitors were making their sales through generous credit arrangements: 98 per cent, 100 per cent and 95 per cent. In the case of Canada, 100 per cent of their sales were made by providing generous credit terms. So, in the context of the overall sales program, being assisted through subsidised insurance rates was very valuable assistance to the Australian wheat growers.

**Senator BROWN**—Yes, I am not disputing that.

**Mr Bradley**—So, on balance, you would say we got a pretty good deal, and that is essentially what the Grains Council says on page 5 of its document:

Furthermore, without insurance cover, we would make fewer, if any, credit sales. This would put us at a substantial competitive disadvantage in an international market where it is expected that two thirds of the world’s wheat trade will be in the form of credit and/or aid in competition with countries whose credit insurance cover is much greater than ours and fully government funded.

**Senator BROWN**—I am not arguing about the arrangements. What I am establishing here is that there is a default by Iraq of \$US98.1 million in 1990 terms which has not been paid to wheat growers.

**Mr Bradley**—That is right.

**ACTING CHAIR**—This would be no different from the default by Shepherds Producers who went belly up last year in my district and owe the growers \$10 million or \$20 million. This is a buyer who defaulted. It happens every day of the week and—

**Senator BROWN**—What do you think of the arrangement whereby the Commonwealth is going to compensate the timber industry in Tasmania for forests that might be protected?

**Mr Bradley**—That is a bit outside my brief.

**Senator BROWN**—We have established now that grain growers have this outstanding debt on their expectations of being paid. Have you been able to assess the value to the average producer of that debt if we apportion it across the wheat-growing lands of Australia?

**Mr Bradley**—It depends on what assumptions you would like to make. In a default situation, I think most creditors would be happy just to get their money back. The calculations that have been bandied around have compounded the original Iraq obligations so that they have come up with a figure like \$300 million. If you used that \$300 million it would mean that some growers would probably be pulling \$50,000 to \$100,000, including me. I would very much appreciate it if you would like to make a donation; we are not going to argue about that.

**Senator BROWN**—Excepting that what we are getting to here is the philosophical point of view taken by your organisation, which is free market or laissez faire.

**Mr Bradley**—No, this has nothing to do with that.

**Senator BROWN**—Then what is the difference in the philosophical position between you and those growers in Western Australia, in particular, who feel aggrieved that they are owed money and do not have it?

**Mr Bradley**—We are dragged into this issue because the instructions from my grain committee, for example, were not to touch this issue because we cannot win from it. But we are here because it has been a perennial issue over the last few years in WA and, every time there is a quiet time in the media, our colleagues in the other organisation use the opportunity to make it look like they are doing something and whip up a furore about it. They do not present the growers with all the facts and then our members ring us up and say, ‘What are you doing about recovering our money?’ So we have to explain to them that we believe we have been paid in full.

**Senator BROWN**—But that is ascribing ill motive to another organisation. We can take that or leave it. What you have told the committee is that the growers have not been paid in full, that there is an outstanding debt of \$US98.1 million in 1990 terms and that part or all of that has been borne by the growers. The terms of reference for the committee are to firstly establish that fact and, secondly, see whether or not there ought to be compensation going to growers. The chair has talked about compensation not going to some people and we know that compensation has gone to other people who have lost out, either through government action or through some other—

**ACTING CHAIR**—With great respect, what was it that I was alleged to have said?

**Senator BROWN**—That compensation did not go to some people. The question comes down to: should the Commonwealth not compensate growers and then seek the debt—in other words, take the burden of that debt? It was not an international decision to put sanctions on Iraq, in which the Commonwealth took part, which led to that debt occurring. That is a political question. What your organisation is saying to the committee is that you recognise the debt, but you believe the Commonwealth ought not compensate a particular sector of the Australian production, the wheat growers, because of a political decision that was made internationally by the United Nations. That is the essential question here, isn’t it?

**Mr Wilson**—I appreciate that you have not had time to read this document from the Grains Council that we have presented, but it essentially says that in 1993 the growers’ representatives made the decision that they had had a pretty good deal from the Commonwealth government. They had been given \$32 million ex gratia of the \$90 million owing. The EFIC scheme that was

in place at the time was a subsidy for growers, which was very attractive. It was worth walking away from the Iraqi debt to keep that EFIC scheme going. That is the point. You are saying that \$90 million is still owing. We are saying, yes, technically, but in reality the Grains Council of Australia decided in 1993 that they would walk away from that \$90 million debt. This is the representatives of the Australian growers.

**Senator BUCKLAND**—I am a little unclear on a few things you said. The association is saying, ‘Yes, we got a pretty good deal.’ The growers are saying, ‘We don’t think we did.’

**Mr Wilson**—The WA Farmers Federation, in June 2004—

**Senator BUCKLAND**—The association is saying, ‘We’ve got a good deal.’

**ACTING CHAIR**—The Grains Council.

**Senator BUCKLAND**—The Grains Council, I beg your pardon. The farmers—that is, the growers—are saying, ‘We don’t think we got a good deal at all.’

**Mr Wilson**—But in June 2004 the WA Farmers Federation, which will be appearing here today, voted to accept a write-off of that Iraqi debt in return for \$20 million invested in grain-handling facilities in Iraq. That was on 2 June 2004. They are going to appear here today and say they want the \$90 million. Make sense of that.

**Senator BROWN**—Let me just explain to you—

**ACTING CHAIR**—Order!

**Senator BUCKLAND**—Senator Brown, you have had a pretty good run here. Give a couple of others a bit of a go. You also mentioned the insurance component of it. What happened there? Did anyone claim under their insurance for loss?

**Mr Bradley**—We got the 80 per cent. It was around \$432 million.

**ACTING CHAIR**—Was the remaining debt assigned to EFIC?

**Senator FERRIS**—No. It was assigned to the Paris Club debts.

**Mr Wilson**—The remaining debt was transferred into 1994—the way I understand this document—at a cents in the dollar rate.

**Ms Field**—That amount is still outstanding, and that has gone to Paris Club. It is still outstanding to EFIC, so whether or not they will be successful—

**Senator BUCKLAND**—What is the likelihood of recovering that?

**Ms Field**—From Paris Club?

**Senator BUCKLAND**—Yes.

**Ms Field**—Iraq owe a lot of money worldwide. I do not know what the figure is, but it is very high.

**Mr Bradley**—It is \$130 billion.

**ACTING CHAIR**—What would have been the premium attached to the original sale for the risk—in dollar terms per tonne?

**Mr Bradley**—As far as we know, that is information you would have to get from the AWB. Our understanding is that the actual premiums were extremely generous. In fact it says in the memorandum that one of the reasons why the Grains Council wanted to keep particulars of their settlement quiet was that they did not want to alert the public to the fact that the insurance agreements were given to growers on very favourable terms. On page 5, the memorandum states:

I hasten to add that this argument is not an argument that we have run publicly or with vigour.

That is, the argument that says, ‘Heads we win, tails we win.’ It continues:

We have consciously attempted to avoid inviting the sorts of articles we have seen written by Cassandra and John Hyde arguing that the current export insurance arrangements for Australia’s wheat sales on credit are a subsidy to wheat growers and are a contingent liability that the Australian Government should not continue to bear, particularly given the frequency with which, over the last few years, the Government has had to “pay out”.

**ACTING CHAIR**—It would be fair to say, though, that the 20 per cent that did not get paid by EFIC—and I presume you insure your car and there is a no-claim bonus—was more or less a no-claim bonus. When looking at it as an insurance deal, it was more or less a 20 per cent no-claim bonus. The first 20 per cent was borne by the insured. The myth in other parts of Australia, from what I can understand, is that some particular growers—and there are a few over this way—would try to make out a case that they, in particular, bore this no-claim bonus, as it were, or the cost of the insurance shortfall, ahead of all other growers. But it is fair to say that, as with any advantage that you fellows have in the sale of wheat to a port because you are 3,000 kilometres closer, your advantage is shared amongst the pool in terms of the freight differential. This is much the same thing.

**Mr Bradley**—Yes. Because we are a consistent exporter, more consistent than the Eastern States, we bear a disproportionate share of all costs. If you regard the default as a cost, Western Australian growers have borne a disproportionate share of that cost.

**Senator BROWN**—Can you enlighten me on the submission from the Grains Council of Australia that there is 100 per cent insurance cover in Canada?

**Mr Bradley**—The Canadian Wheat Board is an arm of the Canadian government. The government has advanced billions of dollars to the Canadian Wheat Board to make sales to ‘credit-risky’ customers. It is very complicated, but I think their total obligation of accumulated bad debt is \$Can7 billion to \$Can9 billion.

**Senator BROWN**—Nevertheless, in Canada there is 100 per cent coverage and in the US it is 98 per cent.

**Mr Bradley**—That was back then.

**Senator BROWN**—Yes. And it is 100 per cent in the CIS—Russia, I take it—and 95 per cent in the EC, but you are happy to accept 70 to 80 per cent coverage for Australian growers.

**Ms Field**—The credit arrangements today have changed; they are different.

**Senator BROWN**—I am talking about the arrangements regarding the Iraq wheat debt that apply globally. You are happy to accept a bottom of the range outcome for Australian growers.

**Mr Bradley**—I think you are misrepresenting what we are actually claiming.

**Senator BROWN**—I am asking you to comment on that.

**Mr Bradley**—What we are saying is: of course we would have preferred Iraq to have paid in full, because we have a financial interest out of it—

**Senator FERRIS**—So would some of the Australian taxpayers, who underwrote what happened.

**Mr Bradley**—but now that we have the wreckage, the question is: has it been arrived at sensibly and is it a just settlement? We say that, considering all the circumstances, which are described very precisely by the Grains Council, it was a good settlement.

**Senator BROWN**—I have difficulty with a situation in which Canadian growers get 100 per cent backing from their government but Australian growers are expected to lose 20 per cent of the debt, which adds up to \$US 98.1 million. For the life of me, I find it difficult to understand why you, as a representative of growers, are saying to the committee that Australian growers should accept a situation which is not the same as our major competitors; they are effectively getting full compensation, but you are saying that 80 per cent is okay in Australia. Where is the logic in that?

**ACTING CHAIR**—I call the committee to order. This is becoming a political statement rather than a look at the facts. By the way, I should put on record the fact that I am a wheat grower—anyone who knows me knows that I am a worn-out farmer—so obviously I may or may not have had wheat in the pool in whichever years they were. We do not want to have a philosophical argument here. This was obviously ticked off by the leadership of the industry, the Grains Council, at the time. The thinking behind that is not the business of this committee.

**Senator BROWN**—I object.

**ACTING CHAIR**—I will come back to you.

**Senator BROWN**—I am asking a question of the witnesses, and I do not need to be shepherded like that, thank you.

**ACTING CHAIR**—Well, if you want to have a shot at it—

**Senator FERRIS**—This meeting has been going for half an hour now, and I think it is fair that other people who flew across the country to come to this hearing should have an opportunity to ask questions.

**ACTING CHAIR**—They will. Mr Bradley, feel free to answer Senator Brown's question, but if you would prefer to defer we will move to Senator Ferris.

**Mr Bradley**—As a wheat grower, I am not happy that US and European farmers receive subsidies of up to \$US100 a tonne, but I accept the reality that the Australian government is not going to subsidise my wheat growing to that extent. Therefore I get on with my business and run it the best way I can, given the circumstances and realities of the world that I have to live in.

**Senator BROWN**—You have a different reality from mine.

**Senator FERRIS**—Mr Bradley, I want to go back to the composition of the Grains Council of Australia. PGA are not members of the Grains Council of Australia?

**Mr Bradley**—That is right.

**Senator FERRIS**—Have you ever been members of the Grains Council?

**Mr Bradley**—We were, I think, 'associates', without voting rights. They used to provide us with a limited amount of information, but we could not attend any meetings that were of significance or relevance.

**Senator FERRIS**—When was that associate membership?

**Mr Bradley**—We might have been a member of the Grains Council—

**Ms Field**—Around when this document came in.

**Senator FERRIS**—Would you have been a member in 1993?

**Mr Bradley**—It is possible, but I had only just joined the PGA then so I am not really sure. We had no influence at Grains Council level. We tried it for three or four years and, when we realised there was little value in it because our perspectives were entirely different and we did not have the entitlements of a full membership, we withdrew.

**Senator FERRIS**—So the major Western Australian grain grower membership of the Grains Council is the WA Farmers Federation?

**Mr Bradley**—That is right.

**Senator FERRIS**—It was then, in 1993?

**Mr Bradley**—Yes.

**Senator FERRIS**—And still is?

**Mr Bradley**—I believe so, but—

**Senator FERRIS**—I can clarify that with them anyway. Can I draw your attention to a comment that is made in this document from the Grains Council dated 16 July 1993, in which the then executive director of the Grains Council, Mitchell Hooke, says:

In general, the bottom line is that wheat growers are better off running the gauntlet of incurring the loss of 20% of the total value of the credit sale made at a much higher price than would otherwise have been the case had the sale either been made at a lower cash price or sold into an alternative lower priced, less preferred cash paying market.

I guess what he is saying is that an element of the price which was quoted but unfortunately not paid was in fact running a higher risk—

**Mr Bradley**—It was a risk premium.

**Senator FERRIS**—premium, than perhaps if they had sold it into another market where—

**Mr Bradley**—A cash market.

**Senator FERRIS**—there could have been a cash market, with a lower price.

**Mr Bradley**—A much lower price.

**Senator FERRIS**—Would you say that was part of doing business in the grains industry then and now, or do you think that was something that was done with Iraq but perhaps is not done now?

**Mr Bradley**—I think that they are much less cavalier now, because the government's obligation to bail out the AWB no longer exists, which is the main reason it was privatised—to remove the contingent liability.

**Senator FERRIS**—But, generally speaking, would you accept that that was the way the Wheat Board ran then? Would that be something that grain growers accepted as part of the cost of doing business in those days?

**Mr Bradley**—As ordinary grain growers, we would not know enough about the particulars.

**Senator FERRIS**—But you would have known that Iraq was a major market?

**Mr Bradley**—Yes—probably not as significant as it has been recently.

**Senator FERRIS**—I want to draw your attention to another paragraph on page 5 of this Grains Council memorandum, where Mitch Hooke says:

Just as a footnote, the bureaucracy, and indeed, some parliamentarians are still quite amazed at the way in which the Grains Council successfully mounted and executed its strategy for Federal Government compensation for the losses incurred in Iraq to the tune of nearly \$33 million. This is an achievement that should not be understated nor, I suggest, allowed to be forgotten ...

Would you like to comment on that statement?

**Mr Bradley**—I think Mitch Hooke deserves the self-congratulations that he pours upon himself!

**Senator FERRIS**—I am not particularly pushing Mitch Hooke's barrow here; I am asking you whether you think growers would agree with that statement. That is: did growers think they had done pretty well to get the compensation through EFIC and the extra payment that was made when the sanctions came in and the ships were on the water, or was that back then an issue of some contention? The Commonwealth government had paid \$US381.2 million on the insurance claim and a further \$US31.03 million on the second payment, the compensation payment. Generally speaking, would growers then have thought that was pretty reasonable or was there contention? I am trying to establish where this issue has come from.

**Mr Bradley**—Growers back then, as I stated earlier, would not actually have known. All they would have seen was that the government at the time—was it Mr Hawke's?—said after Iraq had invaded Kuwait and we responded with military assistance that, if there were any losses incurred, the government would pick them up in full.

**Senator FERRIS**—The Grains Council said at the time—I am just looking for the press release; I have it somewhere—that they accepted that payment as being a full payment, and remember that at the time the Grains Council was comprised of West Australian democratically elected representatives.

**Mr Bradley**—That is right.

**Senator FERRIS**—Where has this change occurred and why has it occurred?

**Mr Bradley**—I speculated earlier but I was correctly brought to order by Mr Brown that it is probably not our role to criticise other groups and imply mischievous motives to their actions. I really think that it is a convenient whipping horse to bring out when there is a quiet time in the news and they want to look like they are doing something constructive.

**Senator FERRIS**—I suppose we can explore it with WAFF when they come in. Are you familiar with the announcement over the last few weeks by the Paris Club of the debt arrangements that have been struck?

**Mr Bradley**—We have a vague awareness of how that works but as far as I know this is the only Australian wheat growers' obligation that has been affected by Paris Club arrangements. I do know that the Canadian Wheat Board is in exactly the opposite situation where they have enormous amounts of money.

**Senator FERRIS**—There are 18 countries involved in debts with Iraq and Australia is only one of them. Effectively, it says that the payments that we are likely to receive would commence in July 2011 and conclude in January 2028. There will be no repayments of arrears until more than 20 years after the debts were originally insured. Knowing farmers as I think I do, I would have thought it was pretty much in fairyland territory in terms of likely repayment.

**Mr Wilson**—That has essentially been the rationale for the position we have taken on this. It may surprise some of the members of this committee that a farmer organisation is not crying out for the money but we do not want to unrealistically raise the expectations of our members that they are going to get this windfall, which is in all likelihood never going to happen.

**Senator FERRIS**—It certainly will not happen through the Australian taxpayers since the Grains Council at the time legally accepted that the payments made were in full and complete payment. There is no legal obligation on behalf of the taxpayers of Australia for further recompense. Would you agree with that?

**Mr Bradley**—That is exactly how we see it, yes.

**Senator STEPHENS**—Ms Field, you said that the credit arrangements had changed since that time. Can you take us through those?

**Ms Field**—You would have to speak to AWB about that but when this issue came out I do remember reading that the AWB said that credit arrangements had changed. They are not the 80:20 like they were before. That is all private and confidential information that you would have to extract from them.

**Senator STEPHENS**—Mr Bradley, you spoke about the organisation as a whole accepting the settlement and the individual wheat farmers who have an expectation that there might be a windfall sometime in the future. Can you tell us how many farmers this is affecting in Western Australia?

**Mr Bradley**—At that time there would have been over 40,000 Australian wheat growers. If you asked me to pick a figure out of the air I would say there were at least 10,000 West Australian wheat growers. At the moment it is probably—from the Cooperative Bulk Handling share register—down to something like 6,000.

**Senator STEPHENS**—What do you think their expectation is?

**Mr Bradley**—I think our members have written it off a long time ago, which is why we do not think it is right to raise their expectations that they will ever get any money out of this. It is a loss. We would prefer to concentrate on things that are affecting us now and on which we believe we are losing a great deal of money every single year because of the dominance of AWB, for example, over the entire Australian wheat industry.

**Mr Wilson**—The \$60 million base fee that the Australian Wheat Board charged the wheat industry for marketing their wheat, for example.

**Mr Bradley**—If we can address some of those problems we can make this money lost in Iraq pale into insignificance, I would think.

**Senator STEPHENS**—This memorandum in that final paragraph on page 4 refers to the wheat being sold into the next available lower priced list preferred cash market. What do you think the risk premium was? Can you quantify that for us?

**Mr Bradley**—That is a question for the AWB and the government—the Department of Foreign Affairs and Trade, I imagine. All we know is that it was common knowledge here that it was a covert subsidy.

**CHAIR**—Two years ago there was a belly-up crop in the east. Have you blokes had a pretty reasonable crop here in the west?

**Mr Bradley**—We had a small crop—4.5 million tonnes.

**CHAIR**—What happened to the servicing charges for that year?

**Mr Bradley**—Servicing charges were entirely borne by Western Australian growers. In total, the market fee, with AWB's performance bonus, came to a shocking figure of \$14.50 a tonne. The Wheat Export Authority have said that it is better for the AWB to be able to be assured of profit and lower volatility in their trading arrangements than for growers to have lesser fees deducted from their proceeds.

**CHAIR**—Anyhow, today is not the day for that particular argument.

**Senator McGAURAN**—To finish one of Senator Stephens's questions: are you saying that, if any, there are miniscule expectations for the wheat growers of Western Australia to recover the 20 per cent?

**Mr Bradley**—Yes.

**Mr Wilson**—Amongst our members, that is.

**Mr Bradley**—We are here today because expectations which we think are unrealistic have been raised by another organisation, which is why we are somewhat critical of them.

**Senator McGAURAN**—How important is the Middle East market in percentage terms?

**Mr Bradley**—It is very significant. I cannot tell you off the top of my head—if I went through my briefcase I could probably tell you—but, having a stab at it, I would say it is 40 per cent.

**Senator McGAURAN**—What are the main markets in the Middle East?

**Mr Bradley**—They vary—Egypt, Iraq and, sometimes, Iran.

**Mr Wilson**—Can I make the point—and Senator Brown alluded to it earlier—that Australian wheat growers were initially disadvantaged by the invasion of Iraq but, subsequently, Australia was the sole provider of wheat to Iraq under the food for oil program—or ‘fraud for oil’ as it has become known. Australia was the sole supplier to Iraq from 1996 so, in fact, the events that led to this situation occurring ultimately benefited the Australian wheat grower.

**Senator McGAURAN**—So you have increased your tonnage since then?

**Mr Wilson**—I could not tell you that. I do not have those facts and figures at my disposal but, being the sole supplier of wheat to Iraq under the food for oil program—

**Senator McGAURAN**—Could you operate in the Middle East markets—in Egypt and other countries—without these insurance arrangements?

**Mr Wilson**—That is a question for the AWB. I do not know what their marketing strategies are.

**ACTING CHAIR**—I suppose it is important to define AWB when this happened as opposed to AWB Ltd now—there is a hell of a difference. Bear in mind that most growers do not know the difference.

**Senator FERRIS**—Can I clarify that on 14 October 1991 the then Minister for Primary Industries, Simon Crean, put out a press release headed ‘Payments to grains industry for Iraqi losses’ in which he went through what payments were made. The Wheat Board was paid \$31.03 million, rice growers were paid \$1.1 million and another smaller company got \$717,000. He then went on to say that each of the claimants accepted the payments as full and final settlement with the government for their losses. So, given your position, the Grains Council’s position, the government of the day’s position and the Wheat Board’s position, I suppose it is not surprising that growers accepted it.

**Mr Bradley**—Of course—as eminently suitable and appropriate. I do have a bit of information on those African markets, but of course it is changing all the time. This is something we did back in 1996 or 1997. At that time, Australia was supplying Iran with 40 per cent of its wheat, Egypt with 19 per cent of its wheat, Pakistan with 39 per cent of its wheat and Iraq with 63 per cent of its wheat. I cannot tell you the actual volumes. Yemen was supplied with 48 per cent of its wheat and the United Arab Emirates with 60 per cent.

**Senator McGAURAN**—I think Senator Ferris just set up the comments of Simon Crean, the then minister, to show just what an open and shut case this is. I am just trying to walk you through the commercial importance, the commercial reality and the commercial decision you have made and the acceptance of the insurance cover. Have there been any past defaults bar this one within Iraq—perhaps in Egypt or somewhere along there—where the insurance has been triggered?

**Mr Bradley**—We are not in a position to answer that, but we do think there have been some.

**Senator McGAURAN**—I think there have been in Egypt.

**Senator BROWN**—I just want to re-establish three things. The first is that the \$US98.1 million debt is real and has essentially been borne by grain growers in Australia.

**Mr Bradley**—It is our loss, yes.

**Senator BROWN**—It is a loss by grain growers. Secondly, in the US, Canada and Europe, 95 to 100 per cent compensation was paid, so they did not bear an equivalent loss.

**Mr Bradley**—There is a bit of a trade-off there that you might need to be aware of, in that, because of the Canadian government's trading policies, the Canadian growers have now been stuck with an enormous liability that is going to be a tremendous problem for them and might actually sink their wheat industry.

**Senator BROWN**—Sure, but we are talking about a 1990 debt situation, where wheat growers got 100 per cent compensation.

**ACTING CHAIR**—But that is today's situation.

**Senator BROWN**—Yes, I know, but we are dealing with this 1990 debt situation here. The third thing—and I get this very strongly—is that we must not open it up and talk about it. Now, the nature of—

**Mr Bradley**—But that is not what we are saying. Actually, that is one of our major complaints in this industry. We call it 'secret wheat business', because most things are kept from us. For example—

**Senator BROWN**—But don't you think, therefore, that it is a good thing that we are here discussing this debt—

**Senator FERRIS**—Let the witness finish.

**Senator BROWN**—before this Senate committee? I gather that your representation is that we should not be doing that because it may raise expectations or for other reasons—or there is motivation ascribed to other organisations.

**Mr Bradley**—First of all, we are actually glad that the Senate is reviewing this issue, because it gives us an opportunity to flush out the facts and make an assessment based on the evidence, and we can put it to rest. After 10 years, people do deserve the satisfaction of knowing that it has been properly considered and that they actually do have their full entitlements provided for.

**ACTING CHAIR**—Do you think that AWB Ltd and the Grains Council could have improved their communication with the growers generally on this issue?

**Mr Bradley**—As they say here, they were in a bind, in that they did not wish to attract publicity to the generous arrangements they had with the government.

**ACTING CHAIR**—So do you think that is one of the reasons that there is this fantasy around that somehow this was all a great—

**Mr Bradley**—I think the absence of information provided at the time has been the major deficiency that has led to the continuing speculation about the true circumstances.

**Senator BROWN**—My last question is very much on that. What do you say about the hundreds of wheat growers in WA who have turned up to public meetings on this issue? Is that because they are not informed or because they do not have the facts, or what is it? They can all think for themselves.

**ACTING CHAIR**—You might also add into that question: how they are any different to the tens of thousands of growers in the east who are affected by the same deal who did not turn up?

**Mr Bradley**—All I would say is that if people are falsely told that they might expect \$20,000 or \$30,000 or \$100,000 in the mailbox and that it has been unjustly denied to them then of course they are going to turn up to a meeting. I think the people who are putting those stories around need to explain the circumstances in full. Then, knowing all the facts, they might take a different view, which is what our members do. We have tried to keep them briefed about what we consider are the particulars relating to this arrangement. I know that most of them, but not all of them, accept this deal that the government, the Grains Council and the AWB made.

**Senator BROWN**—You have agreed that this debt is the equivalent of \$20,000 or \$30,000 or \$100,000 per grower?

**Mr Bradley**—It depends on how much they had in the pool.

**ACTING CHAIR**—It is \$2.50 a tonne in the pool.

**Mr Bradley**—It depends on how many tonnes they had in the pool.

**Senator FERRIS**—I want to go back to the question of communication. There was a series of questions asked by Mr Bruce Scott of Simon Crean, who was then the minister, back in February 1992. One of the questions was:

(3) Are any steps being taken to refund the uninsured portion of the debt ... if so what steps.

This is the debt we are talking about. Minister Crean answered:

No further steps will be taken to refund the uninsured portion of the debt referred to ... nor is there any basis for doing so. National Interest insurance was sought and provided because the risk of non-payment was high. The Government took a deliberate decision to limit the AWB's cover to 70- 80%. This arrangement was accepted by the AWB as the basis of conducting business in Iraq. National Interest insurance claim payments are being made on the basis of the terms agreed to by the AWB. Iraq has acknowledged the debt owed to Australia and has indicated it will pay all amounts due as required under UN Resolution 687.

Therefore I am still mystified as to why any grower would believe 10 years later that there is some liability on the Australian government, the Australian taxpayers, to meet that amount when Simon Crean—and, I think I saw somewhere, Prime Minister Hawke at the time—made it very clear that those were the commercial arrangements and the growers agreed. You were a member of the Grains Council then. You must have been aware of that.

**Mr Bradley**—I was not.

**Senator FERRIS**—I mean your association.

**Mr Bradley**—Yes, the association was. I have not heard Simon Crean's comments before.

**Senator FERRIS**—This is an answer in the parliament.

**Mr Bradley**—I was not even aware that he had made those statements, but they seem to be pretty well in alignment with what we have had to say this morning.

**ACTING CHAIR**—I want to ask a question which, because we are out of time, is completely out of context. In the wheat belt area of Western Australia do you see an encroaching salinity problem?

**Mr Bradley**—That is an interesting question. Logic says that salinity is becoming worse but from what base is it growing?

**ACTING CHAIR**—It is quite spectacular when you see it when you are flying over here.

**Mr Bradley**—I know that the methodology for assessing how much salinity there is in Western Australia has come under a lot of question recently.

**ACTING CHAIR**—It is really an unfair question.

**Mr Bradley**—The extent of salinity might actually be about half of what has previously been estimated to be the case.

**ACTING CHAIR**—Senator McGauran, you have a final question.

**Senator McGAURAN**—We are trying to get to the nut of the expectations of the farmers, which we realise is probably zero—other than in Senator Brown's mind. Do you know of any farmers within your organisation who still have this debt on their books, let alone in their expectations—who still have it written in—

**Senator FERRIS**—Their farm budget.

**Senator McGAURAN**—their farm budgets?

**Mr Bradley**—There are plenty of things that go into farm budgets at this time of year that should not be there! I suppose you could put it in prospective earnings from the TAB or your local bookmaker.

**Senator FERRIS**—Is that no?

**Mr Bradley**—Yes.

**Senator McGAURAN**—So the farmers have written all the debt off?

**Mr Bradley**—Put it this way: they could put it in there but I do not think their creditors would feel any more secure because it was there.

**Mr Wilson**—As part of an answer to that question, I will quote the WA Farmers Federation President, Trevor De Landgraft, who said in a press release on 2 June:

... after a week of tough negotiations with the Federal Government and the Grains Council of Australia, securing the Iraqi market was the most equitable and valuable long-term outcome for Australian wheat growers.

... ..

“Iraq is a competitive market now and we have to work on keeping our market share. We will have better opportunities in securing new sales avenues than what we may recover from the Government in today’s climate ...

**Senator FERRIS**—Which is why, I think, that now they support the \$200 million investment in grain processing.

**Mr Wilson**—That is the context of that.

**ACTING CHAIR**—Thank you for your appearance here today. I hope it rains for the wheat growers in due course.

[9.41 a.m.]

**DE LANDGRAFFT, Mr Trevor, President, Western Australian Farmers Federation Inc.**

**PARKER, Mr Douglas George, Executive Director, Western Australian Farmers Federation Inc.**

**WAHLSTEN, Mr Alex Peter, Grains Section President, Grains Section, Western Australian Farmers Federation Inc.**

**ACTING CHAIR**—Thank you for coming. I invite you to make an opening statement.

**Mr De Landgraft**—First of all, we would like to profusely apologise for our lateness. We certainly mean no disrespect to your committee. I have had to come up from the country this morning, only to be confronted with some very serious traffic.

I am assuming that you have our submission. We would like to address that and discuss what we consider to be a very important topic to our organisation. To a fair degree our submission in this area epitomises the old adage that where you stand on an issue depends upon where you sit. In Western Australia we sit in a state that produces 40 per cent of the nation's wheat, 60 per cent of it exported. But, of course, in Western Australia we depend on the exports—probably some 90 per cent of our wheat is exported. So, to us as farmers, the issue in this respect is quite important. Our wheat growers, typically, back in 1990 terms are owed about \$10,000 each. Serious wheat growers are owed twice or three times that. I know that Peter's family farm is owed some \$30,000, so for serious wheat growers we are talking about some quite serious amounts of income that were forgone when this issue occurred.

There are a few key issues in our submission and we would like to address those as we move forward. We very much welcome questions on it. We have approached the Iraq issue in a way that hopefully avoids bogging down in too much history, looks at a fair and equitable solution and delivers an outcome acceptable to growers and government. I think that is very important. And, of course, if we can bring about a closure to a very protracted and significant issue that would be very good.

So, as we have put it on page 3 of our submission, we believe it is in the national interest and is fair and reasonable to all concerned that, in the 2005-06 financial year, the Australian government should pay the relevant wheat growers their share of the aggregate \$US98.1 million shortfall from the 1978-88, 1988-89 and 1989-90 pool equities resulting from the UN sanctions imposed upon Iraq during the time of the Saddam Hussein regime and fund the costs to effectively manage the payment process to a satisfactory conclusion.

**Mr Wahlsten**—I will just correct that. It is 1987-88. You said 1978, I think. We had better record that.

**Mr De Landgraft**—Thank you very much. We will rely on a tandem team to bring our submission forward. I have been particularly involved in the issue, but Peter Wahlsten has been

intimately involved in the issue all along and has excellent history in that regard. As we see it, the solution is that particular one. I think there are some important issues that we need to address as we go through. On page 6 we talk about the wheat bag campaign and what we would say is the relationship between our organisation and the federal government. As we see it, we brought forward the campaign at a time that was not of our making, but we did so to highlight the issue and to try to bring the whole saga to a head so that we could get some closure and conclusion to it—and we believe we acted in a way that did that. We were received by the government and the Prime Minister at the time. He was very gracious and received one of the wheat bags we handed to him and made statements at that time. We believe our relationship with the government was not marred over that, and our correspondence with the government since I think supports that. I will hand over to Peter to bring forward some of the issues as we go forward.

**Mr Wahlsten**—I am happy to take questions on any of this as we go. I will be submitting some further information which gives the timing of the executive committee of GCA when we spoke about the Iraq debt. The announcement of the decision on this issue was how we received the information. I actually received it on the 15th—it was sent on the 14th by email—and the five states of GCA met because of the situation. I need to say right at the start that we have always supported the idea that the government has an obligation to re-establish our wheat trade in Iraq. If they spend some money there, if they help us put up grain mills and even if they wish to forgive the debt, that is their business, but the Iraq debt that is owed to growers, which we have had promised to us for some 14 years now, remains and should be paid out.

**Senator FERRIS**—Who do you believe promised it.

**Mr Wahlsten**—The original promise came with Iraq's promise to growers.

**ACTING CHAIR**—Was it in a document somewhere?

**Mr Wahlsten**—The Wheat Board were dealing for us with Iraq and, back in the early nineties, 80 per cent of the EFIC payment, which we absolutely accept was a full and final contribution—it was an insurance policy; we paid premiums for it—was paid out. That 80 per cent was fine. Iraq acknowledged the whole debt but the Wheat Board and government said, 'We have another 20 per cent owing, and when sanctions are lifted you will be paid.' I do not know whether you would call forgiving debt lifting sanctions or whatever.

**Senator FERRIS**—No, I am just trying to establish who you now believe owes you that on the promise.

**Mr Wahlsten**—Iraq.

**ACTING CHAIR**—So who is the debt assigned to?

**Mr Wahlsten**—You might make inquiries on that matter. In 2004, not 1992, that was assigned by the Wheat Board to the government.

**ACTING CHAIR**—You say the Wheat Board but the average punter does not—

**Mr Wahlsten**—I mean AWB Ltd.

**ACTING CHAIR**—You were saying the Wheat Board earlier but there is a difference between what happened then and now. This is an aggressive commercial public company that you are dealing with now.

**Mr Wahlsten**—AWB Ltd assigned the debt. Why they assigned and who got them to assign the debt in 2004 could well be worth inquiry by this committee as to why that had to happen then. If I can finish with Senator Ferris, the position was that the Wheat Board were actively keeping this debt question in front of Iraq the whole time that we dealt with them over those past 14 years. Iraq have always accepted that they owed the debt. They said that under UN resolution 687 they would pay when the sanctions were lifted. They acknowledge the debt.

**Senator FERRIS**—Can I clarify this as I am puzzled. I thought that was going to be your answer. Why on 22 November 2004 did WAFF say the federal government—that is, the taxpayers of Australia—not Iraq, must fulfil a moral obligation to pay the \$US98 million? Why did you say that? Having accepted the proposition that I thought you were going to accept—that is, Iraq owes the money—why then do the Australian taxpayers have a moral obligation to pay it?

**Mr Wahlsten**—The government has forgiven 80 per cent of the debt and they also have a Paris Club arrangement—

**Senator FERRIS**—The Wheat Board and the Grains Council have forgiven the debt.

**Mr Wahlsten**—We never forgave the debt.

**Senator FERRIS**—The Grains Council's press release indicates that and answers given in parliament back in 1992 say that.

**Mr Wahlsten**—I wrote to the Prime Minister on the 19th—I think the date was the 19th but I now think it was earlier than that. I actually wrote to him and said that is not the situation. We supported funding the government's obligation because of the war to fund getting Australian trade back into Iraq, but we never accepted forgiveness of the debt that was owing to the growers of Australia. That is a clear delineation we made with GCA and on that we have had some fall-outs with GCA over time.

**Senator FERRIS**—Did you resign from GCA, given that this was a pretty fundamental difference?

**Mr Wahlsten**—Yes, we did.

**Senator FERRIS**—GCA struck a deal back in 1991. In parliament in 1992 Simon Crean said the grains industry and the AWB had agreed with the government that 'this is full and final payment and no follow-up will be done by the government'—not the Wheat Board and other people.

**Mr Wahlsten**—That is that the debt of government to the growers was covered by EFIC—

**Senator FERRIS**—So why have taxpayers now got a moral obligation to pay it?

**Mr Wahlsten**—Because the government have now changed the rules. They have, through the Paris Club, forgiven the debt. They are going to receive the further 20 per cent, which they now say is worth approximately \$212 million with back-charges. We are only asking for \$100 million. It is to be paid in 2038. I wonder whether I will be around to see 2038. There is an undertaking that we will receive the money then. They have changed the rules. Under the Paris Club, they have forgiven the debt but they also have an arrangement to be repaid—

**Senator FERRIS**—They have not forgiven it. They have actually scheduled it. It is not a schedule you like but it is still a schedule.

**Mr Wahlsten**—Twenty per cent is going to come back to Australia under a schedule. We as growers are saying it is stupid that we will have waited since 1992 to be finally paid out in 2038. How do you keep records? How do you keep any information on these things?

**Senator FERRIS**—Is this still part of your farm budget—what you think you are owed? Do you still show it as a line item on your farm entries?

**Mr Wahlsten**—I have always expected—because I was promised by Iraq, I was promised by the Wheat Board—that I would be paid the debt when the sanctions were lifted. The sanctions, under the Paris Club, have been lifted.

**Senator FERRIS**—Mr Wahlsten, is there a line in this year's farm budget that you expect this debt to be paid? Do you still put it in as a line item?

**Mr Wahlsten**—I have to deal with you and persuade you to support me to ask the government to get that money.

**Senator FERRIS**—No. What I am trying to establish here, given that you wrote to the Prime Minister in 2001 on 20 September—

**Mr Wahlsten**—I did.

**Senator FERRIS**—and the Prime Minister wrote back and said to you in his last paragraph, 'I trust that you and they'—that is, the grain growers—'appreciate the government has already fully discharged its full financial responsibility to AWB Ltd and given that the taxpayer has already met 80 per cent of the loss, we are not going to appropriately change the existing arrangement.' This is what I am trying to establish: what did you do when you got that letter in 2001 to—

**Senator BROWN**—I raise a point of order. The growers are appearing here as representatives. I think going into the personal farm business of any individual is outside the propriety of this committee.

**Senator FERRIS**—Chair, what I am trying to establish here is that step to which growers—

**ACTING CHAIR**—Order! Let him finish his point of order.

**Senator BROWN**—That is a matter of confidentiality. I do not think the witness should be asked to answer that question in a public forum like this without the necessary forethought. It is quite unfair and quite irrelevant to our proceedings.

**ACTING CHAIR**—Perhaps I can—

**Senator FERRIS**—Chair, can I answer the point of order and say what I am trying to establish here—

**ACTING CHAIR**—You are not making a point of order?

**Senator FERRIS**—I am answering Senator Brown's point of order and explaining that what I was trying to establish is the extent to which growers in Western Australia today, 14 years later, still expect to be paid. The reason I asked the question of you—and you obviously can choose to answer or not, as you wish—is to find out whether or not farmers on a general budgeting arrangement—and I think Senator McGauran asked the question of the previous witness—are still including this debt as part of their farm budgets. I think it is a reasonable question.

**Mr Wahlsten**—I will answer it, Mr Chairman, and I will answer it this way: with two days notice when Minister Vaile was coming to Western Australia we put out the word to all those farmers who have still kept the Iraq debt in their mind, because it was the only profit they were getting in those years, and 800 of them turned up at two meetings in two days. If that does not answer the question—

**ACTING CHAIR**—Thank you very much. It was not in their books, it was in their minds. Could I bring this back to the centre. In 1993, you blokes were members of the Grains Council?

**Mr Wahlsten**—Yes.

**ACTING CHAIR**—So whoever represented your organisation in 1993 were talking through their backsides when they signed up on this?

**Mr Wahlsten**—No, they signed off on the 80 per cent. Subsequently—

**ACTING CHAIR**—Would you disagree with that now?

**Mr Wahlsten**—I do not disagree with them signing off but what I disagree with is for everyone to think that the debt was finished. When sanctions were lifted Iraq and the Wheat Board have continually told us we were going to be paid the extra 20 per cent. Growers have lived on that knowing that that has happened. Then we come up today and we are just going to write the whole thing off—

**ACTING CHAIR**—Thank you very much. Do you think with the wisdom of foresight that we should have sold the wheat to Iraq in the first place?

**Mr Wahlsten**—Oh, yes, we were having—

**ACTING CHAIR**—That is enough. Do you agree that we could not have sold it without the generosity of EFIC?

**Mr Wahlsten**—EFIC was a protection which we paid—

**ACTING CHAIR**—And you would not have made the sale without them?

**Mr Wahlsten**—Yes, but we paid premiums for that. We growers pay premiums to EFIC.

**ACTING CHAIR**—So when you insure your farm truck or whatever you have got and as part of your insurance deal you do not get a proportion of the sum insured, do you think that is unreasonable? You can negotiate various points of insurance.

**Mr Wahlsten**—I accept that they paid their full and final and that was accepted. Eighty per cent was the obligation of EFIC. But the other 20 per cent which we were consistently told by the Wheat Board and by Iraq that they would pay to us when the sanctions were lifted is a matter about which we are subject to government and sanctions being lifted.

**Senator McGAURAN**—If you say you have been told by the Wheat Board about this: in 1992 in the parliamentary *Hansard*—

**ACTING CHAIR**—Do you mean AWB Ltd or AWB?

**Senator McGAURAN**—AWB—the Wheat Board. Back in 1992, Simon Crean said in the parliament:

The AWB accepted the payment—

of \$31 million—

as full and final settlement with the Government for their losses.

Now you are quoting the AWB.

**Mr Wahlsten**—What was that figure again?

**Senator McGAURAN**—\$31 million. It was an ex gratia payment.

**Senator FERRIS**—That was the payment that was made on the second round when the sanctions—

**Mr Wahlsten**—Oh, the \$31 million was paid to the Wheat Board for losses in shipping, bookings—nothing to do with growers; it was expenses, but yes, it would have saved the Wheat Board some money.

**Senator McGAURAN**—No. It was accepted as the full and final settlement with the government for their losses in regard to the Iraqi situation.

**Mr Wahlsten**—Why, then, for the next 10 years or more—14 years—have we had Iraq saying, ‘We will pay the—

**Senator McGAURAN**—Iraq? Who in Iraq?

**Mr Wahlsten**—They said to the Wheat Board that they will pay the money when sanctions were lifted.

**Senator McGAURAN**—I have seen nothing to show what you are saying.

**Senator FERRIS**—What has that got to do with the Australian government? That is my question.

**Mr Wahlsten**—I will give you the evidence, and it was given to me by a Mr Goodacre at the time, in 2001—

**Senator McGAURAN**—Could you please submit that.

**Mr Wahlsten**—I will dig it out. I will have to post it to you.

**Senator McGAURAN**—To the committee secretary.

**Mr Wahlsten**—Certainly. I have got no problem with that.

**Mr De Landgraft**—I guess this is a point of contention—

**ACTING CHAIR**—Do you think this is a political game?

**Mr De Landgraft**—I do not think so, no.

**ACTING CHAIR**—You do not think that today’s events would be seen by one side of politics or the other as a ‘Whoops, there is an election on in Western Australia’?

**Mr De Landgraft**—I would like to think not. When you say ‘today’, do you mean this week—

**Senator BROWN**—Excuse me, Mr De Landgraft, I just object to that comment coming from the chair. This is a Senate committee which has been agreed to. These sittings have been agreed to, this date has been put forward and agreed to—

**Senator McGAURAN**—On that point of order, it is very relevant because Mr Trevor De Landgraft has been involved in political campaigns in the past—very much so.

**ACTING CHAIR**—Anyhow, I agree—

**Senator BROWN**—It is quite against the propriety of this committee—

**ACTING CHAIR**—I think we are going to areas where we do not belong.

**Mr De Landgraft**—I thought I addressed that in my opening comments, actually.

**ACTING CHAIR**—I did not mean it as a mischievous question. I just thought, ‘Does it play out’—with great respect, Senator Brown. Coming to terms with this, obviously at the time, AWB, as opposed to AWB Ltd, who could not actually do the deal without the backing of EFIC, would have given some consideration to the premium they achieved per tonne at the time. Are you blokes aware of what it was?

**Mr Wahlsten**—No, we have had all sorts of what I will call ‘spurious’ words thrown up about ‘You got a premium, you were paid more than you should have got in that time’, it just gets—

**ACTING CHAIR**—The answer is no—

**Mr Wahlsten**—No, it is irrelevant to the matter that the 20 per cent is still owed and was promised to us when the sanctions were lifted. It is as simple as that.

**ACTING CHAIR**—Do you think it is a matter of communication more than anything else by the Grains Council and AWB Ltd et cetera that this is an issue of the expectations on this issue having been raised in the west more than they have in the east? Everyone paid it out of the pool. The pool is just a marvellous mechanism to do all sorts of things with growers’ money.

**Mr Wahlsten**—The pool, of course, is very important to us. We are exporters, and very loyal members of GCA. I have supported them all the way through. I am probably one of the strongest supporters in Western Australia. The thing with GCA is we have a huge domestic market. In a few years time all the export grain from Australia, they are saying, is going to come from us and South Australia. My farm depends on the export market. If I did not have the Wheat Board and single desk marketing I would be in real trouble.

**ACTING CHAIR**—Are you saying that the benefit of the pool should be seceded from the east by the west?

**Mr Wahlsten**—No, all I am saying is that is why it is very important to West Australians. We find it a terribly important matter.

**Mr De Landgraft**—We are dependent on export, which is derived from the pool.

**ACTING CHAIR**—We all understand that.

**Mr De Landgraft**—We did not have the options then, particularly back in those days. We had no option whatsoever, virtually, other than to sell wheat through the AWB at the time.

**ACTING CHAIR**—How much of the wheat here went to the east in the flop year two years ago?

**Mr Wahlsten**—Not a lot because freight was a problem and we finished up bringing wheat in. All the wheat in the flop years over there was used in the Eastern States. We did have grain available but not a huge—

**ACTING CHAIR**—We got up to \$320 or \$340 a tonne, which is what put several cooperatives out of business when Hunter Grain brought in a couple of loads of wheat from England and brought everyone back to reality. Did you blokes sell wheat for \$300 a tonne at the time?

**Mr Wahlsten**—No, I do not think so, though I can stand corrected here. There were some shipments being arranged by the grain pool of barley and things like that. I have not got those figures at my fingertips, but certainly they would be available.

**ACTING CHAIR**—In any event, you are quite happy to have a pool that spreads its losses and its wins across all of the Australian wheat growers and not confine them.

**Mr Wahlsten**—Yes. Anyone who takes part in the pool benefits.

**ACTING CHAIR**—Some of the rhetoric that has come out of this particular debate would have you believe that only people in the west bore the loss. To the punter in the street, they might believe that from what has been written in the papers, but of course everyone bore the loss.

**Mr Wahlsten**—I can tell you that there would be a lot of people in the Eastern States who were not communicated with and would benefit from this Iraq payment. Some 28 per cent of New South Wales is involved in that payment.

**ACTING CHAIR**—I suppose if you have a commercial arrangement which you have ticked off on through the Grains Council and then you want to change the rules—

**Mr Wahlsten**—It is not the rules; it was the debt that was owed by Iraq. With respect, Mr Acting Chair, that was with EFIC. It was the government obligation under EFIC and it was paid. We have no pull on the government. Now that the Paris Club is there, there is a definite arrangement that the money is going to come forward and we have had undertakings from the Prime Minister that we as growers will see that money, it seems a little stupid to wait until 2038. Just clear it away. Can I just say, would you please take the interest off that is on that money. We are only asking for the capital that was owed to us back in the nineties. We are not asking for any of the interest, which is more than double the sum owed. By 2038, no doubt it will be a huge amount which will come back to Australian taxpayers.

**ACTING CHAIR**—The debt that was written off to EFIC, was that in 2004?

**Mr Wahlsten**—Yes.

**ACTING CHAIR**—If that had happened earlier, would we be having a different argument?

**Mr Wahlsten**—I do not know. I just know that for all those years we were told that once the sanctions were lifted we would see the money that was owed. I am saying that the Paris Club has changed the deal.

**Senator FERRIS**—You want the Australian taxpayers to now pay the money.

**Mr Wahlsten**—Yes.

**Senator FERRIS**—I just do not understand your logic in why you think we should have to pick it up.

**Senator BROWN**—Mr Acting Chair, I have a point of order.

**Senator FERRIS**—I still did not understand.

**Mr Wahlsten**—I could answer that very easily.

**Senator FERRIS**—I would like you to.

**Senator BROWN**—Mr Acting Chair, I have a point of order.

**ACTING CHAIR**—You have no point of order, Senator Brown. By the way, this is a historic occasion today because this committee has always operated without points of order and bullshit. Go for your life.

**Senator BROWN**—I object to that statement.

**ACTING CHAIR**—Go for your life. I am chairing it and you are not.

**Senator BROWN**—I have a point of order—that is, it is not up to any senator to verbal a witness in that way.

**Senator FERRIS**—That is for Mr Wahlsten to decide, not you. You are not sitting here for that reason.

**ACTING CHAIR**—Order!

**Senator FERRIS**—It is just rubbish.

**Senator BROWN**—Mr Acting Chair, on a point of order. I think all witnesses should be heard and questioned politely—

**ACTING CHAIR**—I agree with that.

**Senator BROWN**—and it should be on matters that are relevant to this inquiry.

**Senator FERRIS**—This is entirely relevant to inquiry.

**ACTING CHAIR**—Are you responding to the point of order, Senator Ferris?

**Senator FERRIS**—I am, and I am asking Mr Wahlsten. If he does not want to answer a question—or if any other witness does not—he does not need Senator Brown sitting on his shoulder as his keeper. He can answer a question if he wants too.

**ACTING CHAIR**—Thank you very much; that was very instructive.

**Senator FERRIS**—I would like him to answer it.

**Mr Wahlsten**—Can you repeat the question, please?

**Senator FERRIS**—The question is: why, when you accept that the Paris Club has now acknowledged the debt and the Wheat Board and Iraq have negotiated the debt in that way, do you want the taxpayers of Australia to pay the money because you say it is a moral obligation? I want you to explain why it is.

**Mr Wahlsten**—There is a moral obligation that no one section would be left to carry it alone—and I accept the word ‘alone’—and 80 per cent maybe means that we, the wheat growers of Australia, were the only group that picked up that debt. Money is going to come back to the taxpayers of Australia by 2038 with huge interest. To cover it individually, I am losing \$30,000; others are losing amounts like that all across Australia—just wheat growers—but if you were to spread it amongst the taxpayers, it is a few dollars each and you would more than double or triple your money in time back into government coffers. So you are going to get the money back but it clears it up and it does not have us hanging around like a bad smell saying, ‘Pay me. Pay me. Come on, you blokes, lift your game and pay me.’

**Senator McGAURAN**—That is your attitude, is it? You think if you harangue us enough we will cave in.

**Mr Wahlsten**—No. The sense of it is, Senator McGauran—

**Senator McGAURAN**—We want more than a bad smell to be convinced.

**Mr Wahlsten**—The sense of it is, please, Senator McGauran, that we just clear the debt up and get it out of the way. We only want the capital that was owed to us back in those days. We have many retired growers who are dependent on it.

**ACTING CHAIR**—Senator Brown wanted to object to the language. Your task would be more instructive if you were here as part of the entire industry making out a case through the Grains Council or someone. You are actually at odds with your own mob, aren't you?

**Mr Landgraft**—You mean with the Grains Council of Australia.

**ACTING CHAIR**—Do you think that they have lost their way?

**Mr Wahlsten**—At the GCA full council meeting 2 August 2001, agenda item 17—and I will give you copies of this—the statement was made by GCA that:

Growers who participated in the pools concerned will be paid the final amount whenever the sanctions are lifted.

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If sanctions lifted the debt would go to Paris Club for rescheduling ...

That has been done. At the bottom of this agenda item it reads:

GCA have also written to the Prime Minister supporting the position taken by the WAFF.

That was done in 2001, and they wrote supporting us. If there is any suggestion that they have not changed policies or there is no change of policies or things like that, I am saying that we had a full council meeting and we agreed on a position in 2001.

**ACTING CHAIR**—Which is not supported today.

**Mr Wahlsten**—No, they are saying that they agree with the debt. Where we differ from them is the debt was there. It should still be paid, but we agree on the other things.

**ACTING CHAIR**—Shouldn't you sort that out internally and then come to the government as one voice?

**Mr Wahlsten**—We tried to.

**ACTING CHAIR**—It makes it very difficult when the debate gets split between the industry.

**Mr Wahlsten**—I understand that, but we tried to do that.

**Senator BUCKLAND**—You say there were 800 people at two meetings, which I suppose is pretty credible for farmers—I do not say that disparagingly. How many members do you have altogether?

**Mr Wahlsten**—There are 3,000 or 4,000. I think it is well over 50 per cent of the farmers in Western Australia.

**Senator BUCKLAND**—At these meetings, were there any resolutions that were carried?

**Mr Wahlsten**—Yes, that the money be paid.

**Senator BUCKLAND**—I sympathise with that, I have got to tell you, but I think you might be out of step with a lot of the farm groups. Were they unanimous resolutions?

**Mr Wahlsten**—There was one objector in Merredin, otherwise 799 people were unanimous in asking that the debt be paid. We are very accurate. I responded to the chairman of GCA and said, 'GCA and WA farmers are going to cop a huge amount of flak over this. We haven't gone out with consultations and things which we should have done.' That was borne out by the meetings.

**Senator BUCKLAND**—I spent many years as a union official and if anyone ever stuck their hand up and said, 'Do you want more money?' or 'Do you think you deserve more?' I knew what the answer was. So I do not think we can give a great deal of weight to that. I am

concerned that you are telling us that you still think you are deserving of this money. You probably are, but where is it committed in writing that you are going to get it?

**Mr De Landgraft**—I guess we would look back at what actually happened.

**Senator BUCKLAND**—I have been through your submission. I have been through all the submissions.

**Mr De Landgraft**—At the time a deal was done with Iraq by the Wheat Board and letters of credit were in place. It would have been expected that, having all the necessary financial issues covered, the money would have been paid. Basically, the cheque was stopped from coming because of the UN sanctions. The UN sanctions were not something that the Wheat Board or the farmers at the time would have considered as a commercial risk that they would have needed to be aware was about to happen or that they should have taken out extra insurance cover for. But on behalf of the nation the government of the day decided to enjoin those sanctions. Not only did they enjoin them, but they certainly endorsed them and helped to enforce them by sending ships there to create the blocking of Iraq and basically break them. In simple terms, that is what they did. They undertook to do that.

We had a deal with them part way through. In the national interest, the wheat growers, as the biggest dealers within Iraq, were asked to stand aside and allow things to happen. The Prime Minister certainly indicated that we would not have to bear this issue on our own. I think we got a great amount of comfort from that. I am pretty sure that, as wheat growers, we were not expected by the Australian people to have to take a significant loss because our nation—in our national interest and in the world interest, I suppose—decided to take a particular action and stop the payments. The payments were there, ready to come to us, and we were deprived of them because of the government action. That is where we get back to the moral obligation that we referred to.

**Senator BUCKLAND**—Moral obligation and perception quite often in life are things that we live with.

**Mr De Landgraft**—Sure, and in this case—

**Senator BUCKLAND**—You said something that was relevant, Mr De Landgraft: there is commercial risk. At the time that the contract was signed for grain to go to Iraq, it was known by those signing it—and their members, I would assume, if those signing it were reporting to their membership correctly—that this was a high-risk sale. It must have been known then.

**Mr De Landgraft**—The market was high risk, which is why they had EFIC involvement.

**Senator FERRIS**—You had a premium.

**Senator BUCKLAND**—You had a premium, as Senator Ferris rightly says.

**Mr Wahlsten**—That is pooling for you.

**Senator BUCKLAND**—That is good. That is the way it should be, perhaps. At the end of the day, the whole thing fell over. The growers were paid 80 per cent through insurance and 20 per cent has not been paid. I wonder what the price would have been if that grain had been originally sold in another market. I know it was not and I know it is hypothetical, but the growers, in fact, are highly unlikely to have been worse off at the end of the day.

**Mr De Landgraft**—I guess the way marketing works, particularly with single desk, is that you do accept premium markets and lower paying ones. If you take out the premium ones, of course you are going to be much worse off. Yes, their risk was covered by EFIC, but a lot of exporters from Australia also take out EFIC insurance, and I believe that these days EFIC covers 100 per cent, not 80 per cent.

**Senator BUCKLAND**—These days. It is quite different from those days.

**Mr De Landgraft**—Of course, but I am saying that, after events such as this, people's perceptions of risk probably have changed somewhat. That is the point I am making.

**Senator BUCKLAND**—I have to say very honestly that I am not entirely sure that all growers agree with your position. It seems to me that there is a perception held by some that it is not necessarily anything more than a perception. There does not seem to be anything concrete to say that you are going to get this money or that you have a right to get this money. I am a little bit confused.

**Mr De Landgraft**—Where we have taken this issue—and you have heard about the history of Western Australia about how we depend on the export market—is on principle. We have been very consistent in arguing the principle. The money did not come to us because of government action. The government indicated at the time that we would not have to bear it. Even after 13 years we are not saying, 'That money plus interest.' We are still saying that the principle was that we, as Australians who are developing exports, took the fall on behalf of the Australian people. I do not believe the Australian people expected that to happen. I believe the Australian people, in many cases of national interest, do share that cost.

Even after all that, regardless of how we have played this through, today we have a situation where the Australian government have forgiven their portion of the debt. Their portion of a debt was assigned to them because they were the underwriters of EFIC insurance. It is not, strictly speaking, the taxpayer who paid us out. It was EFIC insurance after all. Okay, it was funded by Treasury—I quite accept that—but that was their part of it.

Technically, of course, Iraq still owed the Australian government because the government were the insurance company. The insurance company probably has a right to go back to the original debt, which they have. But they have chosen in the world's interest to forgive that portion that they paid out to the Australian growers. It has been well established that the 20 per cent that was never paid out, which Iraq accepted still was owing, was still there. Now it has been established at the Paris Club that the 20 per cent will be coming to Australia. There has been acceptance along the way that that 20 per cent ought to go to the growers.

Our fundamental point with this one is: because we have reached this point and this money will flow into Australia, it really needs to be paid in a lump sum. If the average farmer was 58

back in 1990, 20 years on—by the time this is paid—you will be dealing with their estates. So, in fairness, and because of the way it happened that the government acted in the national interest and we took the fall, it is quite reasonable for the government to fund this in the short term but receive the payments from Iraq back into Treasury, which will fully recoup any loss to the government.

**ACTING CHAIR**—So why doesn't the rest of the industry agree with you? You blokes were members of the Grains Council in 1993. The 1993 document says:

In general, the bottom line is that wheat growers are better off running the gauntlet of incurring the loss of 20 per cent of the total value of the credit sale made at a much higher price than would have otherwise been the case had the sale either been made at a lower cash price or sold into an alternative lower priced, less preferred cash paying market.

Do you disagree with that? You are arguing that you do, even though you did then.

**Mr De Landgraft**—The point is a bit different here.

**ACTING CHAIR**—You cannot have it both ways. You were members of the Grains Council then. This was a unanimous document.

**Mr De Landgraft**—But it still talks about running the gauntlet. It still accepts there that there was disagreement at that particular time. They are just saying what we would be better off doing.

**ACTING CHAIR**—But you blokes signed off. You would accept that the original sale would not have happened only for the generosity of the taxpayers of Australia. It could not have been made. AWB had no way of—

**Mr De Landgraft**—I disagree totally with that.

**Senator FERRIS**—EFIC underwrote it, or it would have been a higher risk sale.

**Mr Wahlsten**—I think with hindsight and the naivety of the people concerned back at that time—

**ACTING CHAIR**—The AWB then had no way of insuring—

**Mr Wahlsten**—We should have been insured for 100 per cent, not—

**ACTING CHAIR**—But you did not have the wherewithal.

**Mr Wahlsten**—We insured through EFIC and we paid—

**ACTING CHAIR**—That was the taxpayers of Australia.

**Mr Wahlsten**—We paid over \$20 million in premiums to EFIC.

**ACTING CHAIR**—The reason you got it was the government was behind it.

**Mr Wahlsten**—Yes, it is a government program.

**ACTING CHAIR**—It would have been a different matter if you had gone to Lloyds of London.

**Mr Wahlsten**—Yes, but EFIC was a government program—and it was not just for wheat; it was used by different people—and it provided insurance in places where there could be some problems. As our chairman has said, we now insure 100 per cent. No-one is so naive as to try to do 80 per cent.

**ACTING CHAIR**—It would be helpful to this committee if you would go away and get the rest of the industry to agree with you.

**Senator BROWN**—I do not think that is a fair comment either, Chair, and I object to it.

**ACTING CHAIR**—It is an observation. You do not have to comment, and I did not ask for a comment.

**Mr Wahlsten**—Can I make a very quick comment, Mr Chairman? We have had a promise of that money from Iraq through the Wheat Board. Growers have known about it for all these years. In the other states, perhaps because of other forms of marketing, they have not had the communication—and communication is the key word. Some members of the federal government, especially from this state, were very upset and concerned when I told them there had been no communication. I told the truth; there had not been. Those matters needed to be communicated. In the other states, for their own reasons which I find very difficult to understand—one of them was that he had just come on to the GCA and had not even fronted the subject and came from a position of no knowledge—they did not pick up on what we considered to be a separate matter. Trevor and I absolutely supported the re-establishment of the wheat trade in Iraq. We knew what the debt meant to growers and we separated that. We believed, and still believe, that the debt is owing and, as Trevor has pointed out, in 2038 it is not going to be a lot of use to them.

**ACTING CHAIR**—It has not been brought to account on an accrual basis or written off as a tax loss, has it?

**Mr Wahlsten**—I do not know how legal it is when the Paris Club recognises it and it is all there and it is happening.

**ACTING CHAIR**—I gather you must have about 10,000 tonnes involved in this, do you?

**Mr Wahlsten**—Yes, we do have at times; we have a fair bit. I have got two sons and my daughter.

**ACTING CHAIR**—Say 30,000 on family farms.

**Senator STEPHENS**—Can you explain to me what happened after the UN sanctions? What happened in terms of selling wheat to Iraq? We continued to sell, didn't we?

**Mr Wahlsten**—Yes, we have and there was support for that. In a pooling system the AWB, and subsequently the AWB Ltd, have done a great job and we absolutely support that type of arrangement. We have to keep them honest; we have growers on their boards and they have to maximise returns to growers. But other than that, they have performed very well. They work closely with government on arrangements in marketing grain. When there is something in the national interest as large as the wheat crop, I would expect our marketer to have a very close communication with government.

**Mr De Landgraft**—It is pretty logical that we continue to deal with Iraq, particularly when the Wheat Board have always acknowledged to us that Iraq accepted the debt. It was a very commonly asked question: what about the Iraq debt? The Wheat Board acknowledged it is often discussed and, as they deal with them in the future, they acknowledge it. I guess Iraq wanted to maintain a good relationship with Australia. They liked our product. I guess that is why they buy it. I do not think it is strange that we continue to deal with them. It is fairly well accepted that sanctions stopped the payment. It was not Iraq's bankruptcy; their credentials were good at the time. It was logical that we should continue, but do not forget we have continued to trade with them during the intervening period under the food for oil program.

**Senator STEPHENS**—I understand that under the food for oil program Australia has been the exclusive supplier of wheat.

**Mr De Landgraft**—Yes, I think so. It is probably a testament to the understanding and the long relationship that Australia and Iraq have that a significant amount of trust has been developed there, and that is why, I guess, it was very disappointing when they were not able to make that payment.

**Senator STEPHENS**—I would suggest to you that the national interest has been served very well by Australia being able to negotiate that exclusivity arrangement for wheat markets in competition with the other countries.

**Mr De Landgraft**—It really was the Australian Wheat Board's market, and I guess that means the Australian wheat growers—

**Senator STEPHENS**—Did they have 100 per cent of the market before sanctions?

**Mr De Landgraft**—A very significant part of it. No market is exclusive, but it was the Australian farmers' market and I think, if you continue to service your market, you deserve to continue to have access and to extract the same kind of premiums if you deliver the goods when they want with the quality they want. I think that is what is significant about the market—it is not necessarily the assistance that has been given by the Australian government.

**Mr Wahlsten**—Can I say that we did not have an exclusive market but we certainly exploited an opportunity presented by Iraq and Saddam Hussein and his attitude to America. It used to be fifty-fifty with America but we were able to exploit the political situation and do the oil for food program, but we did not ever have an exclusive market to Iraq.

**ACTING CHAIR**—You said earlier that until the Paris Club decision Iraq was in a fine position to be able to repay this debt.

**Mr Wahlsten**—I did not say that. I said that Iraq had always promised it would pay the debt. We trust Iraq. They have never missed a payment to us.

**ACTING CHAIR**—But you understand their indebtedness, I take it.

**Mr Wahlsten**—Yes, and I understand the Paris Club.

**Mr De Landgraft**—They became indebted because of sanctions.

**Mr Wahlsten**—We understand how they became indebted.

**ACTING CHAIR**—Let us not get into the sanctions thing, because that is an international fraud.

**Mr Wahlsten**—There was a national decision on a war and all sorts of things. That is how they got into debt.

**ACTING CHAIR**—They owe \$125 billion to private creditors.

**Mr Wahlsten**—But the thing we come back to is that they have until 2038 to pay it out. Can't we do something about it?

**ACTING CHAIR**—But you say that we should have just somehow left it as it was when they are in an impossible position to repay debt. They have a debt that is 500 per cent of their gross domestic product, without sanctions.

**Mr De Landgraft**—We have never said that a government should not write off debt to Iraq if they saw fit to do that.

**ACTING CHAIR**—You are trying to argue that somehow Alan Bond should have done a better deal. This is a better deal than you ever got out of Alan Bond.

**Mr De Landgraft**—Yes, but I do not think we are talking in those terms.

**ACTING CHAIR**—We are talking commercial reality.

**Mr De Landgraft**—We are talking about the residual of an insurance payout. Essentially you talked about it in terms of a car crash or something. We are talking about the wreck, basically, which ought to belong to the growers. It has been acknowledged by Iraq that the 20 per cent that did not get covered by the insurance—

**ACTING CHAIR**—As you know, when there is a car wreck and it is written off, the car does not belong to the owner; it belongs to the insurer.

**Senator BROWN**—Thank you, gentlemen. I appreciate you coming before this Senate committee. I would like to begin by getting some assessment of the economic background in rural Western Australia—which you represent—the issue that we are dealing with here. Both in 1990 and recently quite a bit has been said about the average wheat grower and so on. Can you give me some description of how wheat growers' remuneration across the board relates to average incomes in the state? Have you got any figures on that?

**Mr Wahlsten**—We do not have the figures. I know that we all have deficit budgets this year, with costs up and prices down. It is a bit of a disaster in the state at the moment. People are wondering whether to grow a crop or not. It does not look good at all. There are pages of farms for sale. The back of the *Elders Weekly* is full of farms for sale. I know some young people who are now working with others—

**ACTING CHAIR**—I am not too sure what this has to do with the price of fish.

**Mr Wahlsten**—I will just say that I would love to have a few bob coming in, for sure, especially when it is a justified debt as far as we are concerned.

**Senator BROWN**—I have another question that I want to clear because it is very important to me. It seems, from listening to you and previous witnesses—and I am sure it will come out in the report—that there has been a great deal of political pressure not to talk about this issue—

**Mr De Landgraft**—Yes.

**Senator BROWN**—and a great deal of pressure on farmers to say, 'Go quietly because there will be collateral damage or there will be some bad fallout if you raise this issue.'

**Mr Wahlsten**—Yes.

**Senator BROWN**—We are an open and functioning democracy, and I think that has served farmers poorly. From where you sit, have you felt that pressure not to discuss this issue?

**Mr De Landgraft**—Of course we have. I guess that is why there was a fair bit of reluctance. Early last year, when we knew that the government was looking at forgiving debt, we knew that our last opportunity to make our point was to come in at that point. Because of the kind of campaign we ran, we knew that if we were ever going to achieve any reasonable outcome for our members we had to make quite a point of it. It was unfortunate that it had to get political, but we are a membership based organisation representing our members and that was the opportunity—

**Senator FERRIS**—Given—

**Senator McGAURAN**—Of course you—

**ACTING CHAIR**—Order!

**Senator BROWN**—I wanted to put those two things together because we have heard evidence that it may be \$20,000, \$30,000 or \$100,000 per farm that is involved in the debt that has not been paid. Maybe you can answer this only generally but I think it is a very important

point: what difference does that make to the average farm or average community in Western Australia?

**Mr Wahlsten**—I have a lot of farmers who have retired and are on pensions, and that little bit of money coming to them would make one hell of a difference to them in their livelihood. A lot of farmers are on pensions—they are on standards that are very low. The money would help. It certainly would help my farm. As I said, there are three people on my property—my son, my daughter and my son-in-law—and it would help the deficit budget no end. It is very difficult to see a profit and we really do have problems this year. It would help everyone. Everyone who is owed money would benefit. About 27 or 28 per cent of them are in New South Wales, and it would not hurt them with their droughts either.

**Mr De Landgraft**—We look at it this way: if this were to be paid out in a single amount, it would represent around \$50 million to be circulated through the wheat belt communities of Western Australia. There are very few boosts that a rural economy can get that would have that kind of impact, so it is very significant. Of course, the other states would have their proportion of that as well. I think New South Wales would be just a whisker under that as well, but it would be a similar amount. When times are tough it is appreciated, but we are in the export business and it is tough. We get our ups and downs and we have to be tough about it. We have to take a tough attitude. We cannot afford to let dollars go through our fingers if we do not have to. Of course, if that money were paid out, 30 per cent of it would probably go straight back to the government in tax.

**ACTING CHAIR**—You should not have said that, because you all run at a loss.

**Mr De Landgraft**—It depends.

**ACTING CHAIR**—Yes, it does depend, because I am a cocky and I know—

**Mr De Landgraft**—What I was going to say is that money ends up in rural businesses and in city businesses. That is how it gets circulated and ends up back with the community and with government.

**Senator BROWN**—Just going back to clear up one thing—

**ACTING CHAIR**—That will be your last question, Senator Brown.

**Senator BROWN**—No, I have a couple more.

**ACTING CHAIR**—I am sorry, but I am chairing the meeting and we have three minutes to go.

**Senator BROWN**—I have a couple more questions to put.

**ACTING CHAIR**—You can put them on notice.

**Senator BROWN**—No, I want to ask them directly.

**ACTING CHAIR**—I am sorry, but I am chairing the meeting.

**Senator BROWN**—That is outrageous and I object to it.

**ACTING CHAIR**—Yes, I am generally seen as outrageous. Thank you very much for that last question.

**Senator BROWN**—Yes, I know, but, after the length of questioning of other senators, I object to that. I move a motion of dissent from your ruling.

**Senator McGAURAN**—I am not sure if a committee member can do that.

**ACTING CHAIR**—Senator Brown, we will have to have a private meeting if you really want to go down that path.

**Senator BROWN**—That is right.

**ACTING CHAIR**—Can I give you two more questions and three or four minutes, in fairness?

**Senator BROWN**—No, I want to—

**ACTING CHAIR**—We are not going to go on for half an hour, because we have a schedule to stick to and we are on schedule. With great respect—and this is wasting time now—could you just take two or three minutes, Bob, and a couple of questions.

**Senator BROWN**—I have three questions which I want to put—

**ACTING CHAIR**—Just quickly.

**Senator BROWN**—and at the same leisure as other senators. The question I was going to ask you is this: were you aware—because I was not, until this morning—that Canada, the US, Europe and Russia had 95 to 100 per cent compensation to wheat farmers for the Iraq war?

**Mr De Landgraft**—We were certainly aware of Canada. The government in Canada saw them through. They are a competitor of ours.

**Senator BROWN**—Yes. Could you just explain this to me. On the one hand, we have the information that the Paris Club has said the debt is forgiven. On the other hand, payment of the debt may still be made up to 2038. How do I reconcile those two things?

**Mr Wahlsten**—That is the 20 per cent still owing. Eighty per cent approximately, which would amount to about \$850 million, has been forgiven by our government on behalf of taxpayers. The balance, which is the \$98.1 million plus interest, which according to our figures took it to \$212 million—and that is in the information in the book which you have—is owing. That will be paid out in a series of payments starting in 2011, I think, and running to 2038. I might be wrong in those dates, but it is roughly that. It has been indicated, both on radio and in

talking to GCA, that that money will come back to growers. In other words, the government have actually forgiven the EFIC amount.

**ACTING CHAIR**—Last question, Senator Brown.

**Senator BROWN**—Do you see a legitimate argument that the government ought to be able to compensate loggers of forests if they protect forests, or that the government ought to be—

**Senator FERRIS**—I have a point of order, Mr Chair: that is totally outside the terms of reference of this inquiry.

**Senator BROWN**—No, it is not.

**ACTING CHAIR**—Thank you very much for that. Obviously, you know you do not have to answer this.

**Senator BROWN**—To continue my question: or that the government ought to be able to compensate the motor manufacturing industry when tariffs are lowered or to compensate Ansett employees when the company goes belly up, but not pay the compensation for the 20 per cent to wheat growers?

**Mr De Landgraft**—We understand; we hear these things. We accept the judgments that governments make on the day about those things—I guess they look at it. We are certainly making a claim where we see there is a trail, where we see that the payment which was due to us—the letters of credit were in place—was coming. We are making what we see as the very legitimate claim that we had to forgo that amount of money because of the way in which the government, in the national interest, acted at the time. The government gave assurances that we would not have to bear that amount. I think it is now borne out, because there is going to be some repayment of that debt—I guess we are here making our claim for that amount of money.

**ACTING CHAIR**—We are going around in circles.

**Senator BROWN**—Thank you very much for coming to our meeting today, leaving your farms for the day and appearing before us.

**ACTING CHAIR**—Thank you very much. Could I just ask briefly, because we have to finish up: are you aware of the plight that Canada's wheat growers are in now? We have heard much about the generosity of their government earlier, but they have really been left high and dry at the moment.

**Mr De Landgraft**—Obviously, they have some similarities to Australia, but of course they have many similarities to North America. We are very well aware that in North America, particularly in the US, our competitors—the grain producers there—receive 70 per cent of their income in the form of subsidies. In Australia, it is estimated that some 10 per cent of our income comes from subsidies, and that includes the departments of agriculture, so there are no direct payments to us. And of course there are the exceptional circumstances payments that—

**ACTING CHAIR**—So you would see that they would try and make out a case that this EFIC deal is some sort of government subsidy to Australia's wheat growers?

**Mr De Landgraft**—I do not think so.

**Senator FERRIS**—Mr Wahlsten, when you wrote letters to the Prime Minister and he replied to you on 20 September 2001, did you respond to that letter?

**Mr Wahlsten**—Off the top of my head, I think I wrote two letters to him on the subject.

**Senator FERRIS**—Yes, and he says: 'I refer to your recent letters in relation to Iraq.'

**Mr Wahlsten**—Yes. I dealt with a Peter Conran, and—

**Senator FERRIS**—When the Prime Minister wrote the 2001 letter to you, did you reply to it?

**Mr Wahlsten**—I will have to check my records.

**Senator FERRIS**—The reason I asked the question is that the Prime Minister's letter makes it very clear. I will read you his last sentence: 'Accordingly, it is not considered appropriate that the government change the existing arrangement'—that is, the arrangement of 1992. If that was his last paragraph in his letter to you, and you did not write back to him or you do not recall whether you wrote back to him, surely that in itself shows that you accepted his proposition?

**Mr Wahlsten**—He said—and the word that I got back from government was—that they were worried about setting a precedent. I do not think they were, but I had to accept that. It was a final government statement that they were not going to go any further because they were worried about setting precedents. I am having some trouble in understanding where the precedent was, but that was the final word.

**Senator FERRIS**—His last paragraph was: 'Most importantly, as mentioned above, adopting such an approach as proposed by WAFF may additionally impact on AWB Ltd's'—because it was by then—'ability to recover the 20 per cent'—

**Senator BROWN**—Chair, I take a point of order. I just point out that question time was up, and you did not have time to extend—

**ACTING CHAIR**—Senator Ferris is now on her last question, there is going to be one from Senator McGauran, and we are finished.

**Senator FERRIS**—We are actually in morning tea time, but we are happy to go over time so that we can complete our questions.

He says: 'Most importantly, as mentioned above, adopting such an approach as proposed by WAFF may additionally impact on AWB Ltd's ability to recover the 20 per cent uninsured component—in today's dollars, almost \$200 million—and also the government's ability to recover the 80 per cent insured component already borne by the taxpayer, which, in today's

dollars, is \$800 million.’ He then goes on to use that last sentence. I am trying to establish whether, in not responding to that letter, you accepted that proposition at that time.

**Mr Wahlsten**—I believe we had to because the AWB—and it is documented—were concerned that they managed to, as those words have said, get the 80 per cent plus the 20 per cent back to us so that we could get our wheat payments. They were saying, ‘Don’t rock the boat’—

**Senator FERRIS**—Don’t compromise is what—

**Mr Wahlsten**—Well, compromise, but I call it rocking the boat. AWB Ltd was very sensitive about this becoming a public issue, and at that time we let it be. We have gone very carefully and we have not lost any ground. It is because of the Paris Club position, where the money is now going to flow, that we are saying, ‘In all commonsense, can’t we just clean the matter up, rather than have to wait for a grower to come out of the grave to receive his money?’

**Senator FERRIS**—Isn’t it the case, though, that the Grains Council—and I believe your own press release—agreed that the trade-off of the \$20 million investment in Iraq would at this stage satisfy the growers? That is the press release I have got.

**Mr Wahlsten**—Yes, but the government are running a pre-feasibility, then a feasibility to see whether they are going to do something like that—

**Senator FERRIS**—As you would expect.

**Mr Wahlsten**—because of the risk in Iraq. Iraq is a hell of a place to build buildings at the moment.

**ACTING CHAIR**—They thought they might send you over there as the foreman on the site!

**Mr Wahlsten**—Well, at least I might get paid!

**Senator McGAURAN**—I want to understand the depth of the taxpayer obligation that you believe is owed—how much you think the taxpayer should pay you. You have said around the \$98 million mark. Is that on top of the \$38 million ex gratia payment paid in 1991 and the some \$20 million committed in grains facilities under this government, or do you want us to deduct that?

**Mr Wahlsten**—All those figures have been properly established. The \$38 million was paid for costs to AWB Ltd which were brought on by the war, or the \$31 million, or these figures. The other money was the EFIC insurance money, which we paid premiums for. The balance of the money—the \$98.1 million—was a figure established by the Wheat Board. It has been accepted since 1992 that that is the balance of the money owing to wheat growers. There is a little bit owing to rice growers, as well.

**Mr De Landgraft**—The commitment to the repatriation of Iraq is something that the Australian government should do. I do not think it was intended to cover the debt to Australian

farmers. It was really about the repatriation of Iraq, significantly affected by the war and the sanctions. I would have to endorse them doing that.

**Senator McGAURAN**—So the wheat growers have got \$31 million back in the ex gratia payment—

**Mr Wahlsten**—That was the payment to the Wheat Board.

**Senator McGAURAN**—and there is the investment in current facilities to sustain the market, and you are still trying on for the whole \$98 million.

**Mr Wahlsten**—No. That is unfair. The \$31 million was actual debts incurred by the Wheat Board and they were reimbursed for that amount. That is the \$31 million. The government are making noises about forgiving the debt. They originally said that, subject to evaluations and feasibility studies, they would put \$20 million into Iraq. There is a real question mark as to whether that will ever happen, but so be it. It is an obligation of government to help re-establish after the war. That is a national responsibility because that trade in wheat from Australia is very important. But the thing that growers have held to all the time is that there was 20 per cent owing, the \$98.1 million, and they are saying, 'Please, can we have that money now? Pay us out and then forget it.' The principal plus interest can come back to you in stages up until 2038, which it is going to do under the Paris Club agreement.

**Senator McGAURAN**—I am not sure that you know what is commercially good for you.

**ACTING CHAIR**—Thank you very much, Senator McGauran.

**Mr Wahlsten**—I believe I do.

**ACTING CHAIR**—Because of what happened back in those years—and it was a disappointment, and we appreciate your presence here today to put a point of view, which you are entitled to do—we have had a large proportion of the Iraq market to ourselves in the meantime, haven't we?

**Mr Wahlsten**—Through the oil for food program and because of the attitude of—

**ACTING CHAIR**—The relationships we developed.

**Mr Wahlsten**—Yes. America blew themselves out of the park.

**ACTING CHAIR**—But part of the consideration of the 20 per cent—the bloody no claim bonus or whatever it was that we lost out of that insurance deal—is that we actually captured a lot more of the market and the benefit that has gone with it in the meantime.

**Mr Wahlsten**—I respectfully suggest that that is the province of AWB and AWB Ltd. Their marketing has been excellent. They have done a great job in getting on side with Iraq. They have government support; of course they do.

**ACTING CHAIR**—Finally, would you like to make a comment on the value of the dollar and the appreciation of the dollar versus the future income of wheat growers? It is completely irrelevant.

**Mr Wahlsten**—It is going to be a shocker.

**ACTING CHAIR**—Yes, it is. Thank you very much for your attendance here today.

**Proceedings suspended from 10.53 a.m. to 11.04 a.m.**

**BADGER, Mr Trevor Norman, Secretary, Wheat Growers Association Inc.**

**IFFLA, Mr Robin Atholstan, Chairman, Wheat Growers Association Inc.**

**WELLS, Mr Peter Thomas, Adviser, Wheat Growers Association Inc.**

**ACTING CHAIR (Senator Stephens)**—Welcome. Would you like to make an opening statement?

**Mr Iffla**—Yes. Firstly, thank you very much for the opportunity to address you today. The Wheat Growers Association is an incorporated body which was formed in 2002 to try to look after the wheat growers in Western Australia. As an A-class shareholders association of the AWB, we felt there was a real need there. Before 2001, I was with the WA Farmers Federation as a delegate for Western Australia for three years, so I am probably very familiar with all this business about Iraq and other events that happened, including the AWB restructure—that was when I met Senator McGauran.

The concern—and I heard a little bit at the last meeting—is about why we should be paid for the Iraq money. When I was on the Grains Council of Australia, the question about the payment of this money was brought up on many occasions. We were told repeatedly to be patient about it, that sanctions were imposed on Iraq in 1990 and that the Iraqis knew darned well that they owed the money. However, when sanctions are imposed it is just like a caveat coming down and no money can go either way. So the result was the food for oil program. The chairman of the board said that once these sanctions were lifted then everyone would be paid in full.

**Senator FERRIS**—Do you mean the chairman of the council?

**Mr Iffla**—The chairman of the board of AWB Ltd.

**Senator FERRIS**—I thought you meant the chairman of the Grains Council.

**Mr Iffla**—No.

**ACTING CHAIR**—That is AWB Ltd?

**Mr Iffla**—AWB in the olden days, which was a statutory authority. So it is really not an issue of commercial failure. This failure has been caused by sanctions being imposed. We had EFIC insurance. We paid EFIC some \$133 million over a period of time before that for insurance. EFIC insurance was taken out in case of a failure to pay, not in case of war. Obviously the premiums—and I have the premiums here somewhere—would have been much higher if it was in the case of war. That is the first part.

Growers had to deliver to the AWB in 1989. We could not deliver wheat anywhere else, so we had to take what was given to us. The domestic market was deregulated in 1989, and we still have a single desk, which we are very supportive of. Growers have been very patient. There have been some murmurs from time to time throughout our state. I guess our state growers have a lot

more to lose than do a lot of other people because there are fewer growers in Western Australia and they produce something like 40-odd per cent—or 37 per cent in those times—of Australia's export wheat.

The Wheat Growers Association believe that the government has a moral obligation, not a legal obligation, to pay it. When a country goes to war, no one section of the community should have to suffer the consequences of it. It should all be paid by taxpayers. We are taxpayers too. We do not mind paying it through our tax, but we certainly do not want to pay it this way. Farm failures and all those sorts of things have occurred partially as a result of the loss of income. Looking further down the track, I do not know whether you would like me to outline the situation a bit more or whether the best thing would be for people to ask questions about our association and our submission.

**ACTING CHAIR**—We will move on to several senators who have questions to ask about both your submission and the broader issues, so thank you for that opening statement. I will begin with a general question about your organisation, which you say was established in 2002. Can you describe for us the relationship between your organisation and the AWB in terms of its two categories of membership. Could you explain that a little more please.

**Mr Iffla**—There are both A-class shareholders, which are the grower shareholders, and B-class shareholders, which are the investors. We grew out of a need to look after the A-class shareholders. The perception was that the AWB was more focused on giving returns or extra profit to the B-class shareholders than to the A-class shareholders. The constitution of AWB Ltd says that it must maximise the pool returns to the pool participants. We believed that there were a lot of things that needed to be done to make that occur. We recently put forward a submission on that to the 2004 wheat marketing review, and 19 of the 21 recommendations that we put forward to the Williams committee were taken up either in full or in part, so I believe we were on the right track.

**ACTING CHAIR**—Does your association represent all of the A-class shareholders?

**Mr Iffla**—Not every A-class shareholder in Australia is a member.

**ACTING CHAIR**—How do you become a member of the WGA?

**Mr Iffla**—Simply by paying a subscription of about \$100. You have to be an A-class shareholder. Each family has one A-class shareholding, or one under the one name if they have one name. Most of them have one name and there are three, four or five farmers under that A-class share.

**Senator FERRIS**—How is that different to the WAFF grain section?

**Mr Iffla**—WAFF's grain section is just a section of the WA Farmers Federation—they have several different sections. They have really got no ties to particular growers. We are able to—

**Senator FERRIS**—But you have to be a grower to be a member of the WAFF grain section, surely.

**Mr Iffla**—You probably have to be a farmer, but you do not have to be a grower to AWB or a wheat producer. You can be a cattle person, a sheep person.

**Senator FERRIS**—But then you would not be in the grain section, would you?

**Mr Iffla**—No.

**Senator FERRIS**—I am trying to understand, like Senator Stephens, why you decided that the WAFF grain section and the grain section of PGA were not appropriate in Western Australia and that there was room for a third organisation representing growers. I think that is probably what Senator Stephens is trying to understand.

**ACTING CHAIR**—Indeed.

**Mr Iffla**—The others are just general lobby groups. As an example, a lobby group like the Farmers Federation could go and complain to Coles Myer or an organisation like that that baked beans or whatever were too dear, but they would not have to take a lot of notice. It is the same with the AWB. The AWB do not have to take a lot of notice of what the other organisations say—they are crazy if they do not take some notice—whereas we are registered A-class shareholders and they have to take notice of us. If we request a meeting then we have a meeting with them.

**Senator FERRIS**—I suppose the grains section of WAFF is affiliated with the Grains Council, and the Grains Council work very closely with AWB Ltd from what I can see—and AWBI for that matter. As the peak body, my understanding is that they flow up like that and that the Grains Council is working very strongly and closely with AWB Ltd. Are you trying to explain to us that you are a shareholders lobby group wholly to lobby AWB Ltd?

**Mr Iffla**—Correct.

**Senator FERRIS**—So that is the difference?

**Mr Iffla**—That is the difference.

**Mr Badger**—Could I just extrapolate on that?

**Mr Iffla**—Before you do, we have made a decision in our organisation that we will not take any money from any corporates. Now, GCA—

**Senator FERRIS**—Does that mean from the AWB as well?

**Mr Iffla**—Yes, absolutely. We are not prepared to do that because we do not want our position compromised. We will live or die by our swords, simple as that.

**Senator FERRIS**—I understand now.

**ACTING CHAIR**—Mr Badger, you were going to add something?

**Mr Badger**—The Wheat Growers Association is an A-class shareholder association set up purely to represent wheat growers that deliver to the pool. As you would be aware, WA does have two farm organisations. With wheat growers being single issue, that is where we draw our support and our strength from and that is how we have developed a deep and working relationship with AWB. They take us very seriously because we concentrate on their business.

**Senator FERRIS**—Would you imagine that are overlapping memberships—for example, do you think that many of your members are also members of one or both of the other groups?

**Mr Iffla**—Yes, we have members of both the Farmers Federation and the Pastoralists and Graziers, and we also have people who are not members of either.

**Senator FERRIS**—Only of your organisation?

**Mr Badger**—Yes, our organisation.

**ACTING CHAIR**—In relation to this inquiry about the Iraqi debt repayment, under the Paris Club agreement the repayments are to start in 2011. Why isn't your organisation prepared to wait for that?

**Mr Iffla**—Really, we have been waiting one hell of a long time. Some of these people either are in retirement or have retired; a lot of them are still farming. By the time 2011 comes, that is a very long time to wait for money. We believe and understand through the Paris Club that there will be a payment over time and the interest will be added onto that. What we are saying is: 'Don't worry about the interest; let's pay the capital out. Let's try and get a crop in the ground this year. Let's use it to real advantage, to get crops into the ground.' As I said, people have waited too long. I do not know whether you have seen our *Elders Weekly* over here, but we have never seen so many farms for sale. People need extra cash. They have had very low prices over the last year or two and very high costs. In Western Australia our fertiliser and other costs per tonne of grain are far higher than they are in any of the other states. This actually helps to get crops in the ground as well. We fundamentally feel that it is a moral obligation of government to do this. It is as simple as that. It is not a legal obligation; it is a moral obligation.

**Senator FERRIS**—Given that the old Wheat Board, if not AWB Ltd, signed off with Prime Minister Hawke and Minister Crean on the arrangements at the time, back in 1992, and agreed that there would be a full and final payment to the Australian government—that is, the EFIC compensation payment and the second payment, the ex gratia payment, for the impact of those sanctions on the grain ships that were on the water going to Iraq when the sanctions were applied—how do you think you are going to lobby AWB Ltd to change their mind? How will you do that when all parties at the time—that is, the Grains Council, the government and the minister of the day, and the AWB—were agreed that that was a satisfactory outcome for that particular arrangement?

**Mr Iffla**—Firstly, they never asked the wheat growers.

**Senator FERRIS**—The Grains Council are the wheat growers.

**Mr Iffla**—Gee whiz—

**Senator FERRIS**—They are the peak body.

**Mr Iffla**—I know they are the peak body. I agree with you about that. They leave a lot to be desired. But I would like to separate the ex gratia payment for a start. The ex gratia payment—and you are right—was to make up for some of this other grain that was going across—

**Senator FERRIS**—That was on ships that were on the water when the sanctions—

**Mr Iffla**—The ships were on the water. That is absolutely separate from the \$98 million. Let us not get confused about that.

**Senator FERRIS**—They signed off on all of it, as I see in the paperwork here.

**Mr Iffla**—That was an ex gratia payment. I do not believe that they have ever really signed off on the 20 per cent. The government was always going to get this back. Even with the Paris Club today, they are saying that the 20 per cent will come back to growers.

**Senator FERRIS**—But through the AWB; not through the government. I accept the argument you are building; I am just trying to understand why you think the Australian taxpayers, I suppose, or the government or the Treasury should advance the money to growers, given that the Paris Club have made their arrangements from 2011 to 2038, and not the Wheat Board. The Wheat Board accepted that the 20 per cent—after the EFIC payment and leaving aside the other compensation—was the fulfilment of the government's obligation at the time. The Grains Council, whatever you might feel about them, the primary industry minister, Prime Minister Hawke and the AWB all agreed that that was the full and final settlement. I am trying to understand where you can take me to that shows that taxpayers should still pay that money.

**Mr Iffla**—As I said before, we do not believe that government has a legal obligation; it has a moral obligation. It is really up to the government to work out whether it has a moral obligation.

**Senator FERRIS**—So you accept that it is not a legal obligation.

**Mr Iffla**—Yes. If you were the only person singled out I am sure you would be quite upset about it, especially if you had to wait 30 or 40 years. It is exactly the same thing.

**Senator FERRIS**—Let us not personalise it. I am just trying to understand the principles.

**Mr Iffla**—I am sorry if I am.

**Senator FERRIS**—I think you have taken me to it by saying that it is not legal, it is moral. I was trying to understand whether there was some written obligation on the government of the day. I think you have made it clear.

**Mr Wells**—The Paris Club negotiations pushed this debt repayment schedule out to 2038. Had there been a more imminent collection of those funds, when sanctions were lifted the payment would flow, as it was always intended back in the early 1990s. The Wheat Board clearly did not sign off on that 20 per cent because they were continually telling the industry that efforts were being made to collect those funds. They say numerous times in their annual reports

throughout the 1990s that actions will be taken and they make reference to keeping all the records so that those further distributions could be made. Letters have been exchanged at various stages quantifying and nominating this.

We have no problem with the social responsibility of saying that 2038 is a fair repayment schedule, but that is where we make the distinction. There really should be a national obligation to fund that. The growers had no real play in that debt schedule. Paying out the capital sum would certainly resolve most of these issues and allow the government to provide the bankroll—to effectively be banker—for that repayment schedule rather than the industry. In terms of that 20 per cent, the industry collectively had very little input in determining that repayment schedule. That is an extremely long time. There is the issue of the value of that over the period.

The announcements in November increased the debt that was due by compounding penalty interest and interest under the contracts. We believe, from some of our calculations, that that is a fair reward for the government for carrying that debt for that repayment schedule. It is really just being a banker for the capital sum, which, on economic criteria, you would think would have a high degree of offset through that period to 2038.

**Senator FERRIS**—As a matter of interest, do you accept that the premium that was negotiated in those early sales with Iraq was a significant premium given the risk to the market at the time? We have a document here from the Grains Council by way of information and I will just read you a paragraph. Whilst I understand your criticism of the Grains Council, they are the peak body after all. What they said in this document was:

In general, the bottom line is that wheat growers are better off running the gauntlet of incurring the loss of 20% of the total value of the credit sale made at a much higher price than would have otherwise been the case had the sale either been made at a lower cash price or sold into an alternative lower priced, less preferred cash paying market.

Do you accept that?

**Mr Badger**—I do not accept that to be correct because Iraq was a world wheat purchaser who the US would not contribute EEP to when purchasing grain from the US. So the actual price paid on the day for Australian wheat more closely relates to the world market price rather than to the world's distorted market price when you have to compete against EEP from the US.

**Senator FERRIS**—But the actual EFIC insurance at 80 per cent surely recognised that there was a risk in the Iraq market at that time.

**Mr Wells**—Eighty per cent was the accepted threshold for insurance. At that stage we were not permitted to go beyond that. Any insurance premium would reflect the risk of the day.

**Senator FERRIS**—Yes, but the Wheat Board agreed to accept the other 20 per cent themselves.

**Mr Wells**—It had no choice.

**Senator FERRIS**—Sure, but they accepted it rather than going to a lower priced cash market.

**Mr Wells**—I think that the price would have reflected both the quality of grain coming from Australia and the services that were attached to that by the then Australian Wheat Board. They were providing a quality product with a quality service. A price attracts those sorts of issues.

**ACTING CHAIR (Senator Heffernan)**—Why do you think after this happened we attracted most of their business?

**Mr Iffla**—Because of food for oil. Once the sanctions were imposed—

**ACTING CHAIR**—But why did they pluck us out of the planet?

**Mr Iffla**—I suppose because we were the ones who had the relationship and we had the quality of grain they wanted and they had been dealing with us for a long time. Also, I think they believed that they owed us the money for this previous wheat, which Trevor Flugge kept on saying.

**ACTING CHAIR**—I am sure that is the case and thank you for the answer, because I am sure that we ought to attach some value to the fact that that happened. Who owns the wreck in an insurance when it is written off?

**Mr Iffla**—The insurance company owns the wreck—up to the 80 per cent.

**ACTING CHAIR**—No, if you wreck your car and they write it off, mate, you do not own the car. You give it to the insurance company and they do what they like with it. They might sell it back to you for threepence but they own it.

**Mr Iffla**—If it is written off—yes, I hear what you say. I have been in insurance.

**ACTING CHAIR**—So it is with this.

**Mr Wells**—From a wheat grower's point of view, we do not see this as being in any way a parallel to a car wreck. And the insurance arrangements are quite different.

**ACTING CHAIR**—I am just trying to make out the case for the differential in the insurance—the observation of the risk. But part of the benefit of taking the original risk, which Iraq defaulted on, was subsequent business.

**Mr Wells**—We make the distinction that they were prevented from making payment rather than defaulting.

**ACTING CHAIR**—But when you owe 500 times your gross domestic product? Alan Bond soon let his people know how much they were going to get.

**Mr Wells**—But going back to the early nineties, there was always the assurance that they were able to pay and that they were simply prevented. Circumstances have moved on very much since then—and that is recognised. But going back to the time at which this was current, there was every assurance that it was a case that they were prevented from paying.

**Senator FERRIS**—I have one final question. While Senator Heffernan was not here we were talking about this organisation as a lobby group for A class shareholders to the Wheat Board, which is different to the other two organisations we have had in this morning. Given that lobby capacity and its entire focus on grain growers to the board and to the wider community, what does the AWB Ltd now say to you in response to the proposition that you are putting, that this money is still morally owed by someone—you say the government? What do the Wheat Board say about this, given that they have agreed since 1992 with the proposition as I read it out to you earlier? What is their advice to you?

**Mr Iffla**—As recently as the other day at Kellerberrin Andrew Lindberg said that they hoped we would be able to get that money back to wheat growers—

**Senator FERRIS**—From where?

**Mr Iffla**—Through government, through the distribution through the AWB.

**Senator FERRIS**—Can I clarify that: he said to you—

**Mr Iffla**—He said to the meeting.

**Senator FERRIS**—that he thought you should continue to try and get the money from the Treasury as the advance payment from Paris Club debt paid to the Wheat Board and then back through the Wheat Board to those eligible growers. Is that what he said? We have got them as witnesses tomorrow and I would like to be able to put it to them.

**Mr Iffla**—Not quite in those words. It was part of a talk that he was giving at Kellerberrin and he certainly indicated—I cannot remember the exact words he used now. Do you remember, Trevor? He certainly mentioned the Iraq money.

**Mr Badger**—In time the Wheat Board would make their best endeavour to recover this money.

**Senator FERRIS**—Can I—

**ACTING CHAIR**—No, I am chairing the meeting.

**Senator FERRIS**—Can I take a point of order. I just want to know—

**ACTING CHAIR**—I will not accept the point of order until I make my point, thanks. Please define who you are talking about, whether it is the AWB shareholder Ltd group or AWB.

**Senator FERRIS**—It was just the other day.

**ACTING CHAIR**—AWB is not AWB Ltd.

**Mr Badger**—It was Andrew Lindberg speaking, the managing director of AWB Ltd. I cannot remember the exact words, but the message to the audience was that the Wheat Board are making their best endeavour to recover this money for the—

**ACTING CHAIR**—AWB Ltd. There is no such thing as the wheat board.

**Mr Iffla**—AWB Ltd, yes. Andrew Lindberg, the managing director of AWB Ltd.

**ACTING CHAIR**—You are saying that Ltd are going to make their best endeavour.

**Mr Badger**—They have said all along that International will distribute the funds if they are collected.

**Senator FERRIS**—Did he indicate where he thought the funds might be able to come from? Did he talk about the schedule of the Paris Club, which incidentally I understand is out to 2028 and not 2038. Did he give you any idea of where he thought the money might come from?

**Mr Iffla**—No, I think that was just his passing remarks during a spiel that he gave. I think it would be good to ask him further.

**ACTING CHAIR**—This was Ltd distributing to International.

**Mr Iffla**—This is the managing director of AWB Ltd, Andrew Lindberg, saying that AWB Ltd, and obviously they have to channel that through AWB International, would make their best endeavours to try and get this money back to us whenever possible, and that they have got all the records—

**ACTING CHAIR**—To the growers or the shareholders?

**Mr Badger**—To the growers.

**Mr Iffla**—They are all A class shareholders.

**ACTING CHAIR**—Yes, but there is a slight difference.

**Mr Badger**—The AWB have made a point to say that if the funds are received—

**ACTING CHAIR**—Growers or shareholders?

**Mr Iffla**—Grower shareholders.

**Mr Badger**—They will go directly to International and they will be distributed to the relevant growers and there will be no hand in the till by Ltd; they will pass on the full value.

**Senator FERRIS**—Assuming they get it.

**Mr Badger**—They have stated that regularly and strongly, that they would distribute the funds as they were meant to be distributed.

**Senator FERRIS**—It would be another question as to trying to find those who were eligible to receive the payments, given that it is 14 years later.

**ACTING CHAIR**—Yes, it is going to be much harder in 2011.

**Mr Badger**—In the season like we have just had, it is not hard to find the people who are owed the money. They put their hands up readily. They are desperate for it.

**ACTING CHAIR**—You're not on your lonesome there, old mate.

**Mr Iffla**—The thing is with the EFIC insurance, between 1987 and 1996 we paid some \$A133 million. It is not like we have paid nothing. We are paying a huge amount of money.

**Senator McGAURAN**—Yes, but it is not like you did not get anything in return. This is where you have opened up the Middle East markets riding on the back of that insurance. You would not have dared place the same amounts or taken the same risks without that back-up insurance in Egypt, Iran or Iraq. Now here you are looking for retrospective payments which could very much blow the whole EFIC commercial relationship. You are really endangering this special favour you have over other products in export industries. Can't you see that?

**Mr Badger**—It was not a special favour. We were forced to take—

**Senator McGAURAN**—A special relationship with the government. You either act commercially or you don't.

**Mr Iffla**—That relationship really was as if there were no war. If it were Iran or any other country and it had not been paid because they financially fell over, that is a totally different thing to when the United Nations imposed sanctions on a country.

**Senator FERRIS**—That is when the payments were made ex gratia, not the previous.

**Mr Iffla**—That was to do with the ongoing wheat, not the other wheat.

**Senator McGAURAN**—You are trying to rewrite a commercial arrangement—that is what you are trying to do—and you will endanger the very export insurance you have into the future. Do you think the government will sit and watch that?

**ACTING CHAIR**—You do not have to respond to that.

**Mr Wells**—There might be some information which we do not quite have. Senator Ferris made reference to the debt repayment being to 2028. There were actually two options in the Paris Club announcements. One did allow it to go out to 2038. Has there been a decision made as to which of those repayment schedules will be used?

**ACTING CHAIR**—While we are looking for that, could I ask a question. On the schedule of EFIC insurance premiums paid, in the years there were no claims, do you get a rebate?

**Mr Iffla**—No, there is no rebate, and nor should there be. That is just a straight-out insurance.

**Mr Wells**—I think it is important to recognise that EFIC insurance is of a character that is specifically to help Australian exporters into markets where other insurance is not available. It is not simply a special one-off deal for the wheat industry.

**ACTING CHAIR**—I guess we do not get into the market if we do not have that backing. Senator Brown, do you have a question?

**Senator BROWN**—Yes. Thank you, gentlemen, for coming before the inquiry. I asked this question of previous witnesses before the inquiry, so I will ask you too: what is your view of the current economic situation for the average wheat farmers in Western Australia compared to the rest of the community?

**Mr Iffla**—One only has to look at the country papers now to see that there are so many clearing sales. I have never in my life seen so many clearing sales there. Planfarm, the largest consultants in Western Australia, are saying that there is a huge amount of pain out there. Very few budgets are positive budgets, most are negative budgets.

**Senator BROWN**—Is there a difference between wheat farmers and other farmers in that regard?

**Mr Iffla**—Yes, there is. Normally the wheat farmers are not as bad off as some other growers, like the dairy farmers—they were fairly bad.

**ACTING CHAIR**—What about the poor old sheep?

**Mr Iffla**—Actually, there is more money in wool and meat at the moment than there is in wheat. Generally, to answer your question, there is a lot of pain out there and it has been caused by a series of fairly bad seasons. Western Australia is such a huge state and we can have a very bad season. They have had three droughts in the north, for instance, and they have had three phenomenal years right down in the south and in areas that do not traditionally grow a lot of wheat—they have been fantastic. These little strips of rain have gone through like they have in other states as well. The climatic conditions are changing. All our input costs—fertilisers and fuel and wages et cetera—have increased and the price of wheat has come down.

**Senator BROWN**—The other question I asked previous witnesses is: do you feel that there is a pressure in the air, if you like, not to discuss this matter? Senator McGauran just said you are endangering your relationship with the government and then asked, ‘Do you think the government will sit and watch that?’ Does that not make you feel a little reticent about coming forward and making a legitimate claim for compensation for the Iraq debt?

**Mr Iffla**—I do not think it does really. We have every reason and every right to ask for something from government on this issue. It is not a subsidy or anything like that; it is something that is rightfully owed. It is not going to hurt the government. They are going to get paid interest on this money, for goodness sake, and they are going to pay this money out over a period of time. It helps not just farmers—we pay tax—but all the way through the rest of the economy. You can put a multiplier effect of five to one on it.

We were very concerned when we heard about the Grains Council of Australia making those big decisions and writing off all the debt to growers. Two meetings were organised in Western Australia—one at Lake Grace and another at Merredin—and about 650 grain growers went to them. There were lots of complaints that there were not more meetings held across Western Australia, because Western Australia is such a vast area. They were the only two that the government could fit in at the time. I thought it was Minister Vaile—

**Senator BROWN**—I note that the Grains Council says that there is a legitimate claim for some compensation in this matter, but I guess a decision has been made not to pursue it. What do you think the feeling is amongst growers in being asked to wait until 2028?

**Mr Iffla**—I think there is a feeling of very little trust. When a government has an opportunity to help and it does not—it is not a subsidy—the growers cannot understand what is happening, because it just would not happen in any other walk of life. It certainly would not happen in France. They are pretty upset about it. There is no doubt about it.

**Mr Badger**—Can I elaborate on that answer. I was not a grain grower at the time of this. It was one of the factors that put my brother out of farming. The federal government encouraged the then Australian Wheat Board to sell and deal with Iraq; they supported the market there. They could see that it was going to be a growing market and that we should push as hard as we could into the Middle East. The same thing is happening in South-East Asia at the moment. We are being encouraged to get in and trade with South-East Asia.

As a younger grower, I wonder what would happen if a similar situation arose—God forbid—in South-East Asia. We are being encouraged to deal into that region, and I would hate to see the mat pulled out from under me and for my father to say, ‘It happened to me as well.’ If Australia did have to step into the region and settle a conflict or something, what happens if my wheat is there? I can see exactly the same thing happening again. It will be the wheat grower who will bear the brunt of Australia’s action, whether it be directly or through the United Nations.

**ACTING CHAIR**—We live in a global economy. There are all sorts of people doing business with all sorts of people.

**Mr Badger**—I mean ‘directly’ as in the wheat grower will pay directly. The hairdresser or the taxi driver pay indirectly through increased taxes, let us say, to—

**ACTING CHAIR**—If someone were selling boxed wheat to the same market—God forbid how they get to do that these days—they would bear the brunt the same as you. It is just commercial risk.

**Senator FERRIS**—No countries in Asia have the same element of commercial risk that selling into Iraq had at the time, surely.

**Mr Iffla**—As it turned out, you are right in hindsight. ABARE could probably give figures of a return of two or three per cent on capital. That is a pretty low figure for anyone to produce, isn’t it? It is very high risk. We lose 20 per cent of our money. That takes a lot of time to catch up. CBH, the fertiliser companies and all the rest of them get their money. We do not get our money. I think it is very unreasonable to even be hard questioning on this issue.

**ACTING CHAIR**—Is it the same reason why you should be a diversified mixed farmer rather than a grains business?

**Mr Iffla**—I am, and most people are; they have grain, sheep and cattle.

**ACTING CHAIR**—You are not one of those terrible people mulesing sheep, are you?

**Senator FERRIS**—Don't go there!

**ACTING CHAIR**—Because of the mulesing of sheep, they are going to abandon the wool market. You could make a similar argument for circumcision.

**Senator BROWN**—What was the reference to the fertiliser industry?

**Mr Iffla**—All our farm input costs have to be paid. When we do not receive our pay cheque at the end, even if we receive all our money from wheat, wool and other farm produce, we are only returning two or three per cent on the capital we put in and, of course, fertiliser is one of those things. We miss out on our 20 per cent, and we only make two or three per cent. That is why people are hostile about it.

**Senator BROWN**—But the people you are indebted to do not forgo 20 per cent return?

**Mr Iffla**—They do not forgo anything; that is taken out up-front.

**Senator BROWN**—You are left with it?

**Mr Iffla**—Absolutely. We are supposed to be business people, but I wonder whether we are not peasants.

**ACTING CHAIR**—I want to go back to the three per cent—and I declare an interest in all this, probably as much as anyone else. A lot of that relates to the capital invested, doesn't it, which, of course, relates to the judgment of the market as to how much you pay for land et cetera. So you can build some of the return into the risk of the enterprise. For instance, anyone who has invested in an investment unit in the City of Sydney will soon be getting a lesser return, and they will not be running to the government crying poor. That is just the way it is; that is the market.

**Mr Iffla**—But that is totally different.

**ACTING CHAIR**—Yes, it is, but these are the vagaries of the market. I am a farmer. You are bragging about the bad run you have had over here; I have had 10 bad seasons, and Senator Stephens, down the Lachlan Valley at Goulburn, knows that.

**Senator BROWN**—I do not think anyone is bragging about anything; they are just stating some facts.

**Mr Iffla**—I was just stating facts, not bragging about it; it is something not to brag about. And some of the businesses in the city have done a bit better than farmers have done. Anyway, I do

not think that is the issue. I think the issue is that there is a moral obligation for government to pay it up-front and collect the interest. We do not want the interest. If we were being unreasonable, we would be asking for the interest on this money as well.

**Senator BROWN**—That is right.

**Mr Iffla**—Most people, if they were being unreasonable about this, would ask for the interest as well, wouldn't they? We are saying there is a moral obligation—

**Senator FERRIS**—There is no legal obligation to ask for anything.

**Mr Iffla**—There is no legal obligation; it is a moral obligation which will not affect the ethics side of things. The government can choose to say: 'We understand the situation; we feel we have a moral obligation; we've got a heart,' and pay it as a moral obligation.

**Senator FERRIS**—Effectively you are asking for a cash advance on the Paris Club agreement?

**Mr Iffla**—Yes. If we were greedy people, we would be asking for the interest and everything that goes with it, because, by gee, it would be a lot.

**Senator FERRIS**—I think you have made a good case in your submission today, but when it comes down to it you are asking for a cash advance on the Paris Club agreement.

**Mr Iffla**—Correct.

**Mr Badger**—We do not like the wording of that, but that is effectively what we are asking for.

**Mr Wells**—Acting Chair, a little while back you painted a picture that growers in Western Australia should be more diversified and not so dependent on wheat.

**ACTING CHAIR**—I am not going to tell anyone in Western Australia how to run their farm. I do not like people telling me how to run mine, I can tell you.

**Mr Wells**—It is important to give some recognition to the fact that the options in Western Australia are not all that great. A lot of the farmers who are wheat producers do not have a lot of other options. So what Senator Ferris is referring to, in terms of this debt, is very significant to their business. They did not have the opportunity to diversify in cropping because of agronomic issues: soil types and location. They do not have a summer crop. They do not have a big domestic feed market. They are very dependent on wheat and on exports. That is why the focus is probably greater in the West than in some of the other states. Senator Ferris's example of relating this to an advance on collections debt is most appropriate. But if that were to be presented to the wheat growers they would probably see that as an excellent outcome. All the other suggestions about how they could have protected their own business often did not exist. We know the calamity with the wool industry.

**Senator STEPHENS**—If I could take it back, we have a submission from the Department of Foreign Affairs and Trade and the Department of Agriculture, Fisheries and Forestry which outlines the public administration issues—

**ACTING CHAIR**—We have not published that yet.

**Senator STEPHENS**—Haven't we? It outlines the public administration issues generally in terms of that. One of the important arguments it makes is about the national interest account. Do you understand about the national interest account?

**Mr Wells**—I will admit, no, not in great depth. It would probably be inappropriate to say otherwise. I have heard it related to the extension of EFIC as an added-risk issue.

**Senator STEPHENS**—In terms of EFIC and the way that EFIC has been used in the past, it has not just been related to the wheat industry, it has been related to other industries as well. The public administration argument that the government presents is that to divert from those key principles about the relationship between EFIC and the national interest account would set a very dangerous precedent for other industries as well, because you are not treating people fairly—other exporters taking on large risk loads as well. Do you have any comment to make?

**Mr Wells**—Yes, I do, because that is drawing a direct parallel that is trying to rewrite the EFIC insurance policy. That is not what we are talking about. We are not suggesting that we are sitting here today trying to negotiate in retrospect a different insurance agreement. We have a balance of that debt that has not been written off and we are talking about how best to clear that. Our solution is for the government to act as banker, pay out the growers and manage the agreement under the Paris Club arrangements through to conclusion.

**ACTING CHAIR**—Why shouldn't the shareholders borrow it?

**Mr Wells**—It is not actually a debt that they can borrow against until such time as the Wheat Board is in possession of funds and makes a declaration of equity.

**ACTING CHAIR**—Yes, but it is Iraq that owes the money, not the government.

**Mr Iffla**—Some of the growers out there are battling to get enough finance—

**ACTING CHAIR**—No, I mean limited—the financial investors in the shareholdings.

**Mr Wells**—I would encourage you to test that tomorrow, if it is tomorrow that you are meeting with the Wheat Board.

**ACTING CHAIR**—That is what it comes down to because you have this dreadful interest: the shareholders' best interests versus the growers' best interests. I know who is going to win that argument.

**Mr Wells**—The information available to us is that, some time in 2004, the debt was vested totally in the government. So I do not know that the Wheat Board, as in AWB Ltd or international—

**ACTING CHAIR**—Why do you think they would say that was in EFIC? Why do you think that was and why was it in 2004? We will endeavour to find out on behalf of all our wheat growers.

**Mr Wells**—I can only make a connection that it was something to do with the proposal to forgive all or part of the debt. I suggest that at one stage there were concerns that the total debt was to be forgiven. As it turned out, only 80 per cent was. It may have been related to that, to enable the government to go to those negotiations in a stronger position. I made reference earlier in the proceedings to the lack of consultation and that it was the government that decided the debt repayment schedule through the Paris Club agreement. I imagine they would have done that only in the knowledge that they held all the cards. Otherwise, how would they have been able to do it? There have probably been a lot of things that have happened behind the scenes to do that. Some people might welcome them to stay behind the scenes.

**ACTING CHAIR**—We will explore that on your behalf.

**Senator McGAURAN**—I would like to follow on directly from Senator Stephens' questions, which were very good ones. And just to correct the record when I said, 'Don't you think the government will be watching this?' Senator Stephens put it as I wanted to, really, that—

**Senator STEPHENS**—More diplomatically.

**Senator McGAURAN**—More diplomatically in that here is a government that has entered a commercial relationship and has responsibilities under the insurance cover. Regardless of what you are saying, you are trying to use moral force to rewrite a commercial agreement. That is what I meant. It will have a cascading effect if you succeed.

**Mr Wells**—Can I put the proposition that my understanding is that EFIC is an independently managed and organised insurance corporation. It is not government; it is totally independent of government.

**ACTING CHAIR**—That is now, not necessarily then.

**Senator FERRIS**—There are new arrangements now.

**ACTING CHAIR**—It was not then. That is a spurious argument.

**Senator FERRIS**—It was not 10 years ago.

**Senator McGAURAN**—That was my point, anyway. I think you are endangering a commercial relationship between the government and the AWB.

**Mr Wells**—Can I ask you a question?

**ACTING CHAIR**—No.

**Senator McGAURAN**—You are trying to uncommercialise it.

**Senator FERRIS**—Yes, you can, Mr Wells.

**ACTING CHAIR**—You can put a proposition.

**Mr Wells**—I hope that is not a suggestion that we should back off on a point of principle because I think that would be most unfair and unwarranted.

**Senator McGAURAN**—I am not asking you to back off. I guess that is why you are here. But I do not think it is a principle of depth or gravity.

**ACTING CHAIR**—Is this leading somewhere?

**Senator McGAURAN**—Yes. What we have always asked the other witnesses before us is to declare whether this debt is still on their books or on the growers' books.

**Mr Iffla**—It is certainly on AWB's books. Every grower who makes a telephone call to AWB will be faxed the information within 10 minutes. So we know exactly how much that is.

**Senator FERRIS**—Is it still on a farmer's annual budget?

**Mr Iffla**—No. Personally, I would not put it on my own budget because you get sick of putting it on there after about 14 years. What is the point? But now it has taken on a new look. For the first time people are starting to feel some hope that they are going to get some money out of this, and I reckon it is pretty good that they are starting to feel a bit that way. We just want to put a few logs on the fire and see if the government will come out—

**ACTING CHAIR**—What proportion of growers are on that side? Obviously the Grains Council has a different view to yours. What proportion of the industry has this expectation? Obviously, if you hand out free pies, you will get rid of a lot of pies, but I ask in terms of global Australia.

**Mr Iffla**—I cannot speak for the Eastern States. I had quite a few telephone calls from the Eastern States on it. One person, Bruce McLellan, unfortunately had a bit of a problem with health and died. We had statements in papers in the east. But it was all closed off by GCA, who sent amounts like a few hundred dollars and a thousand dollars. It was irrelevant.

**ACTING CHAIR**—Why don't we just talk in dollars per tonne rather than of a figmented \$30,000 here and \$10,000 here. What is the amount per tonnage so everyone can relate to it?

**Mr Wells**—It is very difficult to do that because it is spread over three seasons.

**ACTING CHAIR**—But at best it is \$10 a tonne.

**Mr Iffla**—It has been more than that.

**ACTING CHAIR**—With respect, you have a look.

**Mr Wells**—In the first season I think it was around 40c or 50c and in the second season it was \$4 or \$5 or more.

**ACTING CHAIR**—And the next season it was \$4.98.

**Mr Wells**—Something like that.

**ACTING CHAIR**—So it is \$10. That puts it into context rather than using this mythical \$30,000.

**Mr Wells**—It is a hell of a lot of money.

**ACTING CHAIR**—It is a hell of a lot of money to me, too, do not worry.

**Senator BROWN**—I have a question around the other way: what proportion of growers in WA believe that this debt should not be pursued and should not be paid by government?

**Mr Iffla**—I have only heard that from one little group that hardly have any members at all.

**ACTING CHAIR**—Who are they?

**Mr Iffla**—Wheat Growers members have a lot of pastoralist members that are saying that. It is unbelievable.

**ACTING CHAIR**—Who are they? Put them on the record.

**Mr Iffla**—Pastoralists and Graziers.

**ACTING CHAIR**—Good on you.

**Mr Badger**—The most negative sentiment that I have heard is the older generation saying, ‘The money is owed to us but be careful how you go about it. We don’t want to upset our customers. You must be subtle about it.’ But we are owed that money and we believe the government has a moral obligation to us.

**Senator BROWN**—There is a lot of reticence out in the bush to get involved in a stoush, isn’t there?

**Mr Badger**—Yes. When I first started to hear that I thought, ‘Don’t follow it.’ But as you listen to it you realise that it is just older, wiser people saying that it takes a long time to build a market and you can destroy it by being rude.

**ACTING CHAIR**—Back when this happened you will agree, I hope, that if we had not made those sales under those conditions with the assistance of EFIC—which was not an independent body at the time; it was at the grace of the government and taxpayers—we would not have developed the relationship we now have with those markets and, in turn, we would not have had the benefit of the food for oil propositions that we have been through.

**Mr Badger**—You could say that it is assistance, but the growers actually took it as an impost because the EFIC insurance was compulsory. It was not assistance.

**ACTING CHAIR**—You could make out an argument that there has been some monetary benefit from what has happened as a consequence of this one deal that blew up.

**Mr Iffla**—Three deals blew up.

**Mr Badger**—But for every deal we enter into there is another one to follow. That is just general business principles.

**ACTING CHAIR**—But they would not necessarily know or may not have followed—

**Mr Iffla**—I think wheat growers realise that Iraq is a very valuable customer—there is no doubt about that—and, of course, the Americans do now too. They are now coming in and dealing with them as well. We have talked about this so-called flour mill. Twenty million dollars does not really do very much, with all due respect. It sounds very good—it sounds excellent—

**Senator FERRIS**—It is a start.

**Mr Iffla**—It could do a bit for goodwill but, at the end of the day, they do not have to buy our wheat. It depends on what goes through that flour mill. Possibly they will not buy it. America, for instance, can give good trade deals and they will put that flour through. So it is a good thing to do, but they do not have to put that grain through it.

**Senator FERRIS**—But that is the world market.

**Mr Iffla**—That is correct.

**Senator FERRIS**—You have more chance of getting it through than if you do not put the mill in.

**Mr Iffla**—You may have.

**Mr Badger**—No, they will just take the cheapest price.

**ACTING CHAIR**—When AWB Ltd dumps cash wheat into the pool and the pool is obliged to accept it—and the cost of this, by the way, is about \$2.50 a tonne in three pools—can you ever be sure that, when that limited cash acquisition goes into the pool, there is not a \$2.50 margin for the shareholders that the growers do not get duded for every time it goes in?

**Mr Iffla**—Why do you think the Wheat Growers Association has been active? We are concerned that things like that are happening. That is why we are saying that we believe that some of the services that are conducted by AWB Ltd for AWB International should be conducted within AWB International—it is to take away some of the profiteering from the pools. That is what we are about. This is different altogether. We can say that someone gets too much commission—the fertiliser company may get too much commission somewhere else, for example, or the barber might charge too much—but it is not the issue, is it.

**Mr Badger**—I have stood there with AWB Ltd over and over again and heard them say that, when the money is recovered, they will pass on every cent. AWB Ltd here in the west are desperate to raise their profile amongst the growers.

**ACTING CHAIR**—But how do you know you are not getting duded now with what went out of the cash acquisitions into the pool?

**Mr Badger**—That is very difficult to check up on—

**ACTING CHAIR**—I would have thought it was pretty pertinent.

**Mr Badger**—but, if the money is handed to AWB Ltd, we can see that it goes to the growers.

**ACTING CHAIR**—Sadly, we have to draw this to a conclusion.

**Senator FERRIS**—Can I ask one question. How many members do you have in states other than Western Australia? Is your body a national one that happens to be based here?

**Mr Iffla**—We really have not tried to be national. It is virtually totally Western Australian. I think there are about three or four members in the Eastern States.

**Senator FERRIS**—Presumably, given that you have the focus of the A-plus shareholders, you could be a national body that just happens to be based here.

**Mr Iffla**—Absolutely. At the moment, it is a purely voluntary organisation. Everything we do is voluntary. That means that it costs us. We could spread our wings quite easily and we have been asked by quite a few people in the east to do that, but—

**Senator FERRIS**—It would be very interesting to watch where your membership goes.

**ACTING CHAIR**—What proportion of the farming land of Western Australia is continuously cropped? You say that, because of the geography, some enterprises do not have other alternatives.

**Mr Iffla**—I think we have other alternatives, but the main alternative—the one that produces dollars out in the drier areas where you have to get water and all of those sorts of things—is wheat growing. If you just have a slow, soaking rain, you do not get run-off, so a lot of those areas mainly grow wheat.

**Mr Badger**—Sixty per cent of the wheat belt is year in, year out.

**ACTING CHAIR**—It is depressing to fly over here and to see, from the air, all the salinity.

**Mr Iffla**—That was there before, mostly.

**ACTING CHAIR**—Many of my neighbours came over here in the sixties to clear the Esperance for you, and I am not too sure whether that was good, bad or indifferent. So what is the future? There is no prospect, because of the water, to put lucerne in that rotation?

**Mr Badger**—There is no reliable or unreliable summer rain in Western Australia, so summer crops are totally out.

**ACTING CHAIR**—If we keep doing what we are doing, will we just have an encroachment of the—

**Mr Iffla**—I do not know. It depends on how much the water is charged up. I think that, if the government really got its act together, it would probably drain all those lakes.

**ACTING CHAIR**—That has got nothing to do with this, though.

**Mr Iffla**—I know. The hearing has finished, hasn't it?

**ACTING CHAIR**—We will end the hearing. Thank you very much for coming.

**Committee adjourned at 12.06 p.m.**