

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 01

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 33

**Senator O'Brien asked:**

Does each plan contain measurable targets?

**Answer:**

The target of each regional reform plan is to ensure that the region's sugar cane based industry is viable and sustainable. There are targets for each region in its plan and these targets are expressed in different terms. The targets can be found in the public summaries of the plans which are attached for the information of the Senate Rural and Regional Affairs and Transport Legislation Committee.

**Question:** F&A 02

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 33

**Senator O'Brien asked:**

**Senator O'BRIEN**—Who runs the trains? I thought that was Q Rail.

**Mr Phillips**—I cannot answer that one. I will have to take it on notice.

**Senator O'BRIEN**—Presumably that target is a price per tonne of carriage.

**Mr Phillips**—As I said, I do not have the exact details at my fingertips. I will have to take that on notice.

**Answer:**

The rail systems referred to are the narrow gauge railways used to transport cut cane. Where they exist, each mill runs and operates its own system. Transport efficiency is a 'target' in many of the regional plans. Transport prices are based on per tonne of cane transported, not its method of transportation.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 03

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 34

**Senator O'Brien asked:**

**Senator O'BRIEN**—But we were told that there would be detail on how structural changes will occur, when the changes will be completed and what the changes will achieve.

**Mr Phillips**—It varies from plan to plan. Each full plan is about so thick. I do not have the detail in my head of each one. There is a precis that is publicly available. I could take that on notice if you wish further detail.

**Answer:**

This information is contained within the regional reform plans. The concise, public versions of the plans have been attached for the information of the Senate Rural and Regional Affairs and Transport Legislation Committee.

**Question:** F&A 04

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 34

**Senator O'Brien asked:**

I am trying to find out whether we have actually used those hurdles or whether we have built paths around them. So I am interested to know—and perhaps you can take it on notice, unless you can answer it now—how each of the plans details how structural change will occur, when the changes will be completed and what the changes will achieve.

**Answer:**

This information is contained within the regional reform plans. The concise, public versions of the plans have been attached for the information of the Senate Rural and Regional Affairs and Transport Legislation Committee.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 05

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 34

**Senator O'Brien asked:**

**Senator O'BRIEN**—Are all the time lines three-year time lines, or are there benchmarks along the way?

**Mr Phillips**—It varies from plan to plan, as I recall, but I will take that on notice and get back to you.

**Senator O'BRIEN**—Could you detail where the benchmarks are in each of the plans. Can you confirm that each plan has quantified the regional gains from the implementation of the plans?

**Mr Phillips**—There is not a number of \$X million that will be achieved if all of these items are fulfilled.

**Senator O'BRIEN**—Again, we were told that there would be quantification and provision of appropriate evidence of the added benefits to the region of changes being implemented. I am trying to find out how these plans address that hurdle. Can you help us?

**Mr Mortimer**—It might be best if that is taken on notice in terms of what is in the plans. I would make the comment that the plans are all designed at a regional level, so the measures and the other quantification will clearly have to deal with setting that out and providing that at a regional level.

**Answer:**

This information is contained within the regional reform plans. The concise, public versions of the plans have been attached for the information of the Senate Rural and Regional Affairs and Transport Legislation Committee.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 06

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans**

**Hansard Page:** 34

**Senator O'Brien asked:**

**Senator O'BRIEN**—Does each plan have a contingency if the identified strategies do not work?

**Mr Phillips**—I think we will take that on notice, because we will go through each of the plans so that we do not say anything that is generalised.

**Senator O'BRIEN**—In answering that, could you provide the committee with some detail as to what these contingency plans are for each of the regional plans and, where there is a contingency plan, what the time frame is for the triggering of the contingency plan. Do the plans have internal review arrangements that would enable a decision to be made to change direction in relation to reforms and desired outcomes?

**Answer:**

The plans set out a path forward for the industry and are positive documents. The expression of contingencies may detract from the positive direction they are seeking to establish.

**Question:** F&A 07

**Division/Agency:** Food and Agriculture

**Topic: Sugar: Regional Plans (PricewaterhouseCoopers bill)**

**Hansard Page:** 35

**Senator O'Brien asked:**

How much has been billed so far?

**Answer:**

A total of \$1.7 million has been billed by PriceWaterhouseCoopers to the Department.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 08

**Division/Agency:** Food and Agriculture

**Topic:** South Johnstone Mill

**Hansard Page:** 36

**Senator O'Brien asked:**

I want to go to the issue of the South Johnstone mill, particularly the issue of protecting the interests of the Australian taxpayer in relation to the money provided to the South Johnstone mill. Answer 18, on food and agriculture, relates to the legal framework for the loan to the mill. That answer states that the provision of the Commonwealth's assistance package was subject to a significant number of conditions which were designed in consultation with the Australian Government Solicitor to limit the Commonwealth's potential risk exposure and that the indemnity of the Commonwealth provider was not to the mill but to Queensland Canegrowers to the benefit of the National Australia Bank. The key to that arrangement was the deduction of five per cent of payments to suppliers to the mill to repay the funding provided by the Commonwealth. Is it true that when the ownership of the mill changed in 2001, a new agreement with suppliers was required?

**Answer:**

Following the sale of the Mill's assets to Bundaberg Sugar, the Mill assigned to Bundaberg Sugar the interest in, and the benefit of, covenants in its current Cane Supply and Processing Agreement. It also authorised Bundaberg Sugar to continue to deduct 5 per cent payments from growers. It is also understood that a Novation and Amendment Deed was entered into between South Johnstone Mill, CANEGROWERS South Johnstone Mill Suppliers' Committee, South Johnstone Mill Negotiating team and Bundaberg Sugar pursuant to which Bundaberg Sugar was taken to be a party to the Cane Supply and Processing Agreement.

**Question:** F&A 09

**Division/Agency:** Food and Agriculture

**Topic:** South Johnstone Mill

**Hansard Page:** 37

**Senator O'Brien asked:**

Did all suppliers to the South Johnstone mill sign up to the terms of the settlement?

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Answer:**

No. Not every supplier signed up to the terms of settlement. A small number have not signed. Even though not all growers have signed this does not impact on the enforceability of the terms of settlement.

**Question:** F&A 10

**Division/Agency:** Food and Agriculture

**Topic:** Canegrowers

**Hansard Page:** 37

**Senator O'Brien asked:**

Can I take you to a letter from the Australian Government Solicitor signed by John Scala, Chief Counsel, Commercial, to Mr Cooper, the legal representative of Canegrowers, on 17 September 2001. It says in part:

The Commonwealth is concerned at the advice now received from Bundaberg's solicitors which suggests the necessary novation and amendment of the Cane Supply and Processing Agreement for South Johnstone may not proceed.

It continues:

At all times the Commonwealth has relied and acted in good faith upon your client's representations that it has had the authority to act on behalf of and bind South Johnstone canegrowers in respect of this matter.

In the event this issue is not now quickly resolved the Commonwealth will look to your clients to recover any loss it may now incur as a result of the reliance it has placed on these representations.

That letter seems to clearly state that the Commonwealth's legal adviser's view was that Canegrowers was responsible for the debt. Is it fair to say that a document about how the funds raised through the five per cent deduction was agreed by all parties except a number of growers who had money deducted from their mill payments without their agreement?

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Answer:**

The 5% grower deductions were authorised pursuant to the terms of the Cane Supply and Processing Agreement between the Mill and CANEGROWERS South Johnstone. The Commonwealth was not directly involved in the negotiation of that agreement. Following the sale of the Mill's assets to Bundaberg Sugar, the previous Mill owners assigned to Bundaberg Sugar their interest in, and the benefit of, covenants in its current Cane Supply and Processing Agreement. It also authorised Bundaberg Sugar to continue to deduct 5 per cent payments from growers. It is also understood, that a Novation and Amendment Deed was entered into between South Johnstone Mill, CANEGROWERS South Johnstone Mill Suppliers' Committee, South Johnstone Mill Negotiating team and Bundaberg Sugar pursuant to which Bundaberg Sugar was taken to be a party to the Cane Supply and Processing Agreement. These agreements were expressed to be binding on all growers.

**Question:** F&A 11

**Division/Agency:** Food and Agriculture

**Topic:** Dairy producer exits

**Hansard Page:** 38

**Senator O'Brien asked:**

Which state is disproportionately high?

**Answer:**

Deregulation of the dairy industry occurred on 1 July 2000. Since that time approximately 3636 farmers have exited the industry.

**New South Wales:** Since 2000, on average New South Wales dairy farms constituted approximately 12 percent of national registered dairy farms. There have been 662 farm exits from New South Wales since 2000, or 18.21 percent of total national exits for the period.

**Victoria:** Since 2000, on average Victorian dairy farms constituted approximately 65 percent of national registered dairy farms. There have been 1,698 farm exits from Victoria since 2000, or 46.70 percent of total national exits for the period.

**Queensland:** Since 2000, on average Queensland dairy farms constituted approximately 10 percent of national registered dairy farms. There have been 660 farm exits from QLD since 2000, or 18.15 percent of total national exits for the period.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**South Australia:** Since 2000, on average South Australian dairy farms constituted approximately 5 percent of national registered dairy farms. There have been 252 farm exits from South Australia since 2000, or 6.93 percent of total national exits for the period.

**Western Australia:** Since 2000, on average Western Australian dairy farms constituted approximately 3 percent of national registered dairy farms. There have been 137 farm exits from Western Australia since 2000, or 3.77 percent of total national exits for the period.

**Tasmania:** Since 2000, on average Tasmanian dairy farms constituted approximately 6 percent of national registered dairy farms. There have been 227 farm exits from Tasmania since 2000, or 6.24 percent of total national exits for the period.

**Question:** F&A 12

**Division/Agency:** Food and Agriculture

**Topic:** ACIL Tasman Report

**Hansard Page:** 42

**Senator Adams asked:**

I note that you had quite a number of comments on the ACIL Tasman report. Obviously you were not happy and disputed a lot of the content there. Could you just give me a brief summary of what you thought about it?

**Mr Besley**—I could. It was factually incorrect in parts, and we told them that when we saw a draft. If you bear with me, I will get a letter we wrote to them explaining that. We were privileged to see a draft of it, and we did indicate at the time that there were things in there that were not correct. Some of those were contained in the final report, and my colleague the chief executive wrote to Leon Bradley on 25 August pointing out the things that were wrong with the report. For example—and I will not go through the whole letter—the report ascribes responsibility for constructing the wheat industry benchmark, the WIB, to us. That is totally incorrect. We have nothing to do with creating it. The report talks about the remuneration model as though we were involved in its development, as between AWB and AWB(I). We were not; that is a commercial negotiation. So Glen wrote to him, pointing out that what he had said in the report in many respects was quite wrong.

**Senator ADAMS**—Would you be able to table that letter for us?

**Mr Besley**—I imagine so, if we can ask Mr Bradley if he is happy. From my point of view, I would be happy, but if Mr Bradley has a problem it is his letter, and then we would not. But if he does not, then, yes, we would.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Answer:**

The Wheat Export Authority's (WEA's) comments related to a number of inaccuracies within the ACIL Tasman Report; and in particular, those made regarding the WEA's role and degree to which it was involved in the development of the Wheat Industry Benchmark (WIB) and AWB(I)'s remuneration model.

The report incorrectly accredits the WEA with responsibility for both the WIB and administration of AWB(I)'s remuneration arrangements. Additionally, the report misrepresents the nature of the price discrimination analysis undertaken on an annual basis by the WEA.

The WEA wrote to the Pastoralists and Graziers Association of Western Australia outlining their concerns. A copy of the letter is attached.

**[F&A 12 attachment]**

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 13

**Division/Agency:** Food and Agriculture

**Topic:** Staff and Resources for Container Trade Assessment

**Hansard Page:** 42

**Senator Adams asked:**

One of the key achievements stated by the Wheat Export Authority is that you efficiently manage significant numbers of requests for export consent variations. How many staff and how much resources are taken up with the container trade assent and the variations on those assents by the Wheat Export Authority? Given the size of the container trade, is this justified?

**Mr Besley**—We are a very small organisation. At the moment we are at the highest number we have been for some time: 15 people in total. More than half of our budget is spent on monitoring AWB(I); the other half goes to the consent business for people who are non-AWBI exporters. In terms of variations, last year we spent \$992,000 on the export consents process, which includes variations. I do not have a dissection in front of me of how much of that \$992,000 was for variations and how much was for the up-front consent applications, but if you wanted a breakdown I think we could provide that.

**Answer:**

The total cost for Output 1, Administration of Consents for the PBS FY 2004/05 was \$992,000. This includes both staffing and overheads and is approximately:

Market research;	\$367,000
Applications processing	\$389,000
Compliance	\$236,000

The methodology for processing applications for export consent and export consent variations is the same. Accordingly expenditure was not differentiated during the year for consent variations but is incorporated into the application processing costs.

The secretariat consists of 15 staff, all of whom are involved across the full range of the functions of the Wheat Export Authority. Average staffing specifically for Output 1, is approximated to 5.05 full time equivalent positions.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 14

**Division/Agency:** Food and Agriculture

**Topic:** Port Authorities

**Hansard Page:** 44-45

**Senator O'Brien asked:**

Which port authorities are private? Are any of the major stevedores in grain handling? How are those that may become private relevant to your past cost analysis?

**Answer:**

The port of Adelaide is privatised with Sydney, Brisbane, Melbourne, Fremantle and Darwin being government controlled. The major stevedores are Patrick and P&O for containerised exports of wheat.

(source: Gerry McCormack, Sydney Ports Corporation, November 2005.)

The Wheat Export Authority (WEA) has no knowledge of any major stevedores involvement in grain handling.

Changes in domestic supply chain costs charged to the National Pool are included in WEA's annual performance monitoring activities. Changes in structure/ownership would not impact on the past assessments undertaken by the WEA.

**Question:** F&A 15

**Division/Agency:** Food and Agriculture

**Topic:** Quantum of Real Decline

**Hansard Page:** 45

**Senator O'Brien asked:**

Have any of the three silos I mentioned gone against that trend?

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Answer:**

The three 'silos', or supply chain components reported in the 2004 Wheat Export Authority (WEA) Growers' Report include:

- bulk storage and handling costs;
- rail freight costs; and
- port costs.

Of these, rail freight costs increased in 2002-03.

The WEA Chairman undertook to assess what the WEA could properly report insofar as a breakdown of costs for future Growers' Reports.

**Question: F&A 16**

**Division/Agency:** Food and Agriculture

**Topic:** AWB(I) report to shareholders

**Hansard Page:** 46

**Senator O'Brien asked:**

So you could not report to us what AWB(I) would report to its shareholders?

**Answer:**

In AWB(I)'s 2003-04 Pool Performance Report, supply chain management is reported on page(s):

- 18 to 21 - including a chart depicting national trends in standardised supply chain costs; and
- 49 – a table under National Pool General Statistics.

**Question: F&A 17**

**Division/Agency:** Food and Agriculture

**Topic:** WEA Consultant

**Hansard Page:** 51

**Senator O'Brien asked:**

Can you tell us what sorts of incentives were examined by the consultant?

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Answer:**

The Wheat Export Authority's (WEA's) 1999-2000 Annual Report reports on the approach to be used by the WEA in identifying what, if any, incentives exist as a result of the wheat export arrangements, and AWB(I)'s domestic supply chain management to deliver benefits to Australian wheat growers. A consultant was utilised to inform this assessment.

Examples of the incentives intended to be assessed, and quoted in the Annual Report include 'joint ventures with millers/storage organisations, export credit breaks, and staff exchanges.'

The WEA's use of the word 'incentive' related only to the incentives or benefits of the Australian export arrangements and not to monetary payments to third parties in overseas markets.

WEA assessments also included incentives contained in the service agreement between AWB(I) and AWB Limited.

The results of these examinations have been reported in the WEA's annual Growers' Reports.

**Question: F&A 18**

**Division/Agency:** Food and Agriculture

**Topic:** Wheat Exports

**Hansard Page:** 51

**Senator O'Brien asked:**

What percentage of total exports were accounted for by AWB(I) from 1 July 2004 to 30 June 2005? I am told for the previous year it was 98.76 per cent.

**Answer:**

AWB(I) accounted for approximately 98% total wheat exports for the period 1 July 2004 to 30 June 2005.

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 19

**Division/Agency:** Food and Agriculture

**Topic:** Container Exports

**Hansard Page:** 52

**Senator O'Brien asked:**

What was the actual volume of container exports?

**Answer:**

<b>Period</b>	<b>Volume of Container Exports</b>
1 July 2003 to 30 June 2004	401,332 metric tonnes
1 July 2004 to 30 June 2005	709,859 metric tonnes.

(source: Australian Bureau of Statistics published data)

**Question:** F&A 20

**Division/Agency:** Food and Agriculture

**Topic:** Export of containerised and baggage wheat

**Hansard Page:** 52

**Senator O'Brien asked:**

How many applications did WEA receive for the export of containerised or bagged wheat last financial year and what was the tonnage involved in these applications? ...

I was going to ask you how many applications were successful and how many actually exported product? Perhaps you can supply that on notice?

**Answer:**

<b>FY</b>	<b>Applications</b>			<b>Tonnage</b>		
<b>Category</b>	<b>Received</b>	<b>Approved</b>	<b>Acted on</b>	<b>Requested</b>	<b>Approved</b>	<b>Shipped</b>
<b>03/04</b>	321	258	116	2,256,445	731,559	126,799
<b>04/05</b>	385	351	169	2,618,389	1,088,591	237,682

**Senate Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Budget Estimates October/November 2005

**Agriculture, Fisheries and Forestry**

**Question:** F&A 21

**Division/Agency:** Food and Agriculture

**Topic:** AWB(I) Target Markets

**Hansard Page:** 52

**Senator O'Brien asked:**

What markets were targeted by non-AWB(I) exporters last year?

**Answer:**

The top five international markets for wheat exported by non-AWB(I) exporters during the period 1 July 2004 to 30 June 2005 included Vietnam, Myanmar, Bangladesh, United Kingdom and Italy.