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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Reference: Wheat Marketing Amendment Bill 2002

FRIDAY, 7 MARCH 2003

CANBERRA

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Friday, 7 March 2003

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Coonan, Eggleston, Chris Evans, Faulkner, Ferguson, Harradine, Harris, Hutchins, Knowles, Lightfoot, Mason, Sandy Macdonald, McLucas, Murphy, Payne, Ray, Santoro, Stephens, Tchen, Tierney and Watson

Senators in attendance: Senators Buckland, Cherry, Heffernan, McGauran and O'Brien

Terms of reference for the inquiry:

Wheat Marketing Amendment Bill 2002

Committee met at 9.01 a.m.

BARRON, Mr William Graham, Deputy Chair, Grain Growers Association

EYRES, Mr Tony, Chief Executive Officer, Grain Growers Association

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee is meeting today to continue its consideration of the Wheat Marketing Amendment Bill 2002. On 5 February 2003, the Senate referred the bill to this committee for examination and report by Thursday, 20 March 2003. The purpose of the bill is to enable revenue to be raised for the continued operation of the Wheat Export Authority, the single desk exporter of the Australian wheat crop. The revenue will be raised by charging a levy on all exports of wheat, and it is intended that the levy commence in the first half of this year. Today's hearing is public and open to all. A *Hansard* transcript of the proceedings is being made and will be available from the committee secretariat or via the Parliament House Internet home page next week. It should be noted that the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in an order of the Senate, dated 23 August 1990, concerning the broadcasting of committee proceedings.

Before the committee commences taking evidence, let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given before it. Any act by any person which may operate to the disadvantage of a witness on account of evidence given by him or her before the Senate, or any committee of the Senate, is treated as a breach of privilege. While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee to publish or present all or part of that evidence to the Senate at a later date. The Senate also has the power to order production and/or publication of such evidence. Any decision regarding the publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing. I welcome Mr Tony Eyres and Mr Graham Barron from the Grain Growers Association, our first witnesses for today. If you would care to make an opening statement, you may do so.

Mr Eyres—On behalf of the association, thank you for the opportunity and the invitation to appear here today to comment on the Wheat Marketing Amendment Bill. I would like to emphasise and clarify a couple of issues discussed in our written submission and then comment very briefly on some of the assertions made in this inquiry to date. The Grain Growers Association is not opposed to a wheat export levy. We believe it is only fair that while growers, including our membership, support the single desk, they should pay the administrative costs of the operation of that single desk. This position holds both for the proposed levy and for the costs incurred by the national pool manager and its suppliers. We have never asserted that this should be a general public cost and we accept that this is a user-pays model.

However, where we diverge from some other groups on this issue is that we believe there is a corollary right for growers, as funders of the single desk arrangements, to be broadly consulted and to be given a role in the design and financial structure of those arrangements. I have three points to make on that issue. Firstly, we do not concur that a mention at last year's Grains Week, combined with letters to the Wheat Export Authority, AWB Ltd and the Grains Council, constitute full consultation. While these are the three most direct stakeholders in the wheat export arrangements, being the three nominated under the act, they do not represent the broader community which makes up the grains industry. Further to this point, it seems apparent that this group was consulted only on the issue which was briefly flagged at last year's Grains Week—namely, that growers might pay for the continued funding of the Wheat Export Authority.

This brings me to my second point: the Grain Growers Association's capital submission in relation to this bill. Raising a new tax on export wheat growers unaccompanied by consultation on the efficacy and value of the organisation and arrangements which that new tax will underpin is manifestly unreasonable. We do not believe that there has been any deliberate government consultation on the question of whether Australian wheat growers support the detailed current arrangements as opposed to supporting the need for a single desk. We hold that this is inadequate.

My third point is that there is an ongoing debate, reinforced by a series of independent commentaries—including the review that we commissioned from Accenture and the review UGH and NETCO commissioned from Kronos Corporate—about the specific offer from CBH in WA to run the Western Australian supply chain for free. In the context of this ongoing debate, the decision to seek funding without consultation goes from being inadequate to arrogant.

I would now like to briefly address three points made yesterday. Firstly, it is asserted by the WEA that they have replied in full to the questions posed to them by the Grain Growers Association. We do agree that a reply was received but note that it was so lacking in detail and so affected by the authority's minimalist view of their oversight powers that it adds nothing to the sum of greater knowledge on the areas addressed. We will happily provide the committee with a copy of this response. Secondly, the Wheat Export Authority claim that they are unable to consider the Accenture review in full since we have not provided all of the underlying data. The documents submitted to date to the authority have been submitted to this committee as addenda to our specific submission. These do give a full breakdown of the projected savings within the \$150 million figure. Where we have drawn the line is where the authority draw the line in their reporting on the AWBI and AWBL arrangements.

As part of its task, Accenture entered into confidentiality agreements with the 40 or so industry participants who provided data. This is commercial information which our association is not privy to. We would submit that the authority might be more consistent in their treatment or expectations of such data. We have given the WEA all the names of those organisations and individuals with whom Accenture consulted and we would hope that they would be taking the opportunity, under their legislation, to replicate our process. Thirdly, we suggest that the comments yesterday on the authority's oversight of the wheat industry benchmark and the outperformance incentive illustrate our case perfectly. The WEA accept that the benchmark is year zero of the current arrangement and not a comparison to alternative supply costs. Yet the authority accept that this is the least cost path. The data the authority gain is, in its rather technical assertion, data from AWBI, which they neglected to note has no staff whatsoever. The OPI is an extra payment to AWB Ltd for outperforming an internally agreed benchmark. We note that the senators did not ask what the cost of underperformance is or whether the benchmark is set at such a level that underperformance is strictly ruled out.

I finish by noting some brief requests for this committee. We ask, and we believe that this has been the Grains Council's position, that there be more time allocated to the committee's deliberations and that the 20 March deadline be extended at least until after Grains Week. We would suggest that the claim that this will not allow for the passage of legislation in time to meet WEA funding deadlines is a convenient rather than a substantial claim. We also concede that this time frame will not be extended to meet the demands for full industry consultation; instead we ask the committee to amend the Wheat Marketing Amendment Bill 2002 so that it brings forward the 2004 review to 2003 and that this bill look at the whole set of export arrangements, including the role and performance of the Wheat Export Authority. Thank you again for this opportunity to appear here today.

Senator O'BRIEN—Mr Eyres, I would be happy if you would supply the document that you have offered to the committee.

Mr Eyres—Yes.

Senator O'BRIEN—You say in your letter that you have a membership somewhere in the order of 13,500 farmers; I assume a number of those farmers would be members of other organisations as well. Would that be the case?

Mr Eyres—Yes, there is overlap with both the New South Wales Farmers Federation and the Victorian Farmers Federation.

Senator O'BRIEN—That is not uncommon. It is the same in the cattle industry. I am trying to get a sense of who you represent as compared to the GCA. Your organisation has a significant interest in GrainCorp, so when you tell us you have a large number of growers, are you here also as a competitor to AWB Ltd?

Mr Eyres—The 13,000 members are members of our association directly, whereas Grains Council has affiliate membership organisations. Our membership register has 13,000. GCA has affiliate members who, in turn, have membership. We purchased GrainCorp from the New South Wales government. We still hold a 20 per cent stake and we are very proud of what we have done in the 10 years. But we are addressing this issue from a grower perspective, as we did the terms of reference for the Accenture review, in terms of how to

maximise returns to growers. It plays into others' hands to talk about that relationship, but the objectives and reasons for us being here today are very clearly from a grower perspective.

Senator O'BRIEN—Do you have to separate the interests of your farmer members from the interests of shareholders in GrainCorp?

Mr Eyres—That is an issue. In terms of the charter, I am employed by the association as the CEO of a 13,000 member organisation and my role and function is to carry out the job in the best interests of the membership. Under corporate governance, if you are a director of a company you work in the best interests of those constituents. In the case of this association, it is members; in the case of GrainCorp, it would be shareholders. That parallel can be drawn within AWB International as pool participants, and AWB Ltd as shareholders.

Senator O'BRIEN—In relation to the bill we have before us, apart from the correspondence you had from WEA that you are going to produce, what was the extent and nature of the consultations your organisation had with WEA, the department and the minister or the minister's office on the contents of the bill and its implications for your members?

Mr Eyres—We have had no direct consultation with the Wheat Export Authority and we have had no consultation with the department. When this committee called for submissions, ours was not requested; we took it upon ourselves to put in a submission with the knowledge that the bill had been referred to a committee.

Senator O'BRIEN—You said in your submission that you lodged a submission with WEA that was based on a review of industry arrangements by Accenture, and that the submission was prepared and lodged in a form and to a deadline set by WEA. That was input to the WEA 2002 review. Did you offer it or did they request it?

Mr Eyres—We offered it. We asked about a timetable that suited them. They asked us to try to prepare the information by July to meet with their ministerial reporting timetable of September of the same year. We pulled out all stops and achieved that and the report was prepared within the framework set by the Wheat Export Authority's reporting regime to make it easier to communicate the message. We wrote the report to comply with their guidelines for reporting to the minister.

Senator O'BRIEN—What was the follow-up to your submission?

Mr Eyres—Within the submission we posed 12 specific questions and also asked that consideration be given to the submission. We understood that, because of the timetable, the outcomes would be included in the report to the minister and therefore, in part, in the very much abridged version of the grower report that was circulated a month later. We did get the 12 questions, which I addressed in my opening remarks; we believe they were largely insufficient and we saw little or no reference to any of the material we had provided in the public grower report, despite meeting their timetable.

Senator O'BRIEN—On the issue of the power of the Wheat Export Authority to scrutinise the management of the single desk by AWBI—and this is a key issue, which I think is 'What do growers want from the WEA process and what are they getting from it?'—you say that the Wheat Export Authority needs more teeth. Can you give the committee some detail on exactly what you have in mind?

Mr Eyres—The concern that our association has—and it is reflected within the 12 specific questions we asked and the responses we received—is the apparent inability of the Wheat Export Authority to obtain information, in terms of demanding that information and it being provided, in a similar way as, for example, the ACCC can. We believe they do not have the discovery powers that are required to be able to do the job to the level of scrutiny that we believe is important around our single desk. On those discovery powers, the common response from the Wheat Export Authority is either, 'It's out of our charter,' or 'The information was not provided by AWB Ltd because it was commercial-in-confidence.' To us, that is not acceptable, together with the fact that, in the reporting process, which was raised in yesterday's hearings, the reporting is to the minister not to the growers, who are the stakeholders and who are meant to be being protected or at least considered by the Wheat Export Authority.

Senator O'BRIEN—Can I assume that you are asking us to consider amendments to the functions and powers of the authority at least? Do you have any detail as to exactly how these additional teeth would be fitted to the authority?

Mr Eyres—In terms of legislative change to the functions and powers, we would contest that the functions and powers are actually already there within the legislation. The legislation is very broad in its capacity. It is to control the export of wheat from Australia. We believe the interpretation of those powers is at the heart of the problem. In our view, they are taking very much a minimalist approach to the regulatory role. We are not clear on the reasons for that but we would contest that the powers are actually already within the legislation.

Senator O'BRIEN—That is not WEA's view. They say that they have, or at least they think they have, legal advice which tells them something else that significantly reads down section 5(2).

Mr Eyres—That is the conjecture. Accenture, in reviewing these arrangements and the functions and operations of the Wheat Export Authority, certainly argue that that is not the case; it is the interpretation of that role. As mentioned, we would contest that there are quite considerable powers within the legislation but the interpretation of those powers is seeing largely a deferring back to AWB International, as reflected by the responses to many of our requests.

Senator O'BRIEN—How would you characterise Accenture's advice? Is it based on legal advice or is it their understanding of the legislation?

Mr Eyres—It is their understanding of the legislation. We have sought a legal view as well, to clarify roles and responsibilities within the industry, which is the Wheat Export Authority, AWB International and AWB Ltd. Accenture's view was done more on an interpretation of that legislation from their perspective.

Senator O'BRIEN—But do you have legal advice on the meaning of section 5(2)?

Mr Eyres—Not specifically, no.

Senator O'BRIEN—That poses a question to us: if WEA has a view that the power is not there that you suggest is there, we have to decide whether an amendment or some other action is needed. You are saying an amendment is not needed, but if that is the case what would you suggest we do?

Mr Eyres—There is an issue of resourcing. There is an issue within the Wheat Export Authority of resourcing to be able to pursue the sorts of avenues that we pursued with regard to the Accenture review—getting the detailed customer segmentation work and consulting more widely with the industry on export permits and opportunities rather than deferring back to AWB International as largely the sole provider of the information. So there is a resourcing issue. Also, we are unsure or unclear as to where the directive is coming from for the Wheat Export Authority to take the approach that they are taking. We would certainly encourage the Wheat Export Authority to take a broader view, but specifically the discovery powers that I alluded to before appear not to be interpreted. They do not believe that they have those discovery powers, whereas we would contest that they do.

Senator O'BRIEN—In that context can you comment on proposed new section 5A, which represents an addition to the function and powers of the authority. It seems to me that while the government sees this amendment as a housekeeping measure, it brings to the act what has been happening in practice and it formally narrows the power of the WEA to scrutinise the management of the single desk by the AWBI.

Mr Eyres—With respect to the control of the exports and that particular function of the Wheat Export Authority, we were of the understanding that it was done to try to streamline the process of permits and those sorts of aspects. That is a key area that needs to be addressed. We do not have any specific suggestions as to how that can be ramped up, but our interpretation is that it may well lead to the contrary occurring.

Senator O'BRIEN—I take you to the section of your submission headed 'Reporting role'. You state:

Ultimately, we believe this—

limited reporting by the WEA—

may be by political direction to minimise its role in the oversight and direction of the National Pool.

Are you talking about a ministerial direction?

Mr Eyres—That would be our understanding.

Senator O'BRIEN—What do you base that understanding on?

Mr Eyres—The difficulty of the Wheat Export Authority making that information public. It uses commercial-in-confidence as a key reason behind that, and we accept that there is a lot of information that it captures in its role that is commercial-in-confidence. But in terms of the broader aggregated information and broader roles, functions and concerns of the operations of AWB International, that is not currently being made public. As a government instrumentality that is responsible to the minister, we have come to the conclusion that the minister must encourage it to take somewhat of a minimalist role. That, in our view, is very much what it is doing. As mentioned, we state that it could be taking a broader role.

Senator O'BRIEN—Why do you say the inquiry should extend its deadline past Grains Week?

Mr Eyres—In terms of the Grains Council of Australia, the minister responsible has told us that they are the vehicle. As an association, we have been working through the Grains Council—in particular, their state affiliates. The Grains Council have put it on the agenda for Grains Week to consider a range of issues, not the least being the Accenture report, the Kronos report and also the CBH proposal. A consultant is helping the Grains Council to get their heads around those documents. As I understand it, there are some public forum discussions to be held during Grains Week. Given the assertion yesterday that speeches during Grains Week are speeches to the whole grains industry—we would possibly argue that it is not, but certainly there is a good cross-section of the grains industry at Grains Week—and there is public discussion on a range of these issues, we believe there is an opportunity to at least wait and hear some of the outcomes of Grains Week.

Senator O'BRIEN—Do you think the issue that we have before us is effectively going to be the subject of significant discussion during Grains Week?

Mr Eyres—We would hope so. Certainly it would be part of the discussions in a broader picture. There is debate out there relating to the content of various industry reports that have been prepared—one by us and some by other players. Certainly the roles and functions of the regulator, the Wheat Export Authority, are a key component of any discussions because they are the regulator and they are the holder of the single desk. AWB International get an exemption from permits but we would contest that the Wheat Export Authority are their replacement. As was reported in their annual report this year, they are the replacement of the Australian Wheat Board. They hold the single desk and they issue permits. AWB International get exemption; they also get power of veto over bulk export permits through the Wheat Export Authority. To have that power rest with the Wheat Export Authority and for it to be largely limited in its resourcing and limited in its interpretation of its powers is a key issue for the industry. We believe it should be at the heart of the discussions during Grains Week. Our understanding is that it certainly will be.

Senator O'BRIEN—You say that the 2004 review should be concluded this year. If the relationship between WEA and AWBI and AWB Ltd was unwound and WEA powers strengthened, would that entitle this committee to consider that WEA could still do that review, or are you saying that is not an option at all?

Mr Eyres—The review due by the end of 2004 is to look at AWBI's performance in managing the marketing arrangements—essentially, how they are performing with the exemption for permits. It is not a review of the single desk and, on that basis, we believe there is an opportunity to bring it forward to look at the performance of AWB International and also, in the same context, to bring forward a review of the performance of the Wheat Export Authority itself. On that basis, we would contest that it is not appropriate that the Wheat Export Authority review itself. We suggest that the review be brought forward to the end of this year using another agency—the National Competition Council, the Productivity Commission or someone along those lines—to review all of the arrangements collectively.

Senator O'BRIEN—You say the end of 2003, but we are already up to March. What leads you to believe that this review could be conducted by a new party, whether it is one that you have suggested or another consultancy process, and be completed in that time?

Mr Eyres—The framework for reporting and the framework for the operations of the Wheat Export Authority are very clear; therefore, the scope of any independent review would be along those lines. One of the key rationales for bringing the review forward is to pick up on some of the conjecture in the industry around the current arrangements and the ongoing debate regarding the Accenture review, the Kronos report and other things like that. Rather than let that continue for another 18 months or two years, our belief is that, if you brought the review forward and wrapped it up within the context of an overall review of both AWB International's performance and the roles and functions of the Wheat Export Authority, it would go a long way to addressing a lot the industry concerns.

We believe there is sufficient information in the public domain, both from the NCP review in 2000 and the Productivity Commission's submission to that review, and from the Accenture review, the Kronos report and others. There are also the outcomes of Grains Week, so we contest that there is sufficient information that would enable this to happen in that time frame.

CHAIR—One of the things we are confronted with is all the mumblings and murmurings about the 'club' of wheat and the relationships between the various bodies so I would like to ask a couple of questions about your organisation. Do you have an annual subscription?

Mr Eyres—We have a life membership of \$20, so once you join the association you are a member for life. You are no longer a member if you—

CHAIR—Die.

Mr Eyres—Sorry?

CHAIR—Do you know when people cark it?

Mr Eyres—Yes, but you can also resign in writing. But, in a sense, you are a member until you die.

CHAIR—Does your organisation accept sponsorship from other organisations?

Mr Eyres—No, we do not. We rely on membership application fees and returns from our current investments.

CHAIR—Does your organisation understand the benchmarking relationship that measures the incentive payments back to AWB Ltd from AWB International? Do you understand how that works?

Mr Eyres—Do we fully understand it in detail? The answer is no. But in terms of the concept, yes we do. We understand that it has gone from a cost-plus type arrangement to an incentive based arrangement. Our concern is that that incentive based arrangement was something that was negotiated between AWB International and AWB Ltd, which is effectively them negotiating with themselves.

CHAIR—Does your organisation understand how the benchmark is struck, who sets it and whether it is at the right level?

Mr Eyres—Whether it is at the right level, no, we do not, because we are not privy to the specific information that goes into making up the benchmark. We are aware of the \$US5 a tonne hurdle, the hedging component and also the supply chain cost component, but in terms of the detail, one of the key issues that Accenture raised within its review is the lack of information on those specific aspects of the benchmark. If it were a \$5 million or \$10 million type of amount in the context of the whole national pool, it would not be such an issue, but a base fee of \$45 million to \$60 million and bonus payments of as much as \$55 million or \$60 million on top of that is a lot of dollars coming out of the national pool. Our concern is that for such large volumes growers are largely in the dark as to the specifics.

CHAIR—You say you represent 13,000 growers who are life members. Have you acquainted yourself with the operation of the Geneva desk of the AWB?

Mr Eyres—We have made some inquiries, but not as to the specific activities of the Geneva desk. The issues around the Accenture review were more specifically about the current domestic wheat marketing arrangements.

CHAIR—You say you want to bring forward the review and that that review should include a review of the single desk operation. I guess there would be other people who will appear before us today who would say that behind that might be some influence by GrainCorp to try to make progress on the operation of the single desk, whether it be at port or whatever. Do you think that would be a very cynical view?

Mr Eyres—It is a very convenient view because it goes to trying to discredit what we are talking about. I would certainly contest that the growers themselves have the concerns. We have an advisory committee of 45. A number of members of the committee of advice raised concerns about the current wheat marketing arrangements. The directors then developed terms of reference and put it out to tender—essentially did the homework. However, as the CEO, I took carriage of the management of that project with considerable input from a representative group of that 45, and the growers are the ones who validated the discussion and the issues raised within Accenture. It was very clear: do the current wheat marketing arrangements maximise returns to growers and, if not, what are some of the alternatives? That was the brief for Accenture. Accenture consulted with 45 or so people—grower organisations, industry associations and so on. From our perspective, it was a very well-considered report and it was done clearly from a grower perspective. It is convenient to talk about the relationship, but from a personal point of view it was very clear.

CHAIR—I think rather than having all these murmurings and whisperings, we might as well get it all out on the table. If the Wheat Exporting Authority, as suggested to Senator O'Brien, had more teeth and was demonstrated to have more teeth, do you accept that they could make a judgment on the performance of the single desk?

Mr Eyres—Certainly and the teeth come from resourcing and also, we believe, wider industry consultation and sourcing information from further afield. As mentioned in the Accenture review, some of the key people we consulted with on the customer segmentation work within that is certainly a good starting point for the Wheat Export Authority, rather than relying on largely a sole source of information—AWB International.

Senator CHERRY—The Wheat Export Authority puts a lot of emphasis in its key performance indicators on the services agreement between AWBL and AWBI, in particular in trying to minimise supply chain costs and also on the issue of information sharing. Do you have a view on that particular approach in terms of dealing with those issues?

Mr Eyres—The concerns that have been raised by the Wheat Export Authority, in particular about information sharing, are a key platform of ours. The lack of transparency within the current arrangements is a fundamental problem within the industry, and the drying up of information that used to be more freely available to the wider industry from the then Australian Wheat Board is a major concern—aggregated information, not specific customer information which is obviously sensitive to the market and would undermine the single desk.

Senator CHERRY—Do you have a view on the approach the WEA should take in targeting the services agreement as a way of opening up those information issues? How do you look at their approach to those issues?

Mr Eyres—They are looking at the approach that the Wheat Export Authority has taken to the service agreement. They have raised some concerns. They have told us that they will get back to us at the end of 2004. Our concern is that the service agreement goes to the heart of the relationship between AWBI and AWBL. If there are issues, they need to be brought forward sooner rather than later, because a key platform of ours is this lack of transparency and the cosiness of the relationship. Further to Senator O'Brien's question, that is another reason why, if we can bring forward the review to 2003, it can wrap up a lot of these transparency and service agreement issues.

Senator CHERRY—WEA made it clear yesterday that they disagreed with much of the analysis in the Accenture report. They said they had made that clear to you in correspondence. They were also happy for that to be raised, if you are happy for that to be done. Would you be happy to make that correspondence available to the committee?

Mr Eyres—It was referred to in terms of the correspondence, which I will make available to the committee, in response to the 12 questions. The WEA told us of concerns about the analysis, both in writing and verbally, and that they wanted the raw data. That was raised in the committee yesterday. We would contest, if you gave them the raw data, they may or may not necessarily know what to do with it. They do not have the resources and the expertise necessarily within the authority to take that information. However, the other issue, as I raised in my opening address, is that that was commercial-in-confidence information that Accenture required, not this association. Accenture provided the contacts that they used to obtain that information and encouraged the WEA to contact them themselves, but whether WEA have done that or not, I am not sure. The concern is that the WEA used words to the effect that they want raw data; they do not want aggregated data or aggregated outcomes. We would contest that Accenture have highlighted some issues and expect that the Wheat Export Authority would be pursuing those, given the credibility of both the report and the process as well as the wide nature of the consultation.

Senator CHERRY—You signalled at Grains Week that the Kronos, Accenture and CBH reports will all be thrown in for a broad discussion. Where do you think that will go? What is the process from here in that respect?

Mr Eyres—Our understanding is that they have engaged a consultant, Ron Storey, to help pull together the industry issues and distil the big-ticket items out of those reports. We would hope that there will be open and frank discussion at Grains Week about some of these industry arrangements—the lack of transparency, the relationships. Again, I am not in a position, and neither is the association, to pre-empt what Ron Storey may or may not say.

Senator CHERRY—In your submission you talk about the need that any levy that comes out of this bill should not be an open-ended levy in terms of overpayments and so forth. Did you want to expand on that issue? In particular, what mechanisms do you propose to ensure that was more accountable?

Mr Eyres—The issue in terms of the size of the levy is that we do not want the sorts of reserves to build up over and above the roles and functions of the Wheat Export Authority. We want the levy to be a reflection of the functions and roles of that authority. There should be a clear mandate for what the authority can do and the costings of those activities. As we have always said, we would happily pay the levy, if we knew that the levy was actually being used to conduct the sort of detailed analysis that we believe should be undertaken.

Senator CHERRY—To what extent did the Grains Council of Australia consult with your organisation in the development of this bill and in making their views about it known to government?

Mr Eyres—We have had no consultation with the Grains Council nor the state affiliates specifically on this bill.

Senator CHERRY—My last question is on least cost supply. One of the points the Accenture report makes, which you make in your submission, is the importance of getting the least cost supplier in terms of all the elements of the supply chain. Again, the WEA said yesterday that AWBL have assured them that that happens at all levels in terms of their various agreements. Do you have any comments on the assertions made in the growers' report from WEA on those issues?

Mr Eyres—The key point is that the benchmark for comparing costs is the first year of operation. We would contest that that is not suitable; we believe that we need to go further to actually look. If it is to be a benchmark, it needs to look at alternative providers. To simply take the word of one provider that we are doing a good job which is cost effective is inappropriate. We go further in that one of our key recommendations is a more competitive supply chain. The best example shown is in harvest finance, where there have been new entrants and there have been direct and considerable cost savings to growers. We believe that if you get full contestability in a whole range of the domestic services to the single desk then similar savings should be reflected, whether that is in supply chain and logistics, financing or risk management, and we would contest that it can be done on a domestic level without compromising the single desk. You can still have that single-faced export to the world but you have a competitive supply chain domestically. When AWB International and—in effect, because they have no staff—AWB Ltd are saying we are doing a good job, we question whether that statement can really be made and substantiated without any open, transparent and competitive tender type process for all of those services.

Senator CHERRY—This is my last question. When these arrangements were introduced in 1999 and the debate was on about the single desk and the splitting up of the AWB into these three parts, what was your association's view on the arrangements—that is, when they were first introduced?

Mr Eyres—The association saw the need to go down a privatisation path in terms of the structures and the intent of doing away with the old Australian Wheat Board. The Wheat Export Authority was set up, albeit

later in the discussions, as a regulator and to actually be the holder of the single desk. There were other provisions in place, such as a cap of \$150 million on capital expenditure for AWB Ltd, which was subsequently lifted prior to listing on the stock exchange. There were some other provisions in there but the actual sunset clause for the legislation was removed in negotiations just prior to the bill being passed, and there were some changes that were made just prior to the amendments being made.

But, overall, the intent of the separation and the creation of AWBI and AWBL and a regulator in the Wheat Export Authority was supported. However, some time later, some three or four years on, we are looking back and saying, 'Perhaps things have not turned out as we all thought they would.' It is time to actually look at those arrangements and make some changes to make sure that the intent, which is to maximise return to growers through the single desk, is able to be carried out. That is the key point, and three or four years on we are looking back and asking, 'What is different?'

CHAIR—Earlier on, Mr Eyres, you made out a bit of a case for the legislation to be delayed. Isn't that contradictory? That is, if you wanted the 2004 review brought forward to now then that would mean a whole new workload and yet if we do not get on and fund the damn thing you are going to be squeezing the whole operation up at the end of the year. I would have thought that you would have been wanting this legislation passed urgently.

Mr Eyres—In terms of the issue of the Wheat Export Authority, we raise the point that we believe that if the review were to be brought forward to 2003 and broadened to encompass the actual functions and roles of the Wheat Export Authority itself then it would not be conducted by the Wheat Export Authority. It would be conducted by some other agency or someone independent from outside. So in terms of the squeeze, it is not on the Wheat Export Authority.

CHAIR—I thank your organisation for appearing today. We will now move to submission 20 from NETCO Cooperative Ltd.

[9.45 a.m.]

CHASELING, Mr Michael Stewart, Chief Executive Officer, NETCO Cooperative Ltd

CHAIR—Welcome. Would you like to make an opening statement?

Mr Chaseling—I do not have a prepared statement, but I would like to make a couple of general points in reference to the NETCO submission and on the broader issues at play which I think are really quite important and which are before the committee. One of the key issues confronting the industry is the independence of the Wheat Export Authority. In our view the authority does not appear to be independent of the major commercial organisation impacting the wheat industry in Australia—that is, AWB Ltd. In our view those two organisations seem intrinsically entwined in their process.

We believe that the consultative process the industry is engaged in is unrepresentative. There has been massive change in the grain industry since these structures were initially conceived. Whilst they were implemented in 1999, they were originally conceived back in 1995-96 when the issue of what the industry was going to do with the Australian Wheat Board was first discussed. The structures in the industry have changed dramatically over that period and very particularly over the last few years. We think it important that the regulatory framework that supports the industry keeps pace with those changes.

We feel that the industry and the single desk manager appear to have a massive conflict of interest between driving shareholder value and returns for participants in the national export pool. In reference to the role of the WEA, we do not see evidence that those conflicts have been resolved. For our organisation that is a real issue. We are a growers' organisation and our interest is in driving farm gate returns for our members; improving their farm gate terms of trade is what we are about. I also believe there has been a significant shift in grower attitude. We are certainly finding that as we talk to members of our cooperatives regarding the management of the single desk. The reason the shift is starting to appear is that for 50 or 60 years independent information has not been all that available to the industry, but now there are a number of other players who are starting to explore what is going on, how these structures work and whether or not they work fully for the benefit of producers.

It is our assertion that the single desk has been established and maintained for the benefit of producers and not with a view to sponsoring a monopoly on farm services in the domestic market and the domestic supply chain. We believe that regulation of wheat exports should not translate into a monopoly domestically. We think there is an issue in terms of the relationship between AWB Ltd and AWBI, which I spoke about. We believe that the transparency and accountability issues are so important because these organisations are not immune from problems. Many of our members—both our cooperatives and our farmer members—are still reasonably bitter about the money that they lost in the collapse of the New South Wales Grains Board.

Looking back at those circumstances should sharpen everybody's focus in terms of how important transparency and accountability are. We think that one of the ways to drive that is by allowing contestability of service provision to the national pool. It is our view that the single desk is owned—whilst we believe it is there to serve growers—by the WEA, effectively. The WEA novate an exemption to AWBI—not to AWBL but to AWBI. Given that the export monopoly is actually held by WEA, we believe that it is important that they have the full resources to manage the process of exporting Australian wheat.

CHAIR—Does your organisation actually think there should be a single desk?

Mr Chaseling—NETCO's policy regarding regulation in markets is best summarised as a prove it or lose it approach. Many of our grower members believe in the single desk and want it maintained. The official NETCO policy, as ratified by our board, is that unless significant benefits in terms of farm gate returns can be proven then we favour open market access. Having said that, we are not on any campaign. I hasten to add that the review of this legislation is not about the single desk issue. I raise that as an important issue, because I believe that any discussion about how the management of the desk is being played out in the industry today is being attacked and dented by the emotive issue of, 'You are therefore against single desk.' As a co-sponsor of the Kronos report, we were quite specific in saying that we did want that review to even consider the issue of the single desk. That issue is not up for debate; it has its own time frame. We wanted to look at issues outside of the single desk issue per se. It is about how that is managed, how that translates to other parts of the industry and how that impacts on other parts of the industry.

CHAIR—On the specifics of the levy, which is the main core of business for this committee, do you think your growers would be upset if the levy was cast across the whole of wheat production instead of just the export market?

Mr Chaseling—Yes, I do. I do not know that it would necessarily be appropriate for that to be the case. There is a significant and growing domestic market for wheat and the statistics show something like a doubling of domestic consumption of wheat since domestic deregulation. Our view is that it would be hard to justify.

CHAIR—Does your organisation accept other sources of income or sponsorships from any other bodies?

Mr Chaseling—That depends on what you define as other bodies. The way that we are funded is through our membership and through commercial activities.

CHAIR—So you have other commercial sources of income?

Mr Chaseling—Our source of income is from our membership, which includes member cooperatives. We charge what we refer to as a facilitation levy, which they pay. It is a levy on every tonne of product that they trade. We provide administrative services into those cooperatives as well.

CHAIR—But you do not have any income from Cargill?

Mr Chaseling—No, none whatsoever.

Senator O'BRIEN—In your letter to the committee, you made the point that many organisations claim to represent Australian grain growers. That is a problem for us in relation not only to grain but to many other industries. You also made the point that there is potential for confusion between the interests of shareholders, as growers, and the interests of the industry. You suggested that we take a wider view and consider the interests of younger growers who missed out on WIF equity. How many growers are we talking about? That should not necessarily influence us in our proper consideration, but it would be interesting to know what that group of growers might comprise.

Mr Chaseling—I think it is a widely recognised fact—and certainly one that is reflected in the grain industry—that the agricultural demographic is weighted to more senior growers, who are in the process of exiting the industry, in a sense, relative to growers entering it.

Senator O'BRIEN—Are you trying to say that they are in the later stages of their role in the industry?

Mr Chaseling—I am saying the structure that was established at that time represented the growers who were at a certain point in their careers, growers who for the decade preceding the privatisation of the Australian Wheat Board were in the peak of their growing careers. They are the growers who are represented most in the shareholders of AWB. We know from talking to our members that many of those growers have in fact sold a number of their shares, if not all of them, in AWB Ltd since then, and the shareholding is being diluted. Certainly, new growers coming into the industry will only be shareholders if they deem it to be a reasonable off farm investment. Anecdotally, some of our members have talked about succession planning in farming families, which is quite an important issue. The shares are often passed on to the non-growing members of the family. The view that the current structure is necessarily representative of all growers' attitudes and views because they have a shareholding does not hold weight. We do not think that is accurate.

Senator O'BRIEN—It appears you would be happy with the Wheat Export Authority if it had the ability to provide independent industry oversight. Paragraph 12c of your submission warrants a look. Can you give me some detail on the actual impact of a levy on growers and the claimed impact of the levy on growers?

Mr Chaseling—Certainly. The levy is proposed to apply at a FOB, or free on board, level. That is the value of wheat as it crosses the ship's rail at export. Clearly, growers do not receive the FOB value in their pocket. They receive some amount significantly less than that—as a general rule, between \$40 and \$50 less, made up of the FOB charges, the costs of getting the grain onto the boat, the up-country receipt charges, the freight component and a couple of other charges. If the assumption is a \$200 product, then, clearly, growers are seeing \$150. Additionally, the value for all grains in the domestic market is largely influenced by the value of wheat, in particular the wheat export pool, given the dominance of wheat.

Senator O'BRIEN—But not now.

Mr Chaseling—Obviously, drought years are excluded. Clearly, if the levy is \$1 or 15c—whatever it happens to be—the impact is not only the deduction of that \$1 or 15c across the exported volume of wheat out of the country. It will immediately impact the domestic value of that product and lower the domestic price by a corresponding amount. Also, it will have a cross-commodity influence because wheat, as the major grain, is the price determinant for other grains, such as feed barleys, which are priced competitively when they come into the domestic market.

Senator O'BRIEN—So, even though growers would not be happy if the levy were charged against domestic grain, effectively it will be charged against domestic grain by impacting the price. That is what you are telling us, isn't it?

Mr Chaseling—It will be, yes.

Senator O'BRIEN—In relation to paragraph 12e, I am going to seek advice from the department about the arrangements imposing a cost for a permit and then imposing a levy on the grain exported. In contrast, AWBI would only pay the levy. In relation to the reporting process and paragraph 13 of your submission, how do you address the claim by AWBI and AWB Ltd that there would be problems with commercially sensitive issues if the WEA were obliged to report in a full and transparent manner?

Mr Chaseling—We reject those claims out of hand. Certainly, there would be some information that AWB Ltd may believe is commercial-in-confidence, but AWB Ltd do not have any responsibility to the single desk per se. I am saying that the manager of the single desk is AWB International, and NETCO believe that there is some hijacking of commercial information by the publicly listed company when in fact the industry owns the single desk. The single desk is there for the benefit of growers. We believe the right to run the single desk—the privilege, if you like—brings with it certain responsibilities for accountability, transparency and provision of information that will allow the rest of the industry to function within that system.

A practical example is the volume of wheat exports. Information on the volume of wheat exports was freely available on a monthly basis by country of destination from the old Australian Wheat Board. It was published information that came out every month: ‘This is how much wheat we’ve exported to date this year, and these are the markets that it’s gone to.’ That might not seem that big an issue, but for people who are involved in the marketing process domestically it is quite significant information. Because of the influence that the export price, as reflected by the pool return, has on the domestic industry, players other than AWB have to continually analyse what they think that price will be. If you are a flour miller, for example, you have to think, ‘What will the pool return be when I need to buy grain so I know what I’m going to be competing with?’

The destination and volume of exports going to different markets has a massive impact on the pool return because you can extract the value different markets have in the marketplace through general marketing research. Sales are generally reported on wires, and if a lot of grain is going to Egypt, for example, rather than going to Iran, then you can make some assessment of the impact that will have on the pool return. Iran pays more than Egypt for wheat, and the difference in those values is relatively easy to obtain. Also, much of the premium debate for exports and wheat gets tied up in quality and logistics issues. By knowing the destination of product, you can ascertain what sort of freight is being applied so you can bring it back to a FOB level.

That information allows you to analyse and predict more accurately what the value of grain will be at a particular time during the year. It also allows you to analyse what carryover stocks there will be—that information, obviously, would have been useful for a lot of people in the current drought—but of course it is not available, and so the industry has to go into a flat spin trying to guess what stocks are available or have the information summarily handed down after making the right noises. That is an example of the type of information that used to be available and that is important for the industry, but that is now held as commercial-in-confidence.

Senator O’BRIEN—If you did not have the single desk arrangement—for the sake of this question, let us assume it is not there—would you have access to that information? If there were a range of companies selling on the export market out of Australia, would that information necessarily be available?

Mr Chaseling—It would depend on the regulatory framework that was established to support the industry.

Senator O’BRIEN—But without a regulatory framework it would not be available—is that what you are saying?

Mr Chaseling—No, it would not be available. You can look at examples of where it is available in freely traded markets. In the US, for example, companies that export grain are required to report to the USDA. The USDA publishes the data and then all the competing companies can analyse that data and make a decision about what they think the influences on supply and demand are and therefore what is happening with price.

Senator O’BRIEN—At paragraph 13d, you go to the issue of service provision, arguing that all services to AWBI should be contestable, if I understand it correctly.

Mr Chaseling—Yes.

Senator O’BRIEN—That would require a complete separation of AWBI and AWB Ltd, wouldn’t it?

Mr Chaseling—Not necessarily, but we would encourage that the AWBI structure be independent, at least in terms of having a fully independent board. It can still be a subsidiary of AWBL but we would contest that, in a perfect world, it would be a completely independent body. Currently, AWBI outsources all of those services anyway because it does not have any staff. It is a shell of a company and the staff are provided by AWB Ltd. So in one respect it is outsourcing every one of those services now. We believe that, from an accountability and transparency point of view, those services should be contestable. It does not make sense that there is a closed loop for provision of services to a publicly listed company, and that other companies or other private entities or publicly listed companies or grower bodies—such as CBH in WA, for example—cannot contest too for the provision of those services in a bid to drive down cost to the industry. It seems incongruous to us.

Senator O’BRIEN—You say AWB Ltd was a wheat exporter but it is now a very big company with both vertical and horizontal integration. Are you saying the model might have been okay as at July 1999 but it is a long way from being right now because of the changes in the nature of AWB Ltd?

Mr Chaseling—Very much so. The industry has changed dramatically. There is an ongoing process of consolidation. From NETCO's point of view, whilst we recognise that much of that consolidation is not only inevitable but desirable from an efficiency perspective, we remain concerned that that drives away choice for producers. As a producer organisation, we are interested in growers having choice and being able to make decisions that are beneficial for their farming enterprises. There is no doubt that the industry has changed dramatically and AWB's involvement in the industry has changed dramatically and those other investments and other businesses that they are involved in raise a whole raft of conflicts of interest, or perceived conflicts of interest at least. For example, AWB Ltd own seed companies, companies that are involved in procuring plant varieties and bulking up seed to sell to producers, but at the same time are responsible for which varieties are acceptable into certain grades in the national pool. That appears to us to be a conflict of interest. Whether or not it is being applied as such is irrelevant in our view. We think that, for good corporate governance, from the industry's point of view, an issue such as that needs to be addressed.

AWB Ltd have taken a 15 per cent stake in Futuris. Of the 3½ million tonnes of storage that has been built across eastern and southern Australia over the last few years, they have built something in the order of 2½ million tonnes of it. That seems to be a position of major dominance in that market. We think that it sponsors competing supply chains and AWB Ltd are in control of which supply chain they use for the national pool. We think that, again, there is a conflict of interest associated with that and we are concerned about it. In terms of those types of issues, we think that the export monopoly is sponsoring an advantageous competitive position for their private operations. For example, the utilisation of pool sponsored freight rates for their domestic trading operations might put their domestic operation at an advantage over anybody else in the market place of somewhere in the order of \$1 to \$3 a tonne in the domestic market, which is open, freely traded and deregulated, as is the domestic supply chain. Some people may say that \$1 to \$3 a tonne does not sound like a lot, but most companies would budget \$5 a tonne as a margin on most of their domestic trading operations, so it is hugely significant in terms of sponsoring AWB into a dominant position.

Senator O'BRIEN—Are you saying that they are cross-subsidising?

Mr Chaseling—I am saying that, in terms of what we see happening in the market place, our view is that AWB Ltd negotiates a freight rate with freight providers on the back of volume—that is, export pool related volume—and that their domestic operations have access to those preferential freight rates.

Senator O'BRIEN—Can you take us through the Western Australian model you refer to in paragraph 14 of your submission?

Mr Chaseling—Certainly. There are others who are more qualified to comment on it in detail, but Cooperative Bulk Handling in Western Australia, the major owner of the storage and port facilities, have recently merged with Grain Pool of Western Australia and have presented a proposal to AWBI to provide services to growers, from the point of FOB to the grower, for free. I understand that the cost of those services to Western Australian growers as currently charged by AWB Ltd to AWB International—to the national pool—is in the vicinity of \$40 million. It appears that, basically, the proposal per se has been rejected. Anecdotally, the response that we hear is, 'Sell us half of CBH and then we're in business.' It seems that the rejection out of hand of a proposal of that sort does not seem to jell in an organisation that is motivated to drive costs down for producers. I understand that the committee is going to Western Australia and I am sure that issue will be more fully developed there.

Senator O'BRIEN—You say, at paragraph 16bii, that:

Grains Council of Australia (GCA) is hopelessly compromised in terms of its relationship with AWB Ltd. AWB Ltd have been responsible for large funding streams for GCA ...

They are very strong statements. How do you justify them? What is the funding stream you are talking about?

Mr Chaseling—AWB Ltd have been responsible for funding GCA directly. I cannot remember off the top of my head the exact amounts, but it is significant funding and it goes into the state affiliates as well, from what I understand. The assertion is not that there is an evil empire out there, but that there are simply hangovers from the old industry structure. When the Wheat Board was a statutory monopoly, the relationship between the Wheat Board and GCA was perhaps more appropriate. But the GCA is recognised, within Canberra, at least, to be a significant voice for producers. It seems that they have an unhealthy close relationship to AWB Ltd. We were co-sponsors of the Kronos report, which is a significant industry study that has been widely reported and discussed across all levels of industry. But the GCA refuse to meet us to discuss it.

Senator O'BRIEN—You have requested such meetings?

Mr Chaseling—The request has not come from NETCO but from one of the other co-sponsors, I believe, at least six times. We were in Canberra for three days and they could not make themselves available. Our assertion is because there is this close-knit relationship where, in our view, the GCA is not providing a rigorous enough policy analysis on behalf of Australian growers. We believe that there is almost a marriage to the ideology in the current structure, which we do not think is healthy. Those things should be questioned all

the time and reviewed. We think we got the structure 100 per cent right the first time round. Given the changes that have taken place in the industry over the last three to five years, we are kidding ourselves. There has to be a constant process of renewal because the industry does not stand still.

In the last few days—and we know that AWB owns 15 per cent of Futuris—Futuris have struck a deal with the Salim Group in South-East Asia, of which Nissho Iwai are also involved. Salim own Bogasari Flour Mills, which is a major customer of Australian wheat and of the Australian Wheat Board. In a press release that came out yesterday, the chief operating officer of Futuris said they will be applying for two million tonnes of permits to supply their new alliance partner. That happened in the last couple of days, so the industry keeps on changing. It is important that the structures and the consultative process continue to reflect the fact that the industry is changing.

Senator O'BRIEN—In relation to the review to take place before 2004, who in your view should do the work? Are you saying that the Wheat Export Authority should not undertake the review in any circumstances?

Mr Chaseling—NETCO's view is that the WEA is currently not resourced enough to conduct that review as comprehensively as it needs to be. Regarding the role of the WEA, as it is currently being applied and from our amateur reading of the bill, there appears to be a narrowing of those powers which is not reflective of the original intent of the legislation. Unless those issues are addressed, it should be independent. The WEA needs to be independent and have staff and people on the WEA board who understand the marketplace they are regulating. This is not having a go at the individuals, but they do not have any experience in international grain marketing, for example, per se. We think those types of skills are important to be applied to a regulator whose job it is to regulate wheat exports out of the country. Unless those sorts of issues can be addressed prior to the review, it should be an independent review. If they can be addressed prior to the review, the WEA could do the review.

Senator CHERRY—Following a question from Senator O'Brien about paragraph 14 of your submission—I do not think you quite answered it—about the Western Australian structures: excuse my ignorance, but I do not quite understand how the Western Australian structures you have outlined can fit in underneath the WEA and its approval process. Could you relate how the Western Australian approvals process and its state based single desk fits in with the national single desk?

Mr Chaseling—I understand where you are coming from. When CBH, Cooperative Bulk Handling, in Western Australia and the grain pool were joined together recently in the merger, a new regulatory framework was established in Western Australia and an organisation called the Grain Licensing Authority was established. The Grain Licensing Authority is, if you will, a state based WEA that regulates the export of vested grains in Western Australia. Like the WEA and AWB, the grain pool—now CBH, through the grain pool—has an exemption from having to apply for permits.

But there are some quite significant differences. The first is that the container trade for vested grains is completely deregulated. One would think that, if an organisation cannot compete in the market on bulk grain with bulk freight rates, as compared to container freight rates, then you really need to start asking some questions. So we think it is appropriate that the box trade is deregulated. It also gives the industry an uninvasive opportunity to see how that might work.

The other significant and major difference is that the grain pool of Western Australia do not have a veto right, and the onus of proof on premiums rests with the monopoly manager. They are required to prove that an application would have an impact on a premium that they allege they are obtaining. The debate about state versus national monopolies is one we could have all day, but certainly that structure is appropriate. They have to prove it, and we support that because our policy is 'prove it or lose it'.

Senator CHERRY—Do you support the gradual winding back of the single desk on exporting on containers and boxes and then progressively into the bulk area as well?

Mr Chaseling—My comments were in relation to the arrangements in Western Australia. We believe that it is a positive move for the market in Western Australia. It is important also to note the grains involved: canola, lupins and barley. In addressing the situation in Western Australia it is important to recognise what the situation is nationally across those grains. Canola, for example, is regulated in Western Australia through the GLA but basically there is a single desk for canola sales out of Western Australia. But it is freely tradeable from South Australia and Victoria. It is currently regulated for export via the old New South Wales Grains Board, the rights of which were sold to a private company, Grainco, and which have now passed to a private company, Grainlink, which is 25 per cent owned by ConAgra, the US multinational. It is controlled in New South Wales until September 2005. They do not grow canola in Queensland, so it is obviously not regulated there. So if you look at the canola example, there is a hotchpotch of systems around the country and a range of data to suggest that WA growers have been significantly under-delivered in terms of price, relative to east coast markets. I do not have those figures here but we could make them available to the committee if they want them, though it is probably outside their scope.

We go through the same process with barley. It will be deregulated in New South Wales in September 2005, already is deregulated in Queensland and Victoria and is regulated in South Australia but is under review. So the environment for those grains is completely different. There are already multiple sellers out of Australia. We think the significant advantage of bulk freight rates over container freight rates—the freight differential can be double for a container, over a bulk vessel—is probably enough of an advantage to enable a single desk monopoly holder to extract the sorts of premiums that they claim they are extracting. Importantly, in Western Australia the onus of proof of that rests with the monopoly holder. They must prove the premium and show us how an application for export will affect the premium. We think that is an appropriate structure.

Senator CHERRY—We only have about five minutes left and I have a few quick questions. The Kronos report that you mentioned has significantly higher estimates of savings for the supply chain than the Accenture report. Could you briefly take me through some of the assumptions as to why those outcomes came out differently?

Mr Chaseling—I can speak to the assumptions in the Kronos report.

Senator CHERRY—Sure.

Mr Chaseling—I would not be able to speak with authority on the background of the assumptions in the Accenture report. Within that context, the Kronos report looked at issues such as financing costs that were not applicable prior to deregulation. The methodology of the Kronos report differed from the Accenture report insofar as it was based predominantly on publicly available information. So it was extracted, for example, from speeches, press releases and annual reports—that type of information was the basis for the analysis in the report. In doing that, it referred to offers of savings that had been made to previous parliamentary reviews. For example, in the review into the wheat single desk in 2000, I think it was Grainco who said formally in their submission that, if we freed up the domestic supply chain and ensured that the single desk started at port—which we believe is appropriate—they would cut their receival fees by \$5 a tonne. It used that sort of information, and so all the analysis is based on publicly available information and not on any form of economic modelling or assumption in that way.

Senator CHERRY—You mention in here the need for AWBI to have an independent board. What would be your suggestions as to what that might actually look like in terms of the current structures?

Mr Chaseling—We think one appropriate structure would be an open ballot of A-class AWB shareholders.

Senator CHERRY—I do not quite understand how you fit into the zoo: excuse my ignorance of this stuff, but is NETCO a direct competitor with AWB at the various levels of distribution and supply?

Mr Chaseling—That may be being kind to NETCO in terms of scale. NETCO is a cooperative of cooperatives. We have nine member cooperatives based around the country, in central Queensland, Walgett, Gilgandra, Parkes, Wagga Wagga, Mirrool Creek or Ardlethan, Moulamein and the western districts of Victoria and Western Australia. Our cooperatives have grower members. Roughly about 5,000 grower members are members of those nine organisations. The nine organisations formed an overarching cooperative, if you like, to help them work together and drive their own efficiencies in response to the sort of consolidation that we are talking about.

But the model within NETCO is to ensure that the individual regional organisations are actually driving what goes on commercially for the group. In other words, our role as NETCO is to help develop their businesses. We compete with AWB insofar as we buy grain from our producers. We buy that grain in a number of ways. We run marketing pools. Our producers give up—if you like—grain to us in unpriced fashion and we market it on their behalf into the domestic market, predominantly, for wheat and into any market for a freely traded commodity. We also supply farm inputs. Our cooperative in Western Australia is the No. 3 importer of fertiliser into the market.

To give the committee some background in terms of the motivation, the Western Australian model is quite an interesting one from NETCO's point of view. Before the United Farmers Cooperative started in Western Australia in the early nineties, there were two suppliers of fertiliser to Western Australian grain growers: CSBP and Summit. The price of fertiliser in Western Australia was significantly higher than anywhere else where there was a little competition—about \$500 a tonne when the going rate was more like \$300 or \$350 for your area, for example. A group of growers got together and said, 'This is crazy; we can't stand this anymore.' They formed a cooperative and decided to import it themselves.

When they became operational 10 years ago, they immediately dropped the local fertiliser market rate down to the going rate for all growers. Since then, the lowest rebate they have returned is eight per cent, they have returned about \$34 million in trading rebates to their members and they have built a business with a capital base of \$22 million. So they are pretty focused on what is in the commercial interests of their producers in terms of costs and driving revenue—and that is what our organisation is about.

Senator CHERRY—In section 12a(ii) of your submission, you ask:

Why shouldn't AWB Ltd have to pay for the right to export wheat the same way as other exporters do?

Wouldn't that cost also ultimately be passed on to the grower—doesn't every export charge or licence end up being paid by the grower?

Mr Chaseling—You are right, the price of export wheat does not change—well, it changes every day, but on any given day the price is the price. So that charge would be passed back to producers as well; that is true.

Senator CHERRY—Thank you.

CHAIR—Thank you for appearing today, Mr Chaseling.

Mr Chaseling—I have a copy of the Kronos report here. Would the committee like a copy? I can make available the full 10 copies.

CHAIR—We will take it, thanks. Never look a gift-horse in the mouth! Thank you very much.

[10.32 a.m.]

BRADLEY, Mr Scott Robert, Chief Executive Officer, Shepherds Producers Cooperative Ltd

CHAIR—I now call to the table the Shepherds Producers Cooperative. Thank you, Mr Bradley. If you would care to make an opening statement, and then we will hit you with a series of deep and meaningful questions.

Mr Bradley—Not a problem. Shepherds Producers Cooperative is part of the NETCO cooperative, represented here earlier by Michael Chaseling. The cooperative represents some 300 members in Wagga. It started about 10 years ago by defining clear points of differentiation as to how to extract further value from the supply chain and deliver marketing initiatives that ultimately gave greater transparency to its farming members. That was basically a reaction to what they thought was a substandard performance at that time—not necessarily related to the Wheat Board but perhaps due to international values being pretty poor in the 1991-92 period. The cooperative has grown on average about 50 per cent per annum over that 10 years. We are in probably the most competitive marketing environment, which I think is important, on the eastern seaboard in particular and, I would say, also in the west simply because of the consumer demand that is on our doorstep.

We find it quite intriguing that growth has occurred when we have something like 35 competing merchants, agents, wheat boards, growing corps, grain companies—you name it—surrounding us. We do not know if it is a reflection of good management but we think the industry's consolidation and rationalisation is probably helping us there. It is a pretty clear signal that perhaps there has been not so much grower unrest but a lot of misunderstanding and misinterpretation of information over recent years. There are massive PR propaganda machines in the face of the growers that keep them from knowing what really happens—putting up smoke and mirrors. I do not think too many farmers in the broader farming community, from a grain grower perspective, truly understand the pace of the rationalisation and consolidation of the industry. It is probably making them a bit friendlier towards that cooperative structure that we represent—and that seems to be going well.

The cooperative was doing a lot of research and development into links offshore in South-East Asia, and we were working with companies, such as Soufflet in France, who are major maltsters and also flour millers driving into the South-East Asian market. We saw considerable opportunity and considerable price advantage, which we felt we could capitalise upon and return to our members. This was particularly on specific commodities that they could grow on a regional basis and that were not necessarily grown elsewhere in the country, giving them clear points of differentiation in the varieties and the segregations they could produce.

We got a fair way down the track, and we were actually doing a lot of business. What was most damaging for us, quite simply, was that the WEA made a decision to cut our licences back to 10 per cent, through the third party we were working through, and that was the end of that. We have not been in a position since where we can justify the deployment of capital into further developing a number of those initiatives. We are simply not allowed to, and we think that is not only disappointing but definitely inhibitory to the grower who is producing the commodity. The grower who actually owns the stuff cannot really see the true market forces that relate to the product being produced. We believe that is a fairly significant issue. If we are limited by a single desk arrangement that does not allow us to move product further down the value chain and extract points of difference, we are simply opening ourselves up to major competitors, such as the US, Canada and India, who are now taking more market share in those areas, and also the Ukraine and Russia, who are now becoming major competitors. You only have to see the amount they have pumped into Europe this year on an export basis.

We believe the WEA itself lacks the integrity to appropriately vet the AWB's activities and the transparency within that organisation. The chief executive of the Australian Wheat Board was recently reported in the *Land* as stating, at a public grower meeting in Young of AWB Ltd shareholders, that it is possible that the current structure of AWB International outsourcing its services to AWB Ltd is costing the grain grower an extra \$9.33 a tonne. If you times that by 15 to 20 million tonnes, that sounds like a lot of extra dollars that are not going back to farm gates. When we look at drought relief and all sorts of other things that we have pumped out into the district, it is a two-way thing. We definitely have reservations about the current situation. There is a great opportunity to make changes if we are sensible about the process. The WEA has the appropriate charter and, if it can structure itself accordingly and be in a position to police the activities, everyone will benefit from that process.

CHAIR—You mentioned that the Ukraine and others are eating into market share. Who markets their wheat?

Mr Bradley—I could probably answer that at a later date. I am not right up to speed on it, but I have seen that Russia and the Ukraine are growing more and more product. They are getting rid of the mules and buying tractors, and their production is increasing significantly. We have seen definite market share capture in the EU

and we are aware that there will be more pressure in South-East Asia. As for the entities involved and whether they are statutory or not, I am not able to comment.

CHAIR—Do you think there should be a single desk?

Mr Bradley—In Australia?

CHAIR—Yes.

Mr Bradley—I think, at the end of the day, a price is a price and competitiveness is competitiveness. We only inhibit ourselves. The examples Mr Chaseling gave in relation to barley are classic examples. There is a statutory organisation and a single desk with vesting powers over feed and malt barley in South Australia. If you get within 50 kilometres of the South Australian-Victorian border, the price for barley in South Australia is \$50 higher simply because of cross-border competition and the higher values in the deregulated environment in Victoria. That has happened nearly year on year. I cannot see that the wheat situation is too much different, because it is not being policed effectively enough. I do not think a single desk has to be there, but it would depend on the level of flexibility that came out of it.

CHAIR—You are not saying that we should adopt the American model, which has all sorts of distortions in its marketing? There was mention by the previous witness of state and national monopoly, but there is global monopoly as well, with its aggressive marketing and aggressive, predatory pricing regime, which could be imposed on Australian growers.

Mr Bradley—I think that is fine, but the issue is that ConAgra is the largest food company and Cargill is the biggest private company, so who do you think is going to buy most of the wheat from the Wheat Board anyway? If people do not look beyond that desk, it is fine to have someone facilitating that sale. But if you look at the uptake and the control over domestic consumption demand now with the presence of some of these major multinational privates, where your major milling customer, major poultry houses and the whole feed lotting arrangement are now consumed, they are basically capturing domestic consumption demand anyway, which will drive considerable leverage. But, at the same time, they are still becoming stronger entities, regardless of a single desk regime on wheat.

CHAIR—But we do not have the call on the Australian Treasury that the American growers have. They called on the US Treasury last year for a prop-up for farming.

Mr Bradley—From a farm gate subsidy point of view?

CHAIR—Yes.

Mr Bradley—Yes, but if you look at where beans and wheat have actually been travelling from a futures perspective, they are actually well above the subsidy anyway in terms of the value their growers are getting. So it is a quasi-subsidy at this point in time.

Senator O'BRIEN—I take it that your comments make even more important the credibility of the review of the performance of AWBI in delivering results to growers. That is what the 2004 review is going to do—it is going to review the performance of AWBI's exemption from the export controls of the legislation.

Mr Bradley—The WEA just needs the resources. We were at a public meeting last year in Parkes and one of the MPs who was speaking there at the time basically freely admitted to everyone at the meeting that the WEA did not have anyone with international trading or marketing experience at that meeting. If it can be gauged accordingly and someone is willing to sign off on the process and say, 'They have done everything right—here is the comparative values, this is where we are going and it looks like the performance is great,' that would be great. Otherwise, it is anecdotal and purely guesswork for us. It is saying, 'Here is the colour brochure but just don't go beyond that in asking your questions. Just believe us—you deliver it and we will pay for it.' I think that is the rhetoric we have to remove ourselves from.

Senator O'BRIEN—So the credibility of this review is critically important to confidence in a single desk?

Mr Bradley—Yes.

Senator O'BRIEN—In terms of the substance of this bill, which is to strike a levy on growers to fund the WEA, has your cooperative had any input into that? If it has, what views does your cooperative have about the approach?

Mr Bradley—Our situation is that we are very heavily involved in the marketing activities of each and every one of our members. We are basically the marketing arm of their business. So it is quite an intimate business relationship with those persons. The growers effectively either way still see it as another tax. That is the way they are basically going to open up. If AWB is responsible for paying it then it is just going to come out of wheat values. If it just comes off the payment at harvest, it is still going to come out of that. But, at the end of the day, you pay for what you get. If people are comfortable with paying for what they get then they will expect to. I think in the context of what we are talking about, I do not know that the levy is going to be the most heavy-handed levy we will see. I think it is going to be if you do the sums and expect to facilitate this thing, I do not know that it is going to be a burden to the pay cheque. Whichever entity it sits within, I do

not see any other alternatives, other than that the government pays it itself. So it is going to be at the farmer or the government level.

Senator O'BRIEN—I guess it is the issue of who is the user of the service provided by WEA or whether the levy should effectively be seen as the price of the single desk.

Mr Bradley—Yes. As long as the grain grower was comfortable with how the current scheme was put in place.

Senator O'BRIEN—Do I correctly presume that you would want the most efficient levy in terms of collection, cost and administration? You are going to pay the costs of the administration and collection out of the levy.

Mr Bradley—Obviously, we already do the DPIE levies. We do not have to do the Grains Board one existing on a couple of things in New South Wales, but that is all still admin in process. If it is put in place, it is put in place, but I think that most people will be comfortable with it. But I can see that it is still going to be that you pay for what you get. If you are being levied for something you can see absolute value in, I think the organisations that market the grain and the grower of the grain will be comfortable with that.

Senator O'BRIEN—We are looking at a fee for an export licence for non-AWBI exporters arising from this legislation. At the same time, there will be a levy on exported grain. So those who sell their wheat through AWBI will pay the levy but not the export fee, and those who sell through organisations such as yours will pay both. Do you believe that is equitable?

Mr Bradley—Obviously, I think the levy should only apply to anything that goes to export. We have to remember that we have six, seven or eight million tonnes of domestic demand for wheat. Obviously, that should not be levied. It is not policing that. When we talk about the licence to export, is the money going back to the WEA? That is where we see it. We are not paying the AWB for the licence?

Senator O'BRIEN—It is intended to fund the WEA and its operations. On the latest figures, it costing a couple of million dollars a year to run the organisation.

Mr Bradley—So the licence is separate to the levy.

Senator O'BRIEN—Growers will fund the running of the WEA and any growth of it in the future. On the figures we have been given so far, they will also fund the cost of the part of the 2004 review that takes place after the beginning of October this year.

Mr Bradley—So we have an operating revenue stream for the WEA. Beyond that, when you pay for a permit to export grain and you are one of the majors doing that, that is a separate licence?

Senator O'BRIEN—That is a separate charge—an application fee, as I understand it. Someone will correct me if I am wrong, I hope. If your cooperative says, 'We're going to export 100 container loads to Malaysia,' you will pay a fee to make an application to get approval. Then, when you export it, you will pay the levy on the grain.

Mr Bradley—The only thing I would say there is that the revenue stream that was budgeted for to come from the export permits should be considered when calculating what the levy should be at the farm gate. Obviously, if it is costing \$2 million to run the show but you are driving a couple of million of dollars out of the permits, you would have a pretty good look at how to minimise the levy at farm gate level.

Senator O'BRIEN—The point I was making is that, if you are exporting in competition with AWBI, is it equitable that you pay an application fee when they do not, because they do not have to apply? Then you both pay the levy on the grain exported.

Mr Bradley—The grain levy is going to be paid on the tonne itself and not to us, obviously. I do not think I would agree that we should pay a levy and the Australian Wheat Board should pay a levy. MarketLink, who have paid \$23 or \$24 million for the Grains Board, probably have the right not to pay the levy but to collect it from the grower. In a situation where the Australian Wheat Board has been handed that process from WIF equity conversion to shares to create a publicly listed company, I cannot see why they should not pay that fee on their exports. It is the competitive nature.

CHAIR—Say 10 wheat growers around Wagga Wagga deliver to your heap at Shepherds Siding. Then you market the wheat, and some goes to Bullamakanka, some goes to Malaysia and some goes somewhere else. How are you going to know who to levy for what?

Mr Bradley—If we had a pool of grain and a portion of it went to export, that would be for the benefit of the equity that would be in the pool to pay out to the members who contributed to that pool, so it would be shared across whoever participated in the pool.

CHAIR—And some of those would not be exporters. But if there were one export wheat grower, then they would all be considered exporters, because the wheat is all in the one heap. It would have to be based on a heap average.

Mr Bradley—We take grain into three states on the eastern seaboard, and it is all from the one pool.

CHAIR—I guess you would export some and sell some domestically, all out of the same heap.

Mr Bradley—The whole idea is that the export is where the value is for us.

CHAIR—My point is that, if you export and trade domestically out of the one pile of wheat—

Mr Bradley—the levy would be shared across whoever was participating in the pool.

CHAIR—That is right.

Mr Bradley—That is no different to the tender system through the Australian Wheat Board.

CHAIR—So domestic wheat will be subsidising the levy for export wheat?

Mr Bradley—The same situation would occur with AWBI tendering wheat out at the moment back onto the domestic market. I will not comment too much on that. You would assume that if they were tendering wheat back out it would be comparing apples with apples if it was coming back out of that pool and into the domestic market, or they would not pay a levy on that either.

CHAIR—Earlier we were told—and you have said—that it should only be levied on the export wheat.

Mr Bradley—That is right.

CHAIR—but the burden should be carried by everyone.

Mr Bradley—It should be applied to the wheat that goes to export if you are in a pool arrangement. It would be one-to-one if you are on a contract arrangement with the grower, but if you are in a pool arrangement it would be shared across the pool.

CHAIR—So in effect it would be impracticable to try and trace it through from individual to export?

Mr Bradley—Not really, because it is just a ticket process. If growers deliver tickets and you have calculated what your levy is going to be because 20 per cent of your wheat went to export, you are basically going to apply it by a levy in-house.

CHAIR—But when the grower delivers a pile for Shepherds he does not know whether it is going to be exported or sold to the flour mill in Wagga.

Mr Bradley—It depends on whether it is going to be similar to the DPIE and whether we have to actually regulate it in-house and pay them for whatever tonnes they deliver or whether it is an internal function.

CHAIR—I will watch with interest how that has happened. Thank you.

Senator CHERRY—I have one question arising out of your verbal statement, about the WEA cutting back your application to about 10 per cent of what it had been. Had you used up your full licence in previous years?

Mr Bradley—I think we only had one or two licences ourselves. We were using a third party based in Sydney—an exporter/importer—and working in a troika with a French company. We did not have the export facilities so we had an open book arrangement to work through them on the container business.

Senator CHERRY—When it was cut back had you filled your licence figure for the previous year?

Mr Bradley—No.

Senator CHERRY—So could that have been as a result of the WEA's objective to bring approvals and actual tonnages closer together?

Mr Bradley—No. It was dropped to 10 per cent of what it was for the previous year for the third party we were dealing with. They would probably have used 60 to 80 per cent of that—as much as they could have—the previous year.

CHAIR—Thank you, Mr Bradley.

Proceedings suspended from 10.52 a.m. to 11.14 a.m.

THOMAS, Mr David, Executive Manager, Corporate Relations, AusBulk Ltd

CHAIR—Welcome, Mr Thomas. If you would care to make an opening statement, we would be delighted to hear it.

Mr Thomas—I do not have a prepared statement, but there are several issues which I would like to highlight in relation to the written submission that our company has made. Before turning to that submission, it may be useful to describe what AusBulk is, because our pedigree is quite different to several of the other grain industry organisations around Australia, particularly the other grain handlers. Up until 2½ years ago, AusBulk used to be called South Australian Cooperative Bulk Handling. Whilst we were called a cooperative, we were not actually a cooperative but a mutual society, which included, as its members, all South Australian grain growers. Unlike a lot of other organisations, like AWB for example, we have never been a statutory body. We have always been a private entity since we were formed in the early fifties. I make that statement because we have a very strong grower base in South Australia. Our company reflects a lot of the cooperative principles that are near and dear to a lot of growers' hearts in that state, in relation to both the services we provide and those provided by others.

In relation to the Wheat Marketing Amendment Bill 2002 that we have made a submission on, we feel that it is inappropriate to look at the introduction of a levy without first looking at the role and responsibility of the organisation that that levy is being provided for. It is a case of putting the cart before the horse, if you can use that expression. As a company, we believe that WEA has an extremely narrow focus in its operations. For example, the WEA has never spoken to us directly on any of its reports or issues relating to the grains industry. Given that we are one of the largest grain companies in Australia—in fact, South Australia has been the second largest grain producing state over the past few years—that is a fairly major omission. One of our concerns with the way that the Wheat Export Authority currently operates is that there are major conflicts of interest within the industry and the structure of the AWB. The Wheat Export Authority, by having a very narrow focus on the pricing performance of the AWB, is looking not at these conflict of interest issues but at what the impact of farmgate is on growers and some of the services also.

I would like to draw your attention to something that is near and dear to our hearts in South Australia—that is, port cost differentials. A royal commission back in 1918 called the McColl royal commission looked into storage, handling and transport. As a result of that royal commission, the Wheat Board were forced to put in place things called port cost differentials. It was meant to be a mechanism by which the pool revenue was split up more equitably among different growers around Australia. It reflected, for example, that if you are further away from a market obviously a freight factor needs to be factored in. So the Western Australians get a little bit more money because they are closer to the markets in South-East Asia. In South Australia, we get a little less because we are a bit further away. It also reflects port efficiency. A matter of grave concern in our state at the moment is that there is no transparency in the way these port cost differentials are created and applied. It has become an issue because, now that the AWB have become involved in investing in storage—particularly in South Australia—they have the ability internally to create these port cost differentials and use them in a manner which could influence grain flow paths to benefit their own investments in storage and handling.

These port cost differentials are not inconsequential. For example, in Port Pirie the differentials applied to growers are in the order of \$11 to \$12 per tonne over a port like, say, Port Lincoln. That is a huge differential. It is actually greater than the entire storage fee that we apply to growers. We have asked the AWB on a number of occasions to reveal the methodology behind those calculations and we are told that they are commercial-in-confidence. I have great difficulty with that because I do not believe that they are. Given that in South Australia the AWB are looking to invest in ports—and there have been some fairly major debates within South Australia about port development—the fact that they are able to use this almost as a black number, where no-one has any idea of how it is created, has a huge impact in creating a potential benefit for them. Whether they do or do not is not the issue here, but there is that possibility while there is no transparency and accountability with these sorts of numbers.

South Australia has complex logistics. We have seven grain export ports and in the mid north, for example, grain can go in several different directions—it can go through Port Pirie, Wallaroo or Port Adelaide. Moving these numbers around has huge impacts on our infrastructure. We have invested hundreds of millions of dollars in infrastructure over the last few years. We have spent something like \$200 million in the last 10 years on infrastructure. Those sorts of investments can become redundant because these differentials can be moved around.

We have an issue with freight. Now that they have competing storages they are setting freight rates not only for their own storage but also for the storages that we operate. We have absolutely no control over that. Since AWB became involved in South Australia last year we are aware, for example, that they have put a lot of pressure on rail services to provide beneficial rates at their sites, over our sites. Given that this is mostly

pool grain that we are talking about, there is a clear conflict of interest and they are not really managing the pool for the best outcome for growers.

I have mentioned a few specific instances there which I think need to be picked up. We believe that the Wheat Export Authority has been very negligent in its approach to looking at these sorts of conflict of interest issues, because they do have a huge impact on infrastructure and our operations. There is almost a perception that some of the negativity around the grains industry at the moment is just grain handlers whingeing about AWB and the fact that they are now in competition.

It is worth while pointing out that there are parallel issues with other parts of industry. For example, in South Australia we have Australian Grain Technologies, the now privatised wheat breeding program, which is based at Roseworthy. That organisation—and I understand that they have made a submission to this committee—have indicated that they are very concerned about conflict of interest issues. AWB has a joint venture with Syngenta for a wheat breeding program which it calls LongReach. That program is in competition with either state or private wheat breeding programs around Australia, yet AWB has the power of classification of varieties. So again there is this conflict of interest issue in that you could classify varieties to give yourself a beneficial leg-up over someone else's varieties.

Then there is the whole issue of access to market information in terms of the value of different varieties, not only in terms of quality but in terms of the financial benefits that come back to South Australia growers from growing particular varieties. If that information is not freely available to these plant breeding and wheat breeding programs there is a major problem. So it is not just grain handling; there are a lot of other issues going on here.

There is concern about the lack of contestability. I think a number of people this morning made mention of the fact that services to AWBI are not fully contestable and the fact that organisations like ours cannot offer an integrated storage and transport service to the pool. There is an attempt to split the two out, and you cannot readily split those functions. We have investments at port and we have investments up-country, and having someone else in the middle turning the tap off and on and sending it in different ways is just not acceptable.

We have seen in South Australia, again, the lack of flexibility with the single desk arrangement. Again, these are issues that the Wheat Export Authority has not picked up. A classic case occurred not with the last harvest but with the harvest before. It was a record harvest—it was the largest crop ever seen in South Australia—but it was harvested in very difficult circumstances because of rain, and very little flexibility was shown by AWB in terms of inflexible moisture standards. The South Australian Farmers Federation did its own survey post that harvest and estimated that there was a direct cost to South Australian growers of \$8 million and that, if the Wheat Board had not changed some of its processes and procedures, it could have been as high as \$26 million. Where are these issues picked up by the Wheat Export Authority? They are a direct impact of having a single desk arrangement. You could validly argue that, if a single desk did not exist in terms of that particular harvest, this issue would not have been there.

In conclusion, we believe that some functions, particularly those related to port cost differentials, which are only notional charges and not really direct costs as such, and things like market information—these power of classification type issues—really should be stripped out of what used to be the old Australian Wheat Board and probably placed in this Wheat Export Authority to give some neutrality and some guarantee that organisations are not being disadvantaged in any way. Those are the key issues, and I am more than pleased to take questions.

CHAIR—There was a bit that I did not quite follow. You say that the AWB did not have the flexibility in terms of moisture in a wet harvest. Obviously, if you receive it and it is over the limit you end up with all sorts of problems.

Mr Thomas—We have a strong belief that there should be a lot more flexibility in managing both the quality and the receiving end.

CHAIR—But not the moisture? Are you referring to the falling numbers?

Mr Thomas—No, not to the falling numbers but to the actual moisture content of the grain.

CHAIR—So you are saying that they set the moisture level too low.

Mr Thomas—They had a standard and were not prepared to show any flexibility to growers who had grain—

CHAIR—Can you be specific?

Mr Thomas—The 12½ per cent is the receival standard. We believe that standard could be relaxed, up to 13.5 per cent, and the quality managed in a way that would guarantee out-turn to 12 per cent when it comes to export.

CHAIR—It is managing the stack.

Mr Thomas—Yes. That would have saved lot of angst amongst growers. The problem was that, the longer that grain was on the stalk, the greater became the probability of a significant downgrading of that grain from, say, a milling wheat category to a feed wheat category and maybe losing \$60 to \$70 per tonne. It would have been far preferable to have taken in that grain at a higher moisture level—still milling quality wheat, albeit with a higher moisture level—and maybe having a dockage of growers if necessary to balance the marketing risk.

CHAIR—With great respect, and being a bloke who used try to sneak in a bit of wet wheat occasionally, there is an inherent risk there, isn't there? I guess that if you made it 13½ per cent and you put the wet wheat in the bottom of your load and the dry wheat on the top—all those old tricks—there is a risk to the heap. I would not like to be making the judgment that you are asking the Wheat Board to make.

Mr Thomas—We were not asking for open-ended standards; we were asking for some flexibility. We as a company also gave undertakings to manage that quality to guarantee an out-turn standard.

CHAIR—Would that have meant that you had to turn it, or did you think you could manage the average moisture content so it did not—

Mr Thomas—If you go back, for example, to the 1992-93 season in South Australia, which was a horror year because it was the wettest year in a hundred years at harvest time and three-quarters of the crop was downgraded, the average moisture out-turn was less than 12 per cent. The reality is that even in a wet harvest you are going to get drier areas and wetter areas—

CHAIR—I understand all that.

Mr Thomas—and you can manage grain stacks and grain from different regions—coastal areas versus inland areas—to get a commodity that satisfies the AWB standards.

CHAIR—So you thought that, as the bulk handler, you could have a 12½ per cent average, say, which would be a safe average with 13½ per cent to 14 per cent moisture, plus the nine per cent.

Mr Thomas—I think the proof of the pudding is in the eating, because eventually the AWB did relax the standard to 13½ per cent, and basically all the grain that went out of South Australia in that year was 12 per cent. So we were able to achieve it in the end.

Senator O'BRIEN—Mr Thomas, you say there is widespread concern across the entire Australian grains industry that AWB's current structure lacks accountability, is non-transparent and lacks contestability in key areas such as storage, transport and finance. What evidence do you rely on to claim that there is widespread concern in the grain industry?

Mr Thomas—On the fact that all of the organisations represented here today—from New South Wales and the Grain Growers Association through to our company and Western Australia with Cooperative Bulk Handling, which again is a grower cooperative—have expressed major concern about these sorts of issues. Plus, I am responsible for grower services in South Australia so I talk to growers a lot; and I know from attending the AWB shareholder meetings only a couple of weeks ago that, when the issue of storage and handling and what AWB had done in South Australia last year in investing in storage came up, it was generally not well received.

Senator O'BRIEN—With regard to the Wheat Export Authority, are you suggesting it should be given powers similar to the ACCC's? That is a pretty big ask—it is beefing it up to a very high standard.

Mr Thomas—I think it needs to be. We are dealing with a very large organisation here and with not just hundreds of millions of dollars but billions of dollars virtually. The Wheat Export Authority is a company that can have a huge impact on organisations like ours in terms of their investment in infrastructure. So, unless we have confidence that there is a watchdog with some teeth, we are always going to have issues, I suspect.

Can I just say that we are not anti the single desk marketing system. As a company we do not have a view on the single desk, although at the last competition review we supported it. All we are saying is that the single desk system needs to be managed in a way that avoids some of these conflict of interest issues and provides the transparency that we need to go forward.

Senator O'BRIEN—So you are not talking about the identical model, obviously, because that covers the whole business community; you are talking about a body with strong powers but limited to the wheat sector.

Mr Thomas—We are certainly looking to have a body with strong powers. We do not have a legal opinion as to whether the Wheat Export Authority do or do not have the power currently and, obviously, there is some debate about that just from the discussion here today. But the Wheat Export Authority believe that they do not have the power for a much broader role than they currently have. If that is the case and there are deficiencies there, I think it is up to the parliament to address that and make sure they create an authority that does have the requisite powers to do what it should be doing.

Senator O'BRIEN—On the issuing of permits, can you explain how the Grain Licensing Authority operates in Western Australia? You are putting that model up for consideration by the committee, so can you give us more detail on how that system works?

Mr Thomas—The point I was trying to make in the submission is that, under the current Barley Marketing Act in South Australia and under the new act in Western Australia, there is complete deregulation of the box business and bag wheat business. To have a permanent arrangement that operates through the Wheat Export Authority at the national level is highly inconsistent with what is happening at the state level. Quite frankly, if the AWB—given its single desk powers—cannot compete in the bulk market against the container market then there is something awfully wrong with that organisation and other questions should be asked. Certainly, there has been no evidence in South Australia, which I can speak of with some authority, that deregulating exports for bag barley and container barley has really had any major impact on ABB in our state.

Senator O'BRIEN—I would like to go to point (c) on page 3 of your submission. The first dot point there goes to the issue of the classification of varieties of grain. This goes to the issue of the operation of the Plant Breeder's Rights Act. Can you expand on what your concerns are in relation to this point?

Mr Thomas—Again, it comes back to the AWB as an entity having absolute power of classification over varieties when it has its own wheat breeding program. Unless that power to classify varieties is taken out of the hands of the AWB there is always going to be a conflict of interest in how it may classify varieties in other programs. I think you have to bear in mind that the classification of varieties is not a black and white science; often you will look at a number of attributes, such as cereal chemistry attributes. Some varieties score well on some attributes and not so well on others. It is possible to manipulate that in your own favour without really being too blatant about it. I am not saying that that does happen; I am saying that that may happen.

Senator O'BRIEN—On page 2 you talk about the 'decline in wheat exports in containers since the establishment of the WEA'. Where would we find the objective data to bear that out?

Mr Thomas—Basically I was quoting from the Kronos report, which was co-sponsored by United Grower Holdings. United Grower Holdings is the holding company for AusBulk. AusBulk is 50 per cent owned by United Grower Holdings. When the old South Australia CBH was demutualised to ensure grower control, rather than going through the A and B class structure which other companies have used, including the AWB, we decided to have a holding company which only active growers can be shareholders of. That company, in association with NETCO, funded the Kronos report. The comment in there is taken from that report. We provide services for over 40 different grain marketers and certainly the anecdotal feedback we get from virtually all of those specialist marketers is that this is a major issue for them.

CHAIR—In your submission you make some very strong remarks that the WEA is inadequate in its current form. You underline that it needs to be independent from the AWB. Can you demonstrate why you think it is not independent?

Mr Thomas—I think the fact that it has made no effort in the last couple of years to properly address these conflict of interest issues and transparency issues clearly indicates that it is captive to or unduly influenced by the AWB. That certainly seems to be the case with some of the export permit issues, for example. I do not think anyone within the industry is going to be very comfortable unless there is an authority that can be shown to be truly independent of AWB.

Senator CHERRY—Point (b) of your conclusions on page 3 of your report says that permits for container and bagged shipments should be discontinued. Wouldn't that have the effect of undermining aspects of the single desk regulation in terms of that part of exports?

Mr Thomas—I do not believe so, and I do not think there is any evidence that it would. It could be argued that not having that flexibility there is a major impediment to the development of niche markets that may exist in different areas of the world. A single desk should work very well with bulk volumes of grain to extract the best outcomes. It is rather problematic whether it gets the best outcomes from the container business, and if other players are allowed more flexibility to develop exports through the container business there may well be beneficial flow-on effects to the single desk anyway, because then there is no need to invest in that market development work. But eventually these markets may grow to a size an AWB can take advantage of.

Senator CHERRY—Would the requirement on the WEA to consult AWBI on container and box permits give access to information that is in any way providing a market advantage to AWBI or AWBL?

Mr Thomas—The anecdotal feedback we have had from a number of our clients would suggest that that system has been used by AWB to gain an advantage in certain markets. Certainly, there is a lot of sensitivity amongst people involved with bagging operations. If they put the hard yards into developing a market, going through this permit system is really just handing over the keys to their business.

Senator CHERRY—I notice that the WEA has increasingly been rejecting the AWBI's objections to people getting export permits. I am wondering what the utility of that consultation process is now.

Mr Thomas—We do not believe there should even be a consultation process; it should just be open slather.

CHAIR—Thank you very much, Mr Thomas, for your appearance and your succinct presentation. A copy of the *Hansard* will be made available to you in due course.

Mr Thomas—Thank you.

[11.43 a.m.]

KREITALS, Mr Jock, Executive Director, Grains Council of Australia

PERRETT, Mr Keith, President, Grains Council of Australia

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear? If you would like to make an opening statement, we would love to hear it.

Mr Perrett—I am a farmer from near the town of Gunnedah in north-west New South Wales. Thank you for the opportunity to appear. I will keep my opening comments very brief; you have our submission. Basically, we believe that the purpose of this bill is to look at the funding of the Wheat Export Authority and that this inquiry should restrict itself to that. There has been a great deal of debate in the media and speculation in other areas, which I believe is unhelpful to the role of the Wheat Export Authority. At this stage, the Wheat Export Authority is working exceptionally well through a process, and those sorts of comments and distractions are unhelpful to the task that has been set. The Wheat Export Authority has a very important role in the ongoing work of monitoring AWBI on behalf of the government and on behalf of the growers in this country. The growers certainly rely heavily on the work that it is doing.

We believe the benefits of this system are very broad and, therefore, that the funding of the Wheat Export Authority should be broad. The AWBI single desk benefits not just those growers who use the pools; there is a flow-on effect that benefits other growers through the maximisation of those returns by putting a floor in the marketplace. To that extent, even those rural and regional communities whose viability and economic activity depend on the success of rural Australia receive a benefit from the flow-on effects.

Basically, the Grains Council of Australia is the peak representative body of grain growers across this nation. There is no other structured representative body. We are made up of the state farming organisations, which have their direct membership base in the growers, and the people they put forward as their representatives make up the Grains Council of Australia. I am elected out of that body. Thank you.

Senator O'BRIEN—Mr Kreitals, in your submission you say that GCA represents some 50,000 grain farmers. All those farmers are members of other industry organisations that in turn make up your membership—that is how it works, isn't it?

Mr Kreitals—The structure of the GCA is that we have five members, and they are the five mainland farmer organisations. We do not have individual growers as members. However, those state farmer organisations do represent the views of their growers and they come to the GCA to discuss those views, so I think it is quite appropriate for me to say that we represent 50,000 grain growers.

Senator O'BRIEN—Plainly there would be a diversity of views about the proposed levy and about other issues among both those industry groups and individual farmers. Would that be a fair comment?

Mr Kreitals—I think there is probably a diversity of views on most things. That is why the five states come together to form a national position.

Senator O'BRIEN—The Grains Council has a close formal relationship with the Wheat Export Authority. As I understand it, you nominate two people to Mr Truss to become members of the Wheat Export Authority board. On how many occasions has that happened?

Mr Kreitals—I will answer your question on how many occasions that has happened in a moment. I just want to clarify how that happens. The GCA does nominate two members, but there was a comment made yesterday that they were actually GCA people. They are not GCA people. The GCA makes those nominations to the minister, and it is up to the minister whether he takes on board those nominations; they are not automatic. As you would be aware, Senator, the WEA board is in its second term so there have been two occasions on which we have nominated two members.

Senator O'BRIEN—Did all the nominations get onto the board?

Mr Kreitals—Yes, they did.

Senator O'BRIEN—I also believe that the act requires the Wheat Export Authority to consult with the GCA—you indicate that in your submission. I guess that indicates a fairly direct relationship with the Wheat Export Authority.

Mr Kreitals—It does indicate a direct relationship, but it is also recognised that GCA represents the interests of growers. That is why it is put there.

Senator O'BRIEN—Mr Perrett, I note that on 4 March you put out a joint press release with AWB Ltd directed at this inquiry. How often does GCA put out joint media statements with AWB Ltd?

Mr Perrett—I could not recall how often we have put out joint press releases with AWB; the number is minimal. That was certainly the first one for some time and it was clearly designed to inform growers that

there is a consultative process in place, that concerns had been raised and that they would certainly be addressed through a proper consultative framework, not one that is destructive.

Mr Kreitals—It is not a usual occurrence, but it is not the first one that has occurred either.

Senator O'BRIEN—What is the significance of AWB Ltd rather than AWBI?

Mr Perrett—Because the chairman of AWB Ltd is Brendan Stewart. The consultation was there. I have no real opinion whether it should be I or L, but the controlling body—the parent company—is Limited, therefore it is appropriate that that is where the press release came from.

Senator O'BRIEN—You were talking about establishing what the growers perceived to be problems and seeing how these concerns can be overcome. You referred to GCA, which has recently announced an industry review to look at the broad direction of the Australian grains industry. So you are looking at this issue in the context of a much broader review, are you?

Mr Perrett—Absolutely. We have a review of the industry leading, hopefully, towards a strategic viewpoint and eventually a strategic plan for the industry, which is much broader than the issues of AWBI, AWBL or the Wheat Export Authority. We will look at all the players in the grains industry, how that works at the moment and how they relate to growers. We will also look very carefully at the structure of the Grains Council of Australia and how it operates and can best reflect the views of growers. It is quite important as a peak body to make sure that it continues to be relevant and gives the majority of growers, those who wish to have a say in their industry, the opportunity to do so.

Senator O'BRIEN—You say in the statement that GCA is the only organisation that genuinely represents growers' interests. We have been discussing how those interests are many and varied. That is a fair comment, isn't it? They are many and varied in this industry.

Mr Perrett—There are many interests. There are many parties who purport to represent growers. There are many groups out there, whether they be from single-minded research groups, single-minded groups as to one particular issue, or groups such as United Grower Holdings that are linked to a bulk handler such as AusBulk or the Grain Growers Association in New South Wales, which is clearly linked to GrainCorp. So there are other grower bodies out there. The extent of their representation and their membership is unknown at times. If you pay a minimal fee once in a lifetime, you have membership forever, even until after you have departed this world—that is fine. As far as the Grains Council's membership goes, the states have to sing for their supper. Their members have to write out a cheque each year to become a member, therefore they have to value their membership and the states have to represent their views and provide a service.

CHAIR—You do not think you went a yard too far, though, when you said you are the only body that truly represents the interests of growers. Does that make everyone else cheats, thieves and liars?

Mr Perrett—It certainly does not make everyone else whatever you would like to call them, but it clearly states that the Grains Council is the only truly national peak body representing growers. We have no other interest except to represent growers, whereas some of those other bodies—not all of them—have conflicting interests.

CHAIR—Do you accept that your only source of income is the levy you get from the various state bodies?

Mr Perrett—No, we have a number of sources of income.

CHAIR—Would you care to list some of those for the committee?

Mr Perrett—The bulk of our income comes from the state bodies who pay a membership fee to the Grains Council of Australia. We receive other funding for specific projects.

CHAIR—Can you give some examples?

Mr Perrett—Over the last few years, we have been undertaking the development of a quality assurance program for the grains industry. We receive specific funding to have an officer in our building working with the state bodies and others to develop that QA program. That is one example of how that works. We also receive funding from other bodies that we consult with. There is the cost of taking out people around the countryside. If you take into account that there are five states spread across Australia, the cost of transporting those people, accommodation, the preparation of papers from our office—

CHAIR—Do you receive sponsorship?

Mr Perrett—We receive consultative funding, which covers those costs. We also receive sponsorship at our annual Grains Week to run that program.

Senator BUCKLAND—Who provided the funding for the development officer?

Mr Perrett—The Grains Research and Development Corporation. It was identified in one of the previous strategic plans that the grains industry needed to go down the path of quality assurance, so in conjunction with the GRDC we undertook to do that work.

Senator BUCKLAND—What was the term of their engagement?

Mr Perrett—I have to refer to my executive director, who was there when that was first put in place.

Mr Kreitals—As the president indicated, it is a project that has been going for the past few years. The term of that project will be up in a month or two unless there is a reason to extend it.

Senator O'BRIEN—Do you receive any funding or support from AWB Ltd or AWBI?

Mr Kreitals—As outlined by the president, we receive consultative funding and we also receive sponsorship for Grains Week, but I have to say that sponsorship of Grains Week is open to anyone—for example, we go to both the bulk handlers and the Stored Grain Research Laboratory for sponsorship. We seek industry wide sponsorship. I also have to say that the sponsorship goes to meet our costs—there is nothing left.

Senator O'BRIEN—The reason I asked the question is that there is an implication in what was said that other bodies receive moneys from organisations which might have a vested interest in a certain outcome. It would be fair to say that AWB Ltd might have a vested interest in a certain outcome of the review of the grains industry that you are conducting.

Mr Perrett—If someone wanted to be scurrilous they could make that suggestion.

Senator O'BRIEN—I do not think that is scurrilous at all. They do have a vested interest, don't they?

Mr Perrett—I have heard—

Senator O'BRIEN—What the industry decides is in the industry's best interest will affect the business of AWB Ltd.

Mr Perrett—The Grains Council of Australia look at the industry from the viewpoint of growers and what is best for growers: that is our one mandate. It has been made very clear to anybody who funds the Grains Council of Australia that we will not be beholden to them, that we will be impartial in all our decisions and that whether they sponsor a dinner at Grains Week or a stand at Grains Week or whatever there will be no favours given one way or the other. Everyone will be treated in respect of how they deliver to growers and that is all we look at: the benefits to growers.

Senator O'BRIEN—I respect your comment, Mr Perrett, but couldn't everyone say the same thing?

Mr Perrett—We do not receive funding based on the success or otherwise of AWB. We receive our funding from AWB for that consultative role and those sorts of things. If you look at other bodies, their funding depends to a certain extent on the success of some of those organisations.

Senator O'BRIEN—Let us leave that point and go to the bill, and specifically to the amendment that goes to the relationship between the Wheat Export Authority and AWBI. Mr Kreitals was here last night and heard the evidence that this amendment clarifies the relationship between these two entities. That amendment does, of course, change the objects of the Wheat Export Authority and therefore amends its statutory obligations, doesn't it?

Mr Perrett—I do not believe so. I think it is merely a housekeeping issue clarifying something that the Grains Council asked for a number of years ago in respect of the consent program, which was that the consent complement any objective of AWBI to maximise returns to growers. We did not wish to see the consent system undermining our bulk wheat exports in any way, whether through quality concerns or any of those issues or price undercutting. The consent system, in my mind, is for maximising grower returns, so if it is for developing niche markets or providing a complementary market which cannot be successfully done through the bulk marketing then that is fine and to the benefit of the industry.

Senator O'BRIEN—I take the view that this bill concerns not only the levy but also the relationship between the Wheat Export Authority and the AWBI and that that relationship is central to this committee's inquiry. That is my view, and I believe it was the view of Mr Mortimer, from AFFA, in evidence given last night. I want to get that point clear at the beginning because your submission suggests that you have a narrower view of the bill than I do, and I would suggest that it has a narrower view than the evidence of the department would suggest. You say in your submission that it would be 'unfair to assess the Wheat Export Authority on work in progress'. As you are aware, it has been operating since July 1999 and has cost growers probably over \$5 million to date, and we are told that it will be \$6 million by the end of September. It is a statutory authority that is accountable to parliament and, while the parliament will of course make its own decisions about how to hold statutory authorities to account, what is the basis for your statement that the Wheat Export Authority's performance 'should not be the subject of any assessment until the end of next year'?

Mr Perrett—Firstly, I would clarify your comment that the Wheat Export Authority has cost growers 'some \$5 million'. I am not sure that is accurate. I would suggest that the correct wording should be that the cost of operations of the Wheat Export Authority has been some \$5 million, or whatever the figure is.

Senator O'BRIEN—I accept that provision; that is what I meant to say.

Mr Perrett—The Wheat Export Authority has work in progress, and it has taken quite some time. I will just step back in time: to monitor the AWBI effectively and to monitor something like the single desk arrangement effectively—which is unique throughout the world; I do not know of another system that works in the same way—you had to come up with something that would give the growers confidence, and would give the government confidence that its legislation is working properly. You had to develop a system and then you had to work through that system. Because of the way in which the Wheat Export Authority has gone about it, it took some time to actually grasp how it was to go about its role. I would say that it was shortly after April 2001, when I became the President of the Grains Council of Australia, that we set up the consultative committee, or the technical working group, comprising AFFA, the Grains Council of Australia, the AWBI and the Wheat Export Authority. Those collective viewpoints around the table helped to focus the Wheat Export Authority on what it had to do to develop the ways in which it would monitor.

To my mind, that work is leading up to the 2004 report, which the WEA will give to the minister at that stage. I think that disrupting the work of the Wheat Export Authority at this stage would be destructive and certainly not helpful. I have a very close working relationship with the Wheat Export Authority through the consultative group process, so I have a pretty good understanding of where it has come from, how it has developed and what it is doing at the moment. I am very confident that the Wheat Export Authority is now targeting the right questions and the right information, and is working towards being able to give a very comprehensive report in 2004 to the government and to growers on how effectively AWBI is managing the single desk on behalf of growers and the government. That is the point we want to get to: not whether it is a good report or a bad report, but that it is a very accurate report that will, at the end of the day, give both the growers and the government a very clear view on how effective AWBI has been in managing a single desk. That has been our goal right through.

Mr Kreitals—I would like to add some detail to those comments. The WEA embarked on the task of establishing performance measures shortly after it was established. It is also true to say that it was the government's response to the April 2001 NCP review, which Keith referred to, that provided a major impetus for the setting up of that consultative group and the work. It is a very complex and onerous task and, as you are probably aware, in September 2001 the WEA announced in broad terms the scope of the study it is going to do on AWBI. It is really only some 18 months in on a very complex task. Whilst the Wheat Export Authority has been there since 1999 administering exports consents, I think it is a bit unfair, in terms of its review of the performance of AWBI, to say that it has been at it for four years. It is really only 18 months since the methodology was determined and the number crunching was started.

Senator O'BRIEN—So it has taken 2½ years to work out the benchmarks. That is not even accurate; four years to work out the benchmarks. That is the position of WEA for this review, isn't it?

Mr Kreitals—I am not disputing your arithmetic, Senator. I am just explaining why I think it is unfair to make a comment on what is, as the president said, a work in progress. It is 18 months into that task.

Senator O'BRIEN—Do you believe WEA has the resources to conduct the review?

Mr Perrett—At the moment, from what I have seen, I believe they do. They have engaged some outside consultants with some expertise to assist them. At this stage, I do believe they have the resources.

Senator O'BRIEN—It is critical, isn't it, that the review has maximum credibility to give growers, the government and the sector confidence in the structure?

Mr Perrett—Yes.

Senator O'BRIEN—But you are satisfied the resources are there to do that?

Mr Perrett—At this stage, I am.

Senator O'BRIEN—This year, Grains Week opens on 31 March. Thanks for the invitation to speak there, by the way. I assume that issues relevant to this inquiry will be debated at your conference?

Mr Perrett—It depends how broadly you see this inquiry. If you mean the funding of the WEA, then no. Grains Council of Australia clearly has a position on that already. That has been discussed in the past. Our position was, I believe, unanimously supported at the time and has been put forward in our submission to this inquiry. So that is not something that will be discussed. The first report of the strategic review of the industry will be put forward at Grains Week, and that will discuss many issues around the grains industry. That will lay the guidelines, or the framework, for the rest of the study into the grains industry and will determine how far we go from there. The consultancies granted were only granted a short time ago; they were sought in the latter part of last year. I do not believe that you can do a report into the grain industry and do it justice in four or five months or three months. There are a lot of issues. We need to lay the framework, the groundwork. There have been a few reports done in recent times. They have been analysed, and the key issues out of those will be put forward at Grains Week. Some of those issues may be part of the framework going forward for the next phase of the report to look at. A few months work has been done, and there will be comprehensive debate to

determine industry issues at Grains Week. I do not wish to go down that path; I wish to make sure that it is very accurate and very considered and that we give as much opportunity for the industry to be involved as we possibly can so that at the end of the day we bring as much of the industry together as possible. That has been our view for quite some time and that is what we have been working toward. There are two consultancies. One is looking at these issues—the structures—and another one is looking at sustainability of the grains industry in regard to resources and those sorts of issues. I think the two will tie together at the end to a certain extent.

Senator O'BRIEN—Given that we do not share views on how narrowly we should be constrained in this inquiry, it seems clear to me that within the GCA membership, at the level of both organisations and individual farmers, there are diverse views about the matters before this committee. I would have expected the GCA to have that debate in a couple of weeks, and I would have expected that this committee would be able to include that in its considerations of this bill and all associated issues. We should be aware of the outcome of that debate.

Mr Perrett—I do not see that debate as giving very clear, precise directions as to the future of the grains industry or what structures should or should not be. As far as this inquiry goes, we did make our decision some time ago about the funding of the Wheat Export Authority. We discussed it again last Monday in a teleconference so that I could make sure my views were accurately reflecting the Grains Council. If I remember correctly, there was a vote of four to one. I do not usually relay the internal voting of the Grains Council, but we can be very open and frank in this inquiry. It was a four to one decision to make sure that our submission was endorsed and that the inquiry should look at the funding and report as soon as possible to enable the legislation to go through. I am quite concerned that if there are delays it will put undue pressure on the Wheat Export Authority, because it is at a stage where funding will run out some time this year.

Senator O'BRIEN—Mr Perrett, last night, this committee was told there are a number of options for the funding of the Wheat Export Authority if this bill is temporarily delayed by the parliament and the current funding source is depleted. But I assume the Grains Council thinks it is important to get the details of the bill right, because it imposes a levy on your members?

Mr Perrett—Yes.

Senator O'BRIEN—There is a problem at the moment, isn't there, in that many of the levy details are unknown. For example, last night the department was unable to tell Senator Heffernan how a grower could be sure he or she would be levied fairly for grain sent off to a local silo, where only some of that grain was subsequently exported. We have an undetermined structure and a yet to be settled quantum. Would it be sensible to get some feedback on the structure of the levy from Grains Week?

Mr Perrett—We have already put forward the structure of the levy. We believe it should be broad based. We believe that quite clearly those benefits from the single desk arrangements go more broadly than just to those who export wheat through the pooling system. Therefore, if you were to broaden that levy across all wheat deliverers that problem would be overcome.

Senator O'BRIEN—There is more detail than that to be worked out. Are you saying that is the extent of the Grains Council's considerations about the levy?

Mr Kreitals—You raise the problem that Senator Heffernan raised: how do you know, with the tracking of wheat, whether it is domestic or for export? What GCA are saying, because of our position—and that is that it be broadly based, production based, because everyone benefits from it—is that that administrative difficulty becomes a non-issue. And because of the benefits of a single desk—which, as the president outlined in his opening comments, flow through to rural communities et cetera—we believe there should be a proportion of Commonwealth funding in there as well.

Senator O'BRIEN—You have obviously suggested what the quantum of the levy should be or how much you should raise. Is that how I should understand that last comment?

Mr Kreitals—We have not suggested, anywhere, what the quantum of the levy should be. I think there are another couple of elements in our submission which relate to the charges to be applied to the administration of the consent system. We believe that is a role for the WEA. It is a role that should not be cross-subsidised by their role of monitoring AWBI's performance. There are a couple of unknowns there, including how much money is to be raised by that route and how much the government's contribution should be. If you can tell me that I will tell you how much the levy on production should be.

Senator O'BRIEN—The chair may be able to tell you that, but I can't. So there are a number of issues with the levy that we should be aware of if we are going to have a full understanding about how it should work?

Mr Kreitals—I think it is clear that GCA's position is not the one that has been proposed by the government, which is purely export based with no government funding.

Senator O'BRIEN—You do not see any value in discussing that at Grains Week?

Mr Kreitals—The GCA's position on funding has been discussed for quite some time. We have had discussions with AFFA officials and the minister's office probably going back to late 2001 or early 2002. There were a number of meetings and discussions within the GCA executive on possibilities for funding. That all happened prior to the minister's announcement at Grains Week last year in which he clearly indicated that he did not believe there should be government funding. There has been correspondence with the minister's office since that time on the GCA's position. In short, I believe that the GCA has fully considered the funding of the WEA.

Senator O'BRIEN—So, just to be sure that I am interpreting your answer correctly, it will not be appropriate at all for it to be discussed at Grains Week?

Mr Kreitals—You are interpreting my answer correctly.

Senator O'BRIEN—We are told that, in a speech to Grains Week, the minister outlined that it was not appropriate for government to pay for the cost of the Wheat Export Authority and that that was sufficient consultation on the introduction of the levy, apart from writing to three organisations. Given that logic, it seems to me that Grains Week would be an appropriate forum to thrash out the issues about how any levy should be applied and for what purpose. You are saying that, even though the government rely upon that as their public consultation or a substantial part of it, this matter should not be discussed at Grains Week?

Mr Kreitals—There are two questions there. Your first question concerns the minister's position on funding of the WEA and your second question concerns the level of consultation that has occurred. As I indicated, the discussions between GCA and the government have been ongoing since late 2001 and they were fairly intensive in 2002. It was certainly a matter that was discussed at two executive meetings of the GCA in January and February 2002, when we formed our policy position on WEA funding. So there have been discussions with government and the minister's office on that and there has been consultation. Since that time there has been correspondence on the matter. We have always reiterated our position, which you have there in the submission.

Senator O'BRIEN—Yes, but apart from the minister's speech, it appears that all of the consultation is behind closed doors.

Mr Perrett—The Grains Council has debated this issue.

Senator O'BRIEN—At executive level?

Mr Perrett—Yes, at full council level, and the states have discussed it at their level. That is the viewpoint that comes forward to the Grains Council. At the end of the day, the minister does not agree with the viewpoints of the Grains Council. We have just got to a situation where he has a viewpoint and we have a viewpoint.

Senator CHERRY—But you established your policy position before the minister took it to Grains Week?

Mr Perrett—Yes, and we have discussed it since Grains Week last year and the position has been reiterated.

Mr Kreitals—If your question about the level of consultation and your comment that it has been discussed at executive level are to imply that it has not been discussed at state level then that is an incorrect assumption. When the state affiliates come to our executive they bring the policies of their farmer organisations, which, in turn, have been developed by discussions at branches et cetera. So if you are implying that the level of consultation or discussion has just been at the executive level of GCA then I do not think that is correct.

Senator O'BRIEN—The GCA has two consultants working on projects in the lead up to Grains Week. One of them, Mr Ron Storey, is looking at options for the boards of AWB Ltd and AWBI. I assume this work is looking at the relationship between the principal company and the subsidiary.

Mr Perrett—That is one aspect that he will be reporting on, amongst many others.

Senator O'BRIEN—I would have thought that the strengthening of the obligation of the Wheat Export Authority to consult with AWBI via new clause 5A in the bill is very relevant given the issue of the cross-relationships between AWBI and AWB Ltd. What do you say to that?

Mr Perrett—It is an important issue, but in terms of the strengthening in 5A I see that as already occurring. I see that as housekeeping which puts clearly in place what has been established.

Senator O'BRIEN—But we have to look at that, don't we? You say that it is housekeeping, but there are provisions in the bill that we thought would give the Wheat Export Authority certain powers which they now tell us that they do not have. Shouldn't we look at how this will work in terms of the relationship between the Wheat Export Authority and AWBI?

Mr Perrett—If the Wheat Export Authority cannot effectively carry out their obligations to report accurately on the operations of AWBI then those things should be looked at, but at this stage I am unaware that the Wheat Export Authority have made claims that they cannot effectively carry out their work.

Senator O'BRIEN—You are well aware of the evidence they have given at estimates about the limitations they have in terms of their access to material. That is a limitation, is it not?

Mr Perrett—That is an issue. It has not become a limitation under the way things are operating at the moment because the information which WEA are requesting is being provided. You can only get what you ask for. If AWBI were to say, 'We will give you all and sundry,' there is no point to it. You have to be looking for something; you have to be investigating or trying to determine something. At this stage, the information which is going to the WEA is, in my mind, more than adequate. It is fulfilling all the requirements of the Wheat Export Authority. Yes, I would suggest—if there was a problem—that, in putting the act together, it probably would have been useful to have given the Wheat Export Authority the ability to acquire that information from AWBI, provided it was in relation to their role of monitoring AWBI. However, at the moment it is working well because there seems to be a reasonable level of trust built up that the Wheat Export Authority are doing a job on behalf of growers and the confidential information provided seems to be withheld in the Wheat Export Authority.

Mr Kreitals—I might add that I think there was a comment made by the WEA themselves yesterday that they did not see any problems at all with the information flow. I think the references you make to Senate estimates are in regard to a situation that might have existed some time ago.

Senator O'BRIEN—Mr Kreitals, we heard evidence yesterday about their view on what seems to be, on the face of it, a fairly clear power to do all things that are necessary to conduct their functions. But they said that that does not give them the power to have access to the information that one would have thought would be critically important to the conduct of their functions.

Mr Kreitals—I would also make the observation that, through the consultative group mechanism, the issue of access to data has not been a problem. The other benefit of going through that group is that the need for the data and how it is to be used is discussed and well understood within the group, which I believe has been instrumental in improving that information flow.

Senator O'BRIEN—With regard to clause 5A of the bill, if we give more power to AWBI and there is an inappropriate link with AWB Ltd—a matter which has been raised by one of your constituent bodies, the VFF, and the subject of a special consultancy commissioned by the GCA; I believe it is a matter that is also to be debated at Grains Week—do we then reasonably assume that this is an important issue for the industry and this inquiry is not?

Mr Perrett—It is an important issue for the industry and it is one which the Wheat Export Authority will clearly report on in 2004. That probably goes to the heart of your earlier questioning in relation to information. If AWBI does not provide the information, then the report will clearly show that there is a problem—that is, that the information is not being provided and that questions have to be asked about why. I see that as one of the most negative aspects that could come out of the report, if they were to go down that path.

Senator O'BRIEN—It would mean that they would be frustrated in providing the information that the legislation requires them to provide. The legislation effectively requires them to review the operation by AWBI of the single desk and to establish that it returns value to growers.

Mr Perrett—That is right. And if they were frustrated in not being able to obtain that information, then that would clearly be reported in the report. In my mind, that would be a black mark against the AWBI and would raise substantial questions. We would have to look at what options were available to the government, or the parliament, and the industry to review that.

CHAIR—Do you talk directly to the Wheat Export Authority about these things?

Mr Perrett—About the flow of information?

CHAIR—Yes.

Mr Perrett—Yes.

CHAIR—So do you ring them up and say, 'Are you getting enough information?'

Mr Perrett—I meet with them regularly.

CHAIR—Is Mr Heath a Gunnedah wheat grower? Where does he come from?

Mr Perrett—Yes, he comes from south of Gunnedah.

CHAIR—He is down the road from you?

Mr Perrett—Not far away.

CHAIR—So he is a member of the Wheat Export Authority?

Mr Perrett—He is indeed.

CHAIR—So you would see him at the pub?

Mr Perrett—No, I cannot say I have seen Mr Heath at the pub. I rarely get to the pub.

CHAIR—But there is some cross-fertilisation there.

Mr Perrett—There certainly is. There is the opportunity to see him occasionally, on a plane or even locally, and we do have the opportunity to discuss the Wheat Export Authority at times. My main point of contact is with either the chairman of the Wheat Export Authority or the executive officer, Mr Taylor. They are the two people I would speak to the most.

Senator O'BRIEN—I would have thought, Mr Perrett, that we would need to be assured that there were no impediments to the Wheat Export Authority conducting this review.

Mr Perrett—Yes.

Senator O'BRIEN—This levy is going to fund it, as I understand it.

Mr Perrett—The levy will fund it, and that is why I do not wish to see the Wheat Export Authority placed in a difficult situation where the money runs out or where it does not have the ability to go and raise funds because there is no legislation in place to allow that.

Senator O'BRIEN—There is none now.

Mr Perrett—No, there is not, and that is the concern. There needs to be something in place. I am not sure what sort of safety the directors have sitting on the board of the Wheat Export Authority, a government statutory authority, but I would not like to be going out to financiers and saying—

CHAIR—I do not think your mate will lose his farm.

Mr Perrett—No. Thanks.

Senator O'BRIEN—We have gone over some of the options, Mr Perrett. I know you were not here, but we went over the options for funding the authority with the department. It is not essentially correct that it has no options for funding if this legislation were, for example, dealt with in May rather than in March. It is far from clear that the levy would not be in place in time, in those circumstances, to deal with the funding issues. I do not want you to be under any misapprehension, given the evidence we have before the committee. It is pretty clear, isn't it, that a number of the constituent organisations of GCA have concerns about the cross-membership on the two boards?

Mr Perrett—That is an issue which has been raised in the past. It is an issue which has been discussed. A number of resolutions have come forward. There have certainly been a number of views expressed around the table. One resolution put to the Grains Council of Australia at our January meeting, I think, called for the complete separation of the boards. That was clearly defeated. Another resolution put forward was that the two directors who sit on the board of AWBI from AWB Ltd be replaced by two independent directors. There was also a clear view around the table that these issues were issues of perception and that we should not be changing things because of perception. There are a number of viewpoints.

CHAIR—You do not think there would ever be an instance where a matter could be in the best interests of the shareholders and not necessarily in the best interests of the growers? You are a brave man if you do.

Mr Perrett—I would not speculate.

CHAIR—If there was, do you think there would be a serious problem, a conflict?

Mr Perrett—Those directors would have to leave the room, to my mind. For a simple layman or a farmer, I would say that the future best interests of AWB Ltd and therefore its shareholders would be based on strong grower support for AWB. The best way that could be achieved is by AWB International delivering very effectively on its obligations to maximise to growers—

CHAIR—We have had endless comment that there is the appearance of a conflict in various areas between the two, from breeding wheat to God knows what else. Do you disagree with all of that?

Mr Perrett—I think there are many areas that clearly need to be looked at. The wheat breeding that you raised is one area where there is certainly the potential for a conflict to arise. It is an issue that I have raised with AWB in the past.

CHAIR—What did they do about it?

Mr Perrett—I am trying to remember carefully. I believe I was given an undertaking that a different mechanism would be put in place this year which would bring independence to the varietal classification and setting for receivables. I would have to go back and check my notes to see what that mechanism was—I am sorry, I cannot remember the exact details that were given to me. There is an attempt under way to address that. But it is an issue I have raised a number of times before and I have been successful in getting it recognised, too.

Senator O'BRIEN—Mr Kreitals, can I refer you to a story that appeared in the *Weekly Times* on 19 February this year. I am sure you are aware of it. The article suggested a range of views held by the VFF, New

South Wales Farmers Association and AgForce about the current structure. I note concerns raised by the WAFF last year that, whilst it was strongly supportive of the single desk, the life of the single desk depended on how long growers supported it. I am interested in how these concerns are reflected in your submission to the inquiry before you have that debate at Grains Week. As the peak body, are you able to give the committee some advice on the issues raised by these organisations in the media, or should we seek that advice from them directly?

Mr Perrett—We will work through all of those issues at the Grains Council level. These are not things that we are just going to decide on overnight because there has been some media speculation or because somebody has put out a report and so all of a sudden we should react. We have very clearly identified that we will put in place a strategic review. We will work through the issues and fully consider them. I do not believe that we will have answers to all of those questions in the next three, four or six months. We are not going to have a knee-jerk reaction. I think they have to be really carefully considered and thought through in predominantly the best interests of growers, but also, at the end of the day, we need to look at the overall industry as well and what the overall industry can look like to benefit growers. At the end of the day, it is a crucially important industry to rural and regional Australia. We must try and get it right and do it in a very consultative manner and not in some short, half-baked way. It will be a very considered response and it will be open to all. It will not be a report that is hidden away or partly covered up somewhere. It is open for discussion for everyone, including parliamentarians and everyone else, to have a look at.

CHAIR—How is the grain grower who is out the back of Condobolin or Junee or somewhere and who is not a member of the New South Wales Farmers Association represented to your body?

Mr Perrett—He does not have direct representation to our body. The channels are clearly there through the New South Wales Farmers Association if he wishes to have his say, but, if he chooses not to, there is nothing I can do about that.

CHAIR—So he could be a member of the Grain Growers Association?

Mr Perrett—He could well be, as I am, a member of the Grain Growers Association. I do not get the opportunity to vote on their issues, though.

CHAIR—Do you think that he is not getting his money's worth there? You have said you are the only true representative of the grain growers of Australia.

Mr Perrett—There is no other national body in place.

CHAIR—I think that you went a yard too far in what you said, and I wonder whether that poor bugger out the back of Condo thinks he has been duded.

Mr Perrett—I accept your comments but at the end of the day the adage 'you can lead a horse to water, but you can't make him drink' applies. There is a way in which he can have his say and have that taken through a true democratic process if he wants to, but we cannot make him.

CHAIR—The difficulty for the committee, and from where I sit as the chair, is that we have an interest and an obligation to make sure that all grain growers have their interests represented correctly. I would like to cut to the chase: you alluded earlier to the fact that the grain growers have too close, shall I say, a relationship with a certain organisation—namely, GrainCorp; there are other people who say that you have too close a relationship with the Wheat Board. Our job is to try to make sure all of that is taken note of but we have a responsible view from the top, because most of these issues—whether they are cross-media, foreign ownership or the politics of wheat—are driven by self-interest.

Mr Perrett—Yes.

CHAIR—I am only trying to be fair to everyone; I guess we all are.

Mr Perrett—That is clearly recognised and clearly the job of parliament. Part of the review looks at how the Grains Council is structured. One of the clear messages sent to the consultant was that we needed to look at it in the future. At the moment we deal with it as best we can. We wish to be as representative as possible and to try to provide those mechanisms at the moment. The mechanisms are through the state farming bodies. As far as people making accusations or suggestions—

CHAIR—It is pretty hard to get a sheepdog to round up all the wheat farmers. I know the task at hand.

Mr Perrett—That is right. I would love to have every wheat grower as a direct member of the Grains Council. That would be wonderful, but it is not possible.

CHAIR—The problem is that in 1999 most people were happy with the arrangement and now we are hearing witnesses say to us that the game has moved on and we need to change the rules because of this. Do you accept that?

Mr Perrett—I think the game always moves on and we have to look at the arrangements. I do not think they need to be reviewed every six or 12 months but, yes, periodically you need to see what is happening and

look at what best fits your aims and ambitions or goals. Our goals are clearly, as I have said before, the best interests of the wheat industry, the grains industry and the majority of growers around Australia.

CHAIR—Could the committee have a copy of your financials?

Mr Perrett—Absolutely.

CHAIR—We would be interested to see the range of sponsorships and other income. If we are going to legitimately accept criticism, I think it is fair that we—

Mr Perrett—Personally, I do not have a problem with that at all, but I need to refer to advice as to whether that is acceptable or legal.

Mr Kreitals—We are not a public company; they are not public documents. We will take it on notice to consider that.

CHAIR—We could receive it in camera if you like.

Senator O'BRIEN—I do not mind whether we see it or not, to be honest with you. I am interested in your representative position. We have VFF saying, for example, that the boards—which I think we have touched on—of AWBI and AWB Ltd need to be completely separate. Can you tell us the basis of that view, or should we ask them?

Mr Perrett—That is something VFF would have to answer themselves. I am not going to speculate on those issues. All I will say is that there is quite often a divergence of viewpoints around the table on any issue. At the end of the day you come up with either a consensus or a majority viewpoint, and that is the way we have to operate.

Senator O'BRIEN—The article I referred to earlier says GCA has rejected their proposition. Given clause 5A of this bill—which, in my view, binds the WEA to the interests of AWBI—I would like to know what the basis is for the Grains Council being supportive of cross-directorships between the two AWB companies.

Mr Perrett—I said earlier that we are looking at that issue. There are a number of viewpoints around the table and I could not clearly articulate a single viewpoint.

Senator O'BRIEN—I am sorry, I thought that that proposition had been rejected.

Mr Perrett—Do you mean the rejection of the total separation of the boards?

Senator O'BRIEN—Yes.

Mr Perrett—I am sorry, that one has been rejected.

Senator O'BRIEN—Can you tell us why GCA rejects that proposition? There appears to me, with this linkage between WEA and AWBI and the common boards, to be a linkage between AWBI and AWB Ltd as well, and that is bringing that relationship into consideration for the purpose of this legislation, as far as I am concerned.

Mr Perrett—Because there are a number of issues around, there was significant discussion. That is one of the issues which was put to the vote and at the end of the day—and I am remembering back to the discussions around the table—the discussions quite clearly showed that there are a number of reasons why that would not work and would not be in the best interests of the industry. It was a very long discussion and there were a lot of issues raised. If need be, I can provide some written notes as to some of those discussions but we would be here for quite some time going through the issues. Basically, there is a parent company and it is a full subsidiary. If you were to totally remove AWB International from AWB Ltd, what would you do funding-wise in terms of AWB International, because the funds would already be in AWB Ltd? Do you say to the shareholders of AWB Ltd, 'I am sorry. You have bought these shares now, you have invested in these shares, but we want to take them away from you and give them to AWB International'? It is not possible to do that.

CHAIR—It could actually set them up as a target for a takeover at the same time.

Mr Perrett—It could do anything.

Senator O'BRIEN—They still have to be a declared company B, don't they?

Mr Perrett—It was clearly shown to be not feasible in the minds of the majority that sat round the table anyway.

Senator O'BRIEN—Mr Perrett, you are quoted in that article as saying that the industry should come up with a definite position on the make-up of the boards by 30 June. Can you tell us why that is a significant date?

Mr Perrett—That was the date that the Grains Council executive put down in its resolution to me—that is, that we should have a viewpoint by then. I just referred to that.

Senator O'BRIEN—So you picked it out of the air? There must be some logic to it.

Mr Kreitals—The fact that it coincides with the end of the financial year is pure coincidence, if that is where you are going. It was to give us reasonable time to undertake whatever work we would need to do but, at the same time, the executive did not want to leave it open-ended.

Mr Perrett—If we were to come up with a viewpoint which suggested something different to the current arrangements, we would have to consult widely. The AWB constitutions are very difficult to change. To get a change in those constitutions you would have to get very broad and wide-ranging support from the AWB itself—we would have to convince them—and we would have to then go around and very clearly articulate a case as to why those changes were necessary or relevant to growers right throughout Australia, because it is very difficult to get constitutional change.

Senator O'BRIEN—Going back briefly to the issue of Grains Week, are you saying to us that none of the discussions at Grains Week will be relevant to our consideration of this legislation? I am wondering whether it would be prudent for us to give you the opportunity to bring something back to us after Grains Week if that arose.

Mr Perrett—It depends how broadly this inquiry is going. If it is looking at the funding, I would say no; if you are looking at a much wider issues—

Senator O'BRIEN—So you accept the loss?

Mr Perrett—I am not sure what you could look at which would mean that we would be coming back to you straight after Grains Week, because I would be doubtful that we would have any clear positions on these issues. This is laying down the framework and foundations for further reviews to try and work through the issues and get them right in the long run. I am not sure that Grains Week will come out with a set position that says there should be 10 directors on—

Senator O'BRIEN—But they might raise issues that lead you to believe that we should be considering those issues.

Mr Kreitals—I do not know where this theory has come from that the Grains Week paper is going to define a blueprint for an industry.

Senator O'BRIEN—That is not what I said.

Mr Kreitals—As Mr Perrett indicated earlier, the Grains Week paper is a discussion paper, a starting point. It is a process that will take considerably longer, depending on the issues that the GCA agrees need to be pursued. I do not believe that this expectation of a number of magic answers coming out on the 2nd or 3rd of April is justified. It is going to be a process that takes longer.

Senator O'BRIEN—I did not say 'a number of magic answers'. I said a number of issues might be raised which the Grains Council might feel it prudent to bring back before this committee. Are you saying that I should not consider that that would come out of Grains Week?

Mr Kreitals—I am saying that you will not get a definitive position from Grains Week.

Senator O'BRIEN—I am not necessarily expecting that. But I am asking you if it would be prudent for us to give you the opportunity to come back after Grains Week, or should we not expect that anything would be raised that it might be prudent for you to put back to this inquiry?

Mr Perrett—Many issues will be raised, but I am having problems understanding where you are going. If this inquiry is to be very broad and far-reaching, which I do not see it as at this stage, there may be issues. But if we are looking at funding or at some of the other issues which are being discussed—such as the operations of the Wheat Export Authority as to its reporting on the operations of AWB International and whether there is a single desk review, or these sorts of things—then, speculating and speaking on the run, I cannot see that there are a lot of issues.

Senator O'BRIEN—Perhaps you might want to think about that. I know Senator Cherry wants to ask you some questions and I do not want you to rush an answer. But we have had other submissions which have said that we should look at other things, so I would just draw that to your attention.

Mr Perrett—Thank you.

CHAIR—And, like the Costigan royal commission, sometimes these things have a habit of wandering into all sorts of gullies. I am not suggesting that there is anything untoward out there! On the question of the financials, we will be writing to all like organisations and asking to see their financials, so don't feel badly about it.

Senator CHERRY—I would like to start with a quick comment and turn it into a question. In your submission you indicate that this inquiry should be confined to the act itself. To me, the key questions in deciding whether to support this legislation are: were growers consulted and did they support it? Will the levy be cost-effectively used? They are the two questions I will be looking at in determining my view on this legislation. So firstly, in terms of consultation, you indicated that this was discussed at your executive

meetings in January and February and that there was some backwards and forwards between your state bodies and other bodies. Regarding the various other grower organisations, Cooperative Bulk Handling, the Grain Growers Association and so forth, at what point has the Grains Council engaged with them in terms of consultation on this bill?

Mr Perrett—On this bill?

Senator CHERRY—Yes, and on the general issue of the funding of the WEA.

Mr Perrett—On the funding of the WEA, I do not believe that I have had any discussions with them.

Senator CHERRY—Okay. At Grains Week—and I have never been to it, so excuse me if this is a silly question—

Mr Perrett—We will send you an invitation; you should come.

Senator CHERRY—Is there a formal discussion or a roundtable of some sort at which the Grains Council, your state bodies and all the other groups sit around and formally discuss these matters? Or is it simply a conference where you present a paper, or what is it exactly?

Mr Perrett—Grains Week is fairly complex. A number of meetings take place including consultative meetings between the Grains Council of Australia and other bodies such as the Wheat Export Authority. We try to meet with the Bulk Handlers Association if they agree to do so; with NACMA, the National Commodities Marketing Association; with the Wheat Export Authority; and with the Grains Research and Development Corporation. We try to consult as widely as possible. Those meetings go on through the year as well. They are closed sessions with just the respective body and the Grains Council at the meeting so that there can be a free and open discussion. They are not open to the public.

Senator CHERRY—In terms of the process for the Kronos report and the Accenture report—

Mr Kreitals—Excuse me, Senator. Keith started explaining what Grains Week was about, and there are several components. One is the consultative meetings that we have with other industry organisations. Another is what we call industry forums—there has been reference to consultants' reports being delivered—which are like conferences on subject areas that are relevant to the grains industry. The industry forum is like a conference, but we allow substantial time for discussion and debate. There is usually a panel; questions are taken from the floor and a general discussion is held. Another component of Grains Week is what I refer to as our plenary session, where the five state affiliates sit around the table, discuss resolutions and make decisions on a number of matters.

CHAIR—Do most of those resolutions just end up gathering dust on a shelf somewhere?

Mr Perrett—No, those resolutions are enacted and we pursue them as best we possibly can. Just because the Grains Council has a position does not mean that that position is always adopted by the relevant bodies, government or whatever. But, yes, we actively pursue those resolutions as much as we can and generally with some success.

Mr Kreitals—Can I point out that the Grains Council does not just meet once a year at Grains Week. The difference about Grains Week is that the plenary session there is a public forum which involves all our councillors and other subcommittee members around the table. But resolutions that come from Grains Week are like resolutions that come from any meeting of the council.

CHAIR—Do you report back on the resolutions that came out of the plenary session at the next one?

Mr Kreitals—Yes.

CHAIR—Good.

Senator CHERRY—What happens with the consultant reports that you have commissioned on the structuring and the grain growers—and the Kronos report? What happens with all of those when they are considered by the Grains Council in the course of this year?

Mr Perrett—The Kronos and Accenture reports are in the past. We certainly had very extensive briefings on the Accenture report and worked through it. We have not had an extensive briefing on the Kronos report for a number of reasons, but we have looked at it. A consultant is considering and analysing both those reports for us and will pull out the significant parts—what is relevant, what is factual, what can be substantiated or backed up—and they will feed into this report. As for the report that the Grains Council has commissioned with the GRDC—it is involved in funding that as well—the first stage will be presented at Grains Week. Then, as we work through future stages, that information will become publicly available and will be discussed by the state affiliates and the Grains Council. No doubt plenty of other people will have views on it and discuss it too.

Senator CHERRY—What is the timing of that report in the context of the 2004 review? How is your process leading into that with regard to time lines?

Mr Perrett—It is not formalised. I would hope that a very comprehensive report and strategic framework could go to Grains Week in 2004. The 2004 Wheat Export Authority review will be delivered sometime after that.

Senator CHERRY—What month is Grains Week usually held?

Mr Perrett—April.

Senator CHERRY—Some people have suggested that the 2004 review should be brought forward. Do you think that is a viable proposition?

Mr Perrett—No, there is work in progress. We are into 2003 now. I would not like to see the work of the Wheat Export Authority rushed in any way. I would rather wait the extra time and make sure that we have a very accurate, comprehensive report. No, I would not like to see it brought forward.

Mr Kreitals—There is another practical or technical reason why it cannot be brought forward and that is that the data utilised by the WEA does not become available until the pools of a particular year are closed, and that only happens in the latter part of each calendar year. The other part of it, as we heard yesterday when there was discussion on the utilisation of the price discriminating nature of the AWB, is that it is not a snapshot in one year; it is something that the Allen Consulting Group want to track over a number of years, which means that that time frame cannot be curtailed.

Senator CHERRY—Turning to the AWB Ltd, does the Grains Council or any of your affiliates put recommended directors in the elections to the board of AWB?

Mr Perrett—The Grains Council has not put anyone up or endorsed anyone for a director. This year it went so far as endorsing the process that AWB went through of nominating people, which was clearly discussed when the AWB's constitution was first put forward. We felt it was important that there should be some process which gave growers a recommendation that these people had met certain criteria and were suitable candidates or could contribute to the board on behalf of growers. Some of the state affiliates in the past—I can think of one—have endorsed a person seeking election.

Mr Kreitals—GCA has a policy of not endorsing candidates.

Senator CHERRY—As I have been reading through the media in recent weeks I have been thinking of various people being endorsed by various associations. I presume they were your affiliates.

Mr Perrett—Some are; some are not.

Senator CHERRY—Is the Grains Council of Australia concerned about the situation in Western Australia where it would appear that AWBI has rejected an offer for the provision of services support in that state at a lower cost?

Mr Perrett—That is a very difficult question to answer because I do not believe anyone can provide services for nothing so there must be some catches there—possibly. However, I think it is an issue that should be clearly worked through between AWBI and Cooperative Bulk Handling. It is a commercial issue; it is not something we should become involved in apart from saying that if there is a benefit to the pools and wheat growers across Australia—not just honing down on one state—then that should be looked at quite clearly. My understanding is that there are ongoing discussions. The Grains Council had an informal briefing from CBH one evening in Melbourne. It did not go to specific details of costs; it was an overall briefing. That is where we are. I am going to Western Australia next week where, hopefully, I may have the opportunity to speak with CBH and see their viewpoint and where it is up to.

CHAIR—Would you be concerned about it on behalf of the grain growers' cross-subsidies there? There is no such thing as a free lunch.

Mr Perrett—That is right. I do not believe there is, but I am just getting cynical in my old age.

CHAIR—You're only a boy!

Senator CHERRY—In terms of the levy collection mechanism proposed in the bill, do you see that as the most cost-effective means for a levy to be raised?

Mr Kreitals—I cannot comment on whether that is the most cost-effective means. I do know that with other levy collections such as the R&D levy and the NRS levy, the levies management unit of AFFA is very cost-effective. I would go further and say that, if this were to be part of that process, there would certainly be some economies to be gained in being part of that overall process.

Senator O'BRIEN—You say that the government should meet some of the costs of the WEA. Can you give me an idea of the breakdown between industry and government that you had in mind? I cannot say what they want to give, but tell me what you think they should give.

Mr Kreitals—I will put on my economist hat and say that in our submission we outlined that there are benefits that accrue to rural communities from that and that is why we are asking for a government contribution. Arising from the higher prices achieved, I think it is generally accepted that using multipliers

somewhere between 2½ and three is a reasonable assumption to make about the multiplier effects of those benefits. If one was to take those as being acceptable, then I believe—I cannot do the numbers in my head working backwards—you are probably looking somewhere in the order of two-thirds government and one-third industry.

Senator O'BRIEN—In your submission you say the consultative group discusses matters relevant to the role and functions of the WEA. Can you tell the committee how the GCA's participation on that group works and how often it meets?

Mr Perrett—I can go through the history of that group. It first started after April 2001 when the minister at that time handed down his response to the review. Clearly, it was seen as a way of bringing the players together. We wanted to have some independent people with a very clear viewpoint sitting in the room besides the AWBI and the Wheat Export Authority, namely AFFA representatives and ourselves. We wanted to get the answers and we wanted to ensure that the Wheat Export Authority was doing the job it was instructed to. That group meets when required. At one stage, it was meeting probably every two months. I would have to go back through my diary and check, but it was meeting regularly at one stage through the early days after April 2001. It has now dropped back to probably four face-to-face meetings a year.

Mr Kreitals—The President is correct. After the government's response to the NCP, the meetings were a lot more frequent than they are now. I think that, at one stage, a month did not pass when there was not a meeting either in person or by teleconference. Once the announcements were made in September of that year about the new consent system and the monitoring, the frequency of those meetings has now declined to about four a year.

Senator O'BRIEN—Thank you.

CHAIR—Thank you gentlemen for your excellent presentation and your hard work for what I have to say is a pretty thankless task.

Proceedings suspended from 1.04 p.m. to 1.14 p.m.

FALCHONI, Mr Mario Javier, Corporate Relations Manager, GrainCorp

CHAIR—Welcome. Can you make an opening statement for us?

Mr Falchoni—Firstly, I would like to convey the apologies of Tom Keene, our managing director. He would have very much liked to be here, but unfortunately he has a travelling commitment outside of Australia which has precluded him from being here. Thank you for the opportunity to present our views. In relation to the scope of discussions here, our submission was focused not so much on the funding issue but on what the funding would go towards—that is, how the WEA would function and its relationship with AWBI and AWBL. It is our view as a commercial company that the outcomes of discussions here and certainly the outcomes of these reviews will have a fundamental impact on how the industry goes forward. I think everyone is agreed on that.

Our perspective is one of investment and incentive to invest. GrainCorp is a large rural employer. We cover New South Wales and Victoria predominantly, but we have operations in all mainland states. Our commitment to modernising our facilities and building the industry is a genuine one. We have spent \$300 million in the last five or six years improving our facilities to make sure that we are providing efficient services to our grower customers. Because of the extent of our network and the size of the business, we are a company who are in a good position to invest and innovate in a way that will help to grow the whole industry. We are not interested in simply squabbling over our slice of the pie if the pie is stagnant or only growing incrementally. We would like to see the industry grow significantly. We feel it has the potential to do that, and we feel that will only happen if all companies in the industry have a sufficient incentive to invest in industry growth.

Our main concern is that the structures at the moment only provide that incentive to one company, AWBL. Prior to the privatisation of AWBL, the industry appeared set for a contestable environment, where the supply chain would be contestable and competition would bring the benefits that it normally does in these cases. After privatisation of AWBL, the environment changed considerably. Certainly, the nature and the priorities of the old Australian Wheat Board were transformed into those of a publicly listed company, where the priority is—as, of course, it should be for a commercial, publicly listed, private company—to maximise returns to shareholders. That is a very different scenario to a government body with a clear mandate to maximise returns to growers. I will discuss this a little bit later on, but we are firmly of the view that the two priorities are not compatible and are, in fact, mutually exclusive. As soon as you divert a single dollar towards maximising shareholder wealth, in that environment it comes at the cost of maximising return to growers.

Having said that and being mindful of the time that the committee has remaining, I would like to draw very clearly the link between the current structures, the private commercial benefit they provide to AWBL and the impact that has on the decisions of a company such as GrainCorp to invest in the industry. I respectfully submit that, because companies such as GrainCorp do not have the ability to negotiate along the supply chain with providers of freight or chartering services, they are not in a position to influence their own costs. They therefore have no incentive to innovate and to invest in the industry. Until that changes, I see a clear link between investment and the current structures. Unless contestability is introduced and companies such as GrainCorp are allowed to operate along the supply chain in a transparent and competitive manner, the industry will suffer. It will not reach its full potential, and we will not have the investment we need to ensure that everyone in the industry is better off and, consequently, Australia as a whole is better off.

We have heard a range of evidence today, and I would like to make one comment. GrainCorp speaks only for itself—we do not speak for growers. Growers are an important part of our customer base, but there are other organisations that are well placed to do that. I would say, though, that we are concerned as a company about the structures, relationships and dynamics within the industry. We have heard evidence from the Grains Council today. Mr Perrett was quite happy to raise questions about the integrity of the relationship between GrainCorp and Grain Growers or between United Grower Holdings and AusBulk, but dismissed any similar questioning of AWB's relationship with the Grains Council as scurrilous. I would respectfully suggest that the committee need look no further than the evidence of Mr Perrett to see why we as a company are concerned about the current environment.

I would be happy to take any questions, but I would first reaffirm those two points. We are firmly of the view that AWBI should be completely separate from AWB Ltd and ideally it should be established as a not-for-profit company, perhaps limited by guarantee with its own governance structures. As soon as you have an organisation seeking to maximise shareholder wealth and maximise return to growers, you have an inherent conflict. There is no way around that other than by separating the organisations. Anything else—such as moving the board around or strengthening WEA, which we believe should happen regardless—is only a short-term and, in many ways, weak solution to the problem. The long-term future of the industry in terms of competition investment and contestability can only be secured through a separation of those two functions. Having said that, I would happily answer questions.

CHAIR—The Grains Council told us that they accept sponsorships from the Wheat Board for whatever. Do you sponsor people?

Mr Falchoni—We receive a range of requests from a variety of organisations. We do sponsor things. The New South Wales Farmers Association—

CHAIR—Can we have a list of your sponsorship of the grain growers? Can we get the details of that?

Mr Falchoni—No, we do not sponsor the Grain Growers Association. Grain Growers are the major shareholder in GrainCorp and therefore receive dividends, but they simply receive that in the capacity of shareholders, as all shareholders do.

Senator O'BRIEN—You say in your covering letter to the committee that the grains industry is experiencing a sustained period of change and consolidation, a point you expand on in your submission. You talk about the shift from government operated entities to private companies. Are you talking about a smaller number of bigger operators in the industry and increasing vertical integration in the industry?

Mr Falchoni—I was speaking about both. Really, the point that we are making is that, before, you had government-run organisations that were answerable to the governments of the day in their particular tier of government. They therefore had different reporting structures and were answerable to the electorate. We now have an environment where we have private commercial companies, which we are obviously entirely supportive of. But the regulatory regime has to recognise that and promote competition and transparency, rather than favour one commercial operator over others, which is what the current regime does.

Senator O'BRIEN—So we are seeing the development of a small number of big operators. How do you see the shape of this industry in 2010, when the single desk is up for review?

Mr Falchoni—I think you are familiar with the current merger discussions amongst a variety of players and the recent history of acquisitions along the supply chain in transport or in processing that a number of companies, including GrainCorp, have carried out. I would have to say that, in 2010, you will probably have half as many operators as you do now, competing with each other at every point in the supply chain and geographically, in every location.

CHAIR—Do you think GrainCorp will be taken over by Cargill or someone by then?

Mr Falchoni—GrainCorp's control structure precludes that because of the foundation share that is held in the company. It is impossible for somebody to actually make a hostile takeover offer.

CHAIR—Unless you change that arrangement. You are not likely to change that arrangement?

Mr Falchoni—We had our AGM last week—

CHAIR—So you have tested it.

Mr Falchoni—and shareholders voted by 92.7 per cent to retain the foundation share.

Senator O'BRIEN—Do you see the single desk lasting until 2010 if the changes we have just been talking about continue?

Mr Falchoni—We think we now have a golden opportunity to review the entire system. We do not feel it is appropriate simply to talk about funding for the WEA without looking at what you are getting for your money. We want to see a real industry watchdog with real teeth. Ideally, we would like to see it with oversight powers over an AWBI which is entirely separate from any commercial operator. That is a fundamental point that we want to make. AWBL is a commercial company, as GrainCorp is a commercial company, with an obligation to operate commercially and maximise returns to shareholders. That is fine. That is all above board and acceptable.

But the problem arises when you have a legislative monopoly which favours one commercial operator over the other. Gone are the days when growers or industry players could see the AWB as a benevolent, cuddly operator who would work in the interests of all. It is a commercial company and it is entitled to operate in that way. What we see as inappropriate is a competitor being propped up through a system which is not transparent and which is anticompetitive in nature.

Senator O'BRIEN—In relation to this inquiry, you are obviously just saying that you want a separation. What do you have in mind for AWBI—a statutory authority?

Mr Falchoni—Possibly, or a not-for-profit company operating separately. All those issues could be worked through in detail with the appropriate people around the table, independent of commercial operators in the marketplace. The fundamental thing we would like to see is an AWBI which is not beholden and which does not have any relations which are either in reality or perceived to be inappropriate or preferential. I would strongly argue that the current arrangements are not only perceived to be but in reality highly preferential to one commercial operator.

Senator O'BRIEN—Where does that leave the Wheat Export Authority?

Mr Falchoni—The Wheat Export Authority needs to remain and needs to be strengthened in its powers to oversee that process. We do not believe that separation of AWBI and AWBL in any way diminishes the potential role of the WEA. But I would have to say that a couple of words come to mind for the current arrangements—they are ‘cosy’ and ‘convenient’. I do not think being cosy and convenient is appropriate. What we need is transparency and competition.

Senator O’BRIEN—You refer to powers similar to the ACCC for the Wheat Export Authority. Are you saying it should have effectively the equivalent powers but limited to the wheat industry?

Mr Falchoni—Certainly they would be limited to the wheat industry. But in particular there would be the authority to requisition information relevant to their role and to be able to receive that information without being told that it is commercial-in-confidence or that it simply cannot be passed on. It has to be a real authority with powers to inquire.

Senator O’BRIEN—You also proposed that the 2004 review be brought forward. Who are you suggesting does that review?

Mr Falchoni—We do not believe the WEA should carry out that role. We think it should be an independent review, and we think that there has been sufficient discussion within the industry already to provide a solid foundation for expediting that process. We certainly believe that there should be an independent review and that it should take into account the views of all industry players, grower representative groups and, indeed, growers themselves. I do not think it is appropriate that an inquiry be done through the current system, which clearly has developed into a cosy relationship between a number of players at the national level to the exclusion of the very legitimate voice of other groups.

Senator O’BRIEN—So you do not have a preferred reviewer in mind?

Mr Falchoni—I could not suggest one at this point in time.

CHAIR—That concludes the evidence from Mr Falchoni. Thank you for your appearance today. By the way, we will be writing to the various players asking for their financials, their lists of sponsorships et cetera.

[1.30 p.m.]

HOLLAND, Mr Grant Barry (Private Capacity)

TOOLE, Mr Peter Ralph (Private Capacity)

CHAIR—I now welcome to the table a couple of worn-out farmers, Mr Peter Toole and Mr Grant Holland. I ask that you each deliver a speech of three minutes. We are not going to ask questions; we just want you to get on record whatever is burning a hole in your chest.

Mr Toole—I am a farmer from not far north of you, in the Grenfell-West Wyalong-Forbes area.

CHAIR—You have had a bit of rain.

Mr Toole—Yes, we have had a heap of rain; it has been very good. I farm with my wife and youngest son. We are a grassroots operation growing between 1,000 and 2,000 tonnes of grain. That is how I would describe myself. I do not believe that confidence in the current structure is quite as high as Mr Perrett would lead us to believe. There are obviously conflicts of interest, whether it be in the case of seeds—which Mike Chaseling alluded to—or whether it be rail freight set against competitors, which has implications for our roads and our own viability in that we are encouraged to drive right past infrastructure that has been built and into a site which has a lower freight rate and ultimately a higher ESR, estimated silo return. We see problems there. Ticket-by-ticket sales have been frustrating for anybody trying to participate in the industry. I am a member of a co-op at Parkes, and anything we try to do to value add and create regional employment—for example, boxing—is constantly frustrated by the processes of the Wheat Export Authority.

One of the issues we find particularly frustrating is that the very best you can get is a one-year permit to grow any wheat. We find that particularly frustrating from the point of view of who is going to put any capital, work, market development or anything else into a project that could be canned within 12 months of its operation. I see that as being totally ludicrous. As far as the levies are concerned, which seem to be the main point of this committee inquiry, to my mind—after listening to the debate this morning—they are ultimately another tax on growers. I guess you would rather use the word ‘levy’ because that is not quite as savage as the word ‘tax’. They are another impost on our returns. Growing wheat is tough enough. If we have to have a Wheat Export Authority and if it has to be funded and if it has to be funded by us then we obviously have to look at the cheapest way of doing it.

After listening to the questions put to Scott Bradley and thinking about it since that point, I suggest that it probably has to be done on the exporters. Therefore, you would only levy the exportable wheat. It would be administratively simple because you would only be levying one or two exporters to cover all the growers. If it is only going to be levied on exportable wheat then those problems you were alluding to earlier become too hard to comprehend. The only other method would be a broad based levy—like the one the Grains Council have come up with—so that everybody is contributing equally.

Whichever way we go, if we go on a smaller base, on the exportable wheat, we are actually levying a smaller parcel of wheat and therefore the levy has to be higher. Unfortunately, that impacts right back through the domestic market anyway, because the domestic market pays a price relative to what a grower can get in the export market. If another \$3 or \$4, or whatever it happens to be, comes out of your returns, all the buyers automatically work back to an ESR—or look at where you are located and what your price at the farm gate will be. All they have to do to attract the grain away from the Wheat Board is to offer you an extra 50c or a dollar. Ultimately, that is all that is needed to attract the grain away from the pool. Therefore, the number of deductions taken out ultimately affects us right through the domestic market as well. Thank you for the opportunity to talk. I will hand you over to Grant.

CHAIR—Don’t forget to holler.

Mr Holland—My name is Grant Holland. I farm on a property north of Young, in a little district called Greenethorpe. We consider ourselves average sized farmers and probably average farmers. Firstly, I would like to thank Senator O’Brien for bringing to the notice of this committee the direct linkage between AWB and the Grains Council of Australia. That joint press statement confirmed in my mind what is going on there. I have often read Mr Perrett’s comments in the *Land* and rural publications, and I often wonder who actually writes his press releases.

I would like to talk about permits for containers. Not far from us, in Grenfell, there is a company that boxes grain for export. A couple of years ago, in the middle of the year, we had some H2 quality grain to sell. I rang all the millers and AWB and could not get a satisfactory price. I rang Best Western Stockfeeds and they were \$15 per tonne higher than anybody else. That is amazing when you consider that they had to actually box it, and the extra costs and charges that go with that. Next harvest, they were in the market but at the same price as everybody else. I said to Mr Mawhinney, ‘What is the problem? Where has your premium gone?’ Of course, they export through a third party. He said: ‘We can’t get permits so we are in the market at whatever the market price is. We cannot go above that in case we get stuck with the grain.’ That was frustrating. A few

weeks later those permits were issued, but of course the harvest was finished and they lost the grain—they did not have it.

That is the sort of thing that worries me. They are a company that employs about a dozen people in a small country town. They have great ambitions and ideas to expand, but they can't. They are just not game to spend money on the infrastructure, the capital, because they do not know from day to day where they are going to get permits and what is going to happen there.

There is something else I would like to bring to your attention. I live on a branch railway line. I believe the new AWB 'super sites' are a threat to the GrainCorp site on my branch line. The reason for that is that AWB spends a lot of money and effort trying to attract grain from the branch lines to their 'super sites'. We know—because we have had discussions with rail people and GrainCorp—that unless we can keep the tonnage on that branch line the train will cease to operate and then it will be road freight out only. That will immediately put another \$7 per tonne cost on the price of my grain.

I recently visited the AWB site at West Wyalong. I was driving around with the manager and I asked him how many tonnes of grain they would get in the site this year. He said, 'About 15,000.' I said, 'That is interesting, because this morning I was talking to Bob Thompson, the district agronomist, and he said that the total wheat tonnage in the West Wyalong region would be about 5,000 tonnes.' His answer back was, 'We are making it attractive for growers to cart it 250 kilometres.' Can you imagine the amount of damage those trucks are doing to our roads, which are already underfunded, when there is a railway line there and there is already storage?

I was at a meeting at Young a couple of weeks ago where Andrew Lindberg confessed that there could be a cost of \$9.33 a tonne to run the pools, up and above what it used to cost when the Australian Wheat Board was a statutory body. I do not think his answer—that that is just the way it is going to be—was satisfactory.

The WEA, I believe, has no teeth; it needs to be strengthened. It did a review not so long ago of the price premium that growers get when they market their grain through the single desk. The figure it came up with was just laughable. I do not think even AWB could have worn that figure. It was a mickey mouse attempt to try to justify AWB. As a grower I am not privy to the method, mythology or the modelling that the authority used to come to those figures, and I think that is an outrage. It is supposed to be our single desk, and I do not believe it is.

The CBH proposal in Western Australia is something I really believe AWBI has to look at. I have friends who farm in Western Australia; they could be saved \$40 million per year. That is a lot of money. I believe that the single desk should begin at port. As a grower I really believe we should have choice.

CHAIR—Out of curiosity, who do you think represents you at these platforms? Is it the grain growers? Are you a member of the New South Wales Farmers Association?

Mr Holland—To be honest, I represent myself. I think the New South Wales Farmers Association are all on tranquilisers. As far as representing grain issues, they are just not interested. I do have correspondence with the PGA in Western Australia and I get a lot of information from them. They are on the case and they know what is going on, whereas New South Wales farmers just do not want to know about it. The Grains Council of Australia does not represent me.

CHAIR—Do you know many people who think like you?

Mr Holland—Yes. It is changing as people get information.

CHAIR—I take it you would not want ConAgra in charge of the single desk, though?

Mr Holland—As a farmer I do not grow just wheat; I grow a number of different products. Some of those products are exported, and there are a number of companies that buy those products. Why we single out wheat as something that no-one but the AWB can sell, I do not really know. I have trouble with that.

CHAIR—Thank you for your contribution.

Committee adjourned at 1.43 p.m.