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PRODUCTIVITY COMMISSION

INQUIRY INTO WHEAT EXPORT MARKETING ARRANGEMENTS

**DR W. CRAIK, Presiding Commissioner
MS A. MacRAE, Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT PERTH ON FRIDAY, 4 DECEMBER 2009, AT 9.02 AM

Continued from 3/12/09

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MS MacRAE: Welcome to our second day of hearings in Perth. It will be our third day of hearings overall for this Inquiry into Wheat Export Marketing Arrangements. I am Angela MacRae. I'm one of the commissioners on the inquiry. The presiding commissioner is Wendy Craik. Wendy was unable to travel to be with us today and we have had trouble with our phone lines to get her hooked in by phone, so that's why the mobile is on your desk there; there's a speaker and Wendy is on the other end of the line there.

So I think just for people who weren't here yesterday, the toilets are out that door and just follow the corridor. There's tea and coffee and water there for anyone who wants to help themselves at any time through the day. I think then it just leaves me to begin the day by welcoming the Department of Agriculture and Food (Western Australia), who are our first participants this morning. If you could please state your name and the organisation you're representing for our records, and then if you've got an opening statement, and then time for questions, that would be great.

MR METCALFE (DAFWA): Thanks, Angela. So it's Peter Metcalfe, Department of Agriculture and Food.

MS MacRAE: Sorry, and if we could just have your introduce your - - -

MR WILKINSON (DAFWA): Ian Wilkinson, Department of Agriculture and Food.

MS MacRAE: Thank you. It just helps our recording.

MR METCALFE (DAFWA): Thanks, Angela. So I'll just go through some of these topics very briefly, and then hopefully it will leave some time for some questions. To probably state the obvious, the Western Australia grains industry dominates the export market, 80 per cent of the grain that's produced is exported out of WA, and for wheat, in the national scene, produces about 60 per cent of exports, 80 per cent of canola and 42 per cent of barley and certainly the vast majority of lupins for Australia. I guess why that's important is that WA's reliance on export means that the decisions that are made by the commission going forward, or by government, have the greatest impact on WA. So I'm just making that point.

In terms of accreditation of exporters, WA deregulated the export marketing of prescribed grains last year - whatever that was, 2009-10, yes, so it was just prior to this harvest - and we had an introductory phase of 12 months over that period and have moved through that without a great deal of discomfort to the industry. So we are of the view that the accreditation of bulk exporters can be removed in the next 12 months potentially and that there is enough choice as a result of having those exporters accredited. There's 22 exporters, I think there's eight or 10 operating out of WA.

The growers have a foundation of exporters that have a track record, and if new entrants come into it then they can feel their way with that and apportion their crop against that buyer or exporter and manage that risk in that way. So that's the position or advice that we provide. In terms of port access and services, the issue there for us is that it is important that it's competitively priced and it is efficient, because international competitiveness is depending on that, in terms of the whole of the supply chain is part of that international competitiveness and the weakest link in that determines that competitive advantage for WA.

I think delays in shipping last year, they were I think probably quite different to usual seasons, but they did see potential buyers looking at accessing grain from other states and overseas suppliers. In terms of the port access undertaking, there is no need for a port access undertaking if the grain handler and storage facility doesn't have a trading component associated with it. In terms of transport and storage, the strategic grains network committee is providing advice to government on the future of the state grain rail network and also the road system and that's providing those recommendations by the end of the year and the Department of Agriculture has been involved in that, with all of the other key players.

One of the key issues in there is that there will be over time a need to improve that efficiency. Rationalisation of that network will occur and there will be a reduction in the number of receival points - simply to drive efficiency so trains have good turnaround times and less loading points - that resulted in inefficiencies in the system. In the backdrop of that, site-specific pricing is also driving restructure in that logistics, and I guess the bit that's not being handled marvellously well is the road upgrades. So as you pare it back, make sure that the road network is linked up appropriately; and that's going to be significant challenge for us to actually get that right.

The current task is about 60 per cent rail, 40 per cent road. Into the future, I'm envisaging 40 per cent rail, 60 per cent road, so a shift will come across that. What falls out of that is that grain close to port has an inherent competitive advantage, obviously. It has an advantage in that it can be loaded out of the port quickly and into a market rapidly, but it also has less cost associated with transport. So facilities that are close to port or an arterial route, particularly on a standard gauge line, pose a competitive advantage to industry, going forward. So I think we will see a shift of the infrastructure closer to the coast than on those main arterial lines.

There was a question around upcountry storage facilities and whether there was any barriers or monopolistic characteristics there, there's none that we can see. If those facilities are rationalised over time then it may be that growers or grower groups access that facility and it's restructured around that way. In terms of rail lines then, some communities will be very keen and want access to those, but I think they'll have issues in terms of maintaining them at a level where they meet the safety

standard requirements; so that's actually going to be quite challenging.

Information provision is the tricky bit in this one, and the more complex I think. The department has worked with GIWA in the last few months and the minister has actually asked GIWA to review market information and provide some advice back to the minister. Key issues that appeared to fall out of those discussions were around equal access to information, and equal access comes in part by privileged relationship and in part by the size of the operation. So if you buy half of the grain out of the state, it's not too hard to work out what the other half of the crop looks like. If you're a comparatively small grower, then having equal access to that information is quite difficult, because you don't have that same picture.

The same for growers. Large growers have the capability to invest and create those relationships, and the smaller growers, some smaller growers, perhaps some less interested growers, don't enjoy that same relationship. So it's around equal access; and yes, you can have information but still not be able to understand it, we're well and truly aware of that, and I think consultancy services and those sorts of things will take care of that. So there's a difference of view around whether more information should be provided or not, depending on where you are in terms of that relationship.

The other part of that is that the market argues that if there's a lack of information then that's what creates the market, and arbitrage operates in that to reflect the true price over time. So some parcels of grain are traded a number of times, four to six times, before they arrive at their true value. In a broader context, that may not be the best thing for the industry, in that if disclosure or close to full disclosure is not able to operate then growers may receive less than the true value, and if it's significantly less will make decisions to grow less grain over time, which constrains the supply chain, which then reduces our competitive advantage as economies are scaled back. So we have got to balance that carefully as we move forward.

In terms of ABS and DAF it's my understanding that ABS are just finalising agreement with DAF at the moment to have on-farm storage information provided on a monthly basis as of the end of December, so nationally is the information that we have got. I am just exploring around frequency of information and what is currently available or could be available. The Canadian Grain Commission provides information on the elevator companies on a weekly basis; so what grain is received and where it's transferred on a weekly basis. I'm not sure whether that's for the entire year or not, but if you need that information we can come back and confirm that for you.

A question someone will ask sooner or later is, "Can you use an existing act to gain access to more market information?" The answer to that question, as you

probably know and I'm sure Wendy does, is that the acts can only be used for the intent in which they were drafted, so it's difficult to change or modify the existing acts. However, under the Census and Statistics Act there is an opportunity to have access to more information or have that provided. There is a view, from the discussions the department has had, that there is a need for a national scheme and that it's not Western Australian based, and the reason for the national scheme is that if we provide more information out of WA we may be disadvantaged and arbitrage will operate between the other states, and that's pretty obvious I think.

I think the industry is still in the shadow of the single desk and so for some people that have moved out far enough and actually understand the value of information they are asking us for more information, they were approaching the department for more information. For those that have less understanding, they're still finding their way around the value of that information, and so you actually get quite opposing views as they move out away from the single desk type environment.

We are getting quite polarised views at the moment, but if you had asked six months ago there were more people against additional information than there were for; in the last six months it's shifting the other way, I think over time will shift further and further - a bit like, dare I say, GM canola and a few other things, but, you know, it's a transition. So I think that's reflected in some of the feedback that industry is providing perhaps to this forum but certainly to the Department of Agriculture. Pre-season information, there is a desire for that to be provided on a monthly basis. So this is seasonal forecasts, crop forecasts on a monthly basis by hectares by variety as an indication of variety indicates quality and so finding a mechanism for that to be gathered. Obviously that only has to be gathered once and then after that you do the yield forecast but they're asking for that.

The other part of it was in those discussions was post-harvest information. Currently the industry is provided with, I think on a weekly basis, deliveries by port zone and that's the extent of it. The industry is of the view that they would like it by crop type initially by port zone on a weekly basis so you understand how much glens and canola and barley has been delivered, say, into the Geraldton port zone. We did have a discussion around segregation, there were some strong views about whether that should be provided and quite a divergence in views perhaps is the best way to reflect those comments. The other one where there was quite a divergence of views was in terms of committed and uncommitted stocks. Both the traders and the growers took a fairly strong position and there was no consensus in that process at all.

Wheat classification and market segmentation: we have quite a bit to do with wheat classification in the department and there is a need for a centralised, unified body that oversees wheat classification that's independent of GRDC. Why I'm making the point about why it needs to be independent of GRDC is that it's post-farm

gate and the opportunities for all of the value to flow back to levy payers is probably not as straightforward or you won't be able to capture the vast majority of that value once it's beyond the farm gate. So we're suggesting it's not paid by GRDC levy growers as such but all growers will pay but I'll get to that bit in a minute. So independent of GRDC and that it needs to expand across all grain types, not just wheat over time.

There are emerging markets with new quality requirements coming forward and they include niche markets and also identity-preserved wheat. In the short term that may be taken care of in the container trade. In the longer term it will require a change in some of the standards and off the back of that also there is research in both quality and also bread processing or product processing that will influence the quality measurements and the quality standards and therefore the segregations and classifications over time. The point I'm trying is that there are currently a number of groups, five or six groups involved in that classification-type are and either linked to it or directly involved. The opportunity with an overarching body is that those groups can all feed in and the flow of information is enhanced and you reduce the amount of administration or duplication that operates across those groups. I think that overarching body has the opportunity then to look at product development, market support and market development going forward and maybe even some mechanisms that protect market development as it's developed into the future.

The other part of it is this issue around branding of Australian wheat. That also under pre-competitive industry functions seems to have slipped by the wayside on the way through. So that body provides the opportunity for that branding and for people to value add and capture that value back through to their client base and I think that's an advantage. The wheat export charge may be an appropriate means to fund industry-good functions, although it's not one we're strongly wedded to. There is a role for an independent organisation to deliver industry-good functions and a model that might be worth considering on the way through is the US Wheat Associate-type model. I'm not saying that's the model, but a model similar to that mix could be used for when reviewing that and could be insightful.

The performance of the wheat export marketing arrangements, we're not aware of any significant issues for growers under the new wheat export marketing arrangements. So the recommendations, I think as they standing in the submission, are that we're supporting of a deregulated wheat market going forward in 10/11, that an analysis conducted into the interrelationship between the type and frequency of market information and the impact on price and our international competitiveness and I think that international competitiveness is an issue. There may be an advantage in that. Some have argued that if we provide more information than what the Canadians and the US do we may be disadvantaged. It might be that Australia is the easiest place to deal with and there could be a commercial advantage in that so that's taking a broader perspective on that, but ask for that to be investigated.

There is a need for a national scheme and there's an opportunity to examine the efficacy of a government industry body that can deliver industry-good functions in a framework somewhat similar to the US Wheat Associates and that the funding mechanism should apply to all grain types and all industry participants, not just to be focused on exporters or growers of export grain. Thanks you.

MS MacRAE: Thank you, that has been very helpful and thank you for your submission as well. Would you like to start with questions, Wendy? I'm assuming you're hearing all this okay.

DR CRAIK: Thanks, Angela. Thanks, that was really helpful. Just starting off with questions about poor terminal access and services, you've got a comment in your submission that you believe that monopoly ownership is likely to reduce over time as you expect that they're likely to be offered an alternative of storage handling and port facilities. On the port facility side of things, are you genuinely convinced - I note your comment later on that you don't really want to see them - but are you genuinely convinced that there's likely to be additional port facilities in WA for the export of grain?

MR METCALFE (DAFWA): I think there will be simply because - and it may not be an extensive facility, I'm hoping it's not an extensive facility. I'd like to see a facility that provides just enough pressure to create competitive tension to ensure that there is a competitive nature in terms of pricing and service. But I guess the department doesn't want a duplication of infrastructure because it simply costs the industry obviously and it makes us less competitive. In the ideal world it would be terrific if the existing service provider - and I don't know how you do it and I'm sure CBH have the same challenge - operate where they can overcome the perception or provide confidence to the industry that it is competitive and providing the right sort of service. I don't think you need too many tonnes to go round the existing system to create that competitive environment.

The other part of it is that it's actually quite difficult to move grain from one port to another in WA so it will be interesting to see whether, if grain goes around the system at Geraldton via Patricks, for example, whether that has an impact on the other ports or whether the industry chooses to then have a proportion of grain flow around in each port. I'm forever hopeful that you get a bit of flow around one port then CBH respond to that and reposition to make sure that they maintain their competitive advantage and we are keen for that to happen, for them to maintain that advantage and provide that complete service.

DR CRAIK: I notice in your submission that you suggest that even if there is successful competition at the port level that you believe there is still a requirement for an access regime to be in place unless CBH has less than 40 per cent of the

throughput at any individual port.

MR METCALFE (DAFWA): Yes.

DR CRAIK: Later on you suggest in the same submission to the ACCC that the department's view is - and I expect this isn't so much an access issue as an information issue between the bulk handler and Grain Pool - that the best solution would be for CBH to spin-off its grain marketing operations as a separate commercial entity from the bulk handler.

MR METCALFE (DAFWA): Yes. Yes, the reason we made that comment is, you know, perception is incredibly difficult to manage and so once you take the trading component out that conflict disappears and you can focus on one business and the other and you don't have to manage that perception issue, that's the point that's being made, and then the access undertaking issue, in terms of the conflict between access to information, is resolved.

DR CRAIK: Is there a very strong perception that the ring fencing is either successful or not successful? I mean, is there a strong view either way in WA?

MR METCALFE (DAFWA): It just depends. It waxes and wanes. Andy is sitting here anyway. But it moves around over time, depending on the issue and the sentiment of the industry. CBH and Grain Pool have gone to enormous trouble to provide industry with confidence that that is being dealt with; and the access undertaking, there's an enormous amount of work gone into that. We understand that. Industry understands that when they choose to.

DR CRAIK: Okay. Thank you. A couple of other questions. The rail network, I mean, the road-rail network is obviously a major issue, and not only in WA, because of the historical lack of investment I guess in rail networks. Are you optimistic that there will be sufficient investment in the rail network or the road network to improve the transport system?

MR METCALFE (DAFWA): I think I'm struggling with this question.

MS MacRAE: You're not the only person not hearing anything, Wendy.

DR CRAIK: Have I put you on the spot?

MR METCALFE (DAFWA): No, not really. I've got a pretty good idea what it looks like. It depends on where you are. From a broader industry-type context I think, yes, there will be under-investment, I don't think there's any doubt about that, but I don't think it's going to be a significant under-investment. But if you're in the eastern fringes of the wheat belt you'll think you're really hard done by.

If you on a line that's not getting significant volumes on it and requires a substantial upgrade and the road upgrades take a while to roll through, over a number of changes in government, then, yes, you're not going to agree with the answer that I'm going to provide. So I'm not optimistic that it will be done in a timely way and I'm not sure that it will be done in the most optimal way, because politics and lobbying will come into play. I know that's probably not a nice clearcut answer, but I think that's reality.

DR CRAIK: All right. The way of the world, yes. When do you expect that report to go to government on the rail network? Before the end of 2009?

MR METCALFE (DAFWA): Yes, my understanding is the final draft is with Simon O'Brien's office. Members of the committee haven't seen it. We have seen the first draft and we made comments on that, and Fred Affleck, who is the chair, has informed us that the final draft has been completed.

DR CRAIK: Okay, so in the near future sometime.

MR METCALFE (DAFWA): Yes.

DR CRAIK: I noticed that made a comment that CBH has now moved from a cross-subsidisation, some kind of average pricing I suppose, network pricing, to a cost base, a site - - -

MR METCALFE (DAFWA): Yes, site-specific pricing, yes.

DR CRAIK: A site-based costing system. So people actually pay the costs of what the freight actually is and the (indistinct) are subsidising the expensive ones. Is that right?

MR METCALFE (DAFWA): Yes, that's right. Yes, that's my understanding of what has happened. What will happen over time is that with the more expensive ones CBH they'll be able to rationalise those sites, but perhaps you should talk to Andy about that in a little while.

DR CRAIK: Yes, I think we will. Just a couple of other questions. Talking about the Wheat Classification Council and then the general desirability of having some kind of overarching body in the grains industry, do I understand you correctly when you've suggested that that should be an industry government body, or are you suggesting just an industry body; and if it's definitely an industry government body, what's the rationale for the government having a role in it and presumably partially funding as well?

MR METCALFE (DAFWA): Thanks, Wendy, I thought I'd get that lovely question. The government bit is access to the money, but that's not the only bit. It's actually important that that industry body is certified by the Commonwealth government and endorsed as being an independent party, so that with the branding and standards and the things that are put in place it has got the authority of the Commonwealth government behind it so that it can operate and provide value back to the Australian grains industry and provide value into the international marketplace.

In terms of the funding bit, yes, well, as soon as government puts any money in they have an awful lot more say than they should most of the time, and so to manage that risk is you take as much money as you need without them having too much say. So I'm not going to get into exactly how much money government should contribute. But certainly it's not so much the money, it's that authority and that certification that I see that's of significance going forward.

DR CRAIK: Given some of the government's comments on RDCs and how RDCs operate, I could expect they might be wary of committing to a government industry body. Okay, that's very useful.

MR METCALFE (DAFWA): Well, yes, sorry, Wendy, it depends on whether that money is seed money to get it started, and then it develops its models and away we go from there. As I said, the point I'm making is that the government component is more around the certification and authority as opposed to the money that they contribute; and as I say, I think we need to avoid too much government involvement, because it will shift around over time and will create more uncertainty.

DR CRAIK: Yes. Maybe seed or something to start, and then move away.

MR METCALFE (DAFWA): Yes. I'm definitely up for that bit.

DR CRAIK: Okay. Thanks very much, Peter. Over to you, Angela.

MS MacRAE: You mention in your submission that accreditation is a barrier to entry for larger growers, and I was just wondering if you could elaborate on that a little bit. Are there quite a few of them banging on the door or are you talking one or two, and is it the cost of accreditation that's the problem or they're not the right structure to be able to be accredited? What is the issues involved there?

MR METCALFE (DAFWA): Thank you. So going forward, some growers and corporate entities will take a position into the supply chain to capture more value back to a production base and the accreditation process is not all that well aligned with doing business that way going forward, and so that's the barrier, and some of them don't have the right structure to actually meet those requirements. So I guess

the comment we were making was that if you look into the future then we can see them taking a position in that supply chain, whether it's a niche markets or in critical parts of the supply chain, as an equity shareholder then they're being constrained with the current requirements.

MS MacRAE: On a separate issue, can I just return a bit to the question that Wendy raised. I was a little confused, in that I had read the main body of the submission to be saying that the access undertakings could go and we could just rely on Part 3A of the Trade Practices Act. But then your submission to the ACCC seemed to be saying something very different to that. So has the department moved its position, or am I misunderstanding how those two are linked? Because I read the ACCC submission to be saying, unless there was at least 40 per cent throughput at any port, less than that for CBH, that you'd want some kind of undertaking.

MR METCALFE (DAFWA): Yes, it was an undertaking in terms of access to information.

MS MacRAE: Okay.

MR METCALFE (DAFWA): Hence the difference.

MS MacRAE: Okay. So you're not talking about access to the port facility, you're talking about access to information?

MR METCALFE (DAFWA): Yes.

MS MacRAE: How do you see - this is an area we were discussing yesterday - but I guess the bottom line is that access to information question from your point of view would be best solved by having that sort of spin-off of the marketing arm and getting that right. It's that information you're worried about it? Would that solve it, I guess, is what I'm asking.

MR METCALFE (DAFWA): It won't solve the issue in terms of - well, it could in that the perceived conflict between the trading arm and the storage and handling operator is that the information of the storage and handling - yes, we do need to deal with this. What often happens in the Western Australia industry, because CBH has the bulk of the task and it is a logistics task, they have access to most of the information. What gets confusing in there is that as soon as we start talking about market information, then most people think we're talking about the information that CBH holds. CBH holds some information to run their operations efficiently and effectively and so they run grower surveys, pre-season surveys, to get an area of what area is sown and so they forecast and understand what facilities they require where around the state.

Now, industry know that's available and try to use that as the market information they want. I actually think they need to be separated, that the market information needs to be acquired in a separate process under the Census Statistics Act where it's quite clear that the federal government and the industry is requiring that information of growers and then the operational information for CBH is part of CBH's business. If that happens, then CBH growers can fill in the forms and have confidence that it's about the service and the operation of CBH and not thinking that they're providing an advantage, they're selling their grain through another trader and providing advantage to the Grain Pool and that's where the confusion is coming in. So I think there's an opportunity to separate those two things out. Then the other - I have lost track of where I was.

MS MacRAE: You were talking about the other reason for having the spin-off, I think.

MR METCALFE (DAFWA): The other part of it just to make sure that the - once the handling and logistics is handled solely by CBH or an entity, then they simply provide equal service to all of the traders and all the clients that they have. There's a perception in the industry that it's not even - and I'm talking about perception only - handed in, that it's still associated with a trading house whereas you've simply got a service provider that wants to keep all of its clients, both growers and traders, locked in and committed. So that uncouples that nexus that keeps turning up.

MS MacRAE: I just need to be clear in my mind I understand exactly your position. So the Part IIIA stuff when you're saying, "Let's revert to Part IIIA," is about access to the services at the port.

MR METCALFE (DAFWA): Yes.

MS MacRAE: But the other part of it in relation to the information is where that sort of 40 per cent test comes in and you'd say until you meet that you'd want this access to their information.

MR METCALFE (DAFWA): You still access and whether it's another organisation that's going - a competitor, you still want that information across both groups - or whoever nominates that space will have most of that information so you still need to have a flow back to the industry in terms of whether shipping standard information or whatever is required.

MS MacRAE: You'd also talked about the importance of the supply chain and looking at any weak links and getting a whole of industry view about where that might be. We have heard differing views about whether Grain Express is a plus or a minus in terms of strengthening that supply chain. Is that something that the department would have a view on?

MR METCALFE (DAFWA): The department takes an interest in Grain Express and whether it's supporting efficiencies in the logistics task. We are of the view that it does do that. The feedback that we get from growers is variable but predominantly it's in support of Grain Express.

MS MacRAE: Okay.

MR WILKINSON (DAFWA): I guess the problem was, as we know, going from one buyer of every grain to going to these 23. What could they put in place that was going to deal with that? Outside Grain Express in the short term they didn't really have a lot of choice, I don't believe. People can argue about the bundling aspects of it but outside that I think you can only really have the out-turned specs to cater for all those people dealing with the same system.

MR METCALFE (DAFWA): Just coupled to that is on-farm storage - we were as keen for as little on-farm storage as possible and staying in the mainstream for obvious reasons, to use the existing infrastructure and support economies of scale but also fostering resistance in weevils is an issue and we think this is going to be a big constraint for industry. I'm sure there are very good operators that will do a great job with on-farm storage and put sealed silos in place and not compromise our product integrity into the future but I think that risk is increasing rapidly as the proportion of on-farm storage expands over time and so they're somewhat linked in that process.

MS MacRAE: It just brings to mind one of the other issues that crops up at the forums that we have had and it's relating to this management of pests and things. There was a contention put that one of the reasons that it's hard for a competitor to set up at port is that they have to have the storage available on site because they're not allowed to fumigate on the vessel. Do you see that as a barrier to entry for would-be port operators or people operating out of the ports? We had some very strongly-held views about whether that was or wasn't a problem.

MR METCALFE (DAFWA): I have a fair idea where that came from too. I think the industry is disadvantaged by not - I'm answering it in a broad context. Why we don't have access to that capability and I think it's a clever bit of technology, they will think it's one less competitive advantage that we have access to. So whether you've got a number of providers or whether you've got the existing one, I believe we need access to that technology. I'm sure CBH will provide you with a much better response, but the sites are tied up for three weeks while they're fumigated and that's a delay and if there's a lot of front-end demand at harvest time, that constrains the ability to be able to get grain to port at the beginning of the year and then slows the whole of that logistics task, delays it further back into the year. If you had that opportunity then it's dealt with very quickly and it again frees that supply chain up further and makes it more competitive.

MS MacRAE: As far as you're aware - I guess we were hearing, was it an unreasonable position for AQIS to take that it was a biosecurity issue about this fumigation on ships or not. There seemed to be a view amongst some but given the right technology there isn't a risk there and why are AQIS imposing this requirement that you not do the fumigation on ship when other countries can do it.

MR METCALFE (DAFWA): My understanding is that the current requirement is that it's pest-free before it leaves the port. They're administering that requirement.

MS MacRAE: Right.

MR METCALFE (DAFWA): I don't think they've got a position. I can't speak for AQIS.

MS MacRAE: No.

MR METCALFE (DAFWA): But when we have had discussions with them, that's my understanding of what they're doing. I'm not sure they're thinking about the competitive advantage, I think that's going forward - - -

MS MacRAE: They're operating within their constraints or their legislative - - -

MR METCALFE (DAFWA): Yes. But I think you made the point or perhaps skimming around the edges of it, AQIS going forward is a service that the industry needs to have aligned or reshaped to provide the Australian grain industry with a competitive advantage. We need all of those technologies and that thinking to ensure that we remain competitive not be constrained by, "This is how it is, so that's how it's going to be."

MS MacRAE: Is there a dialogue that currently takes place?

MR METCALFE (DAFWA): Yes, it's not overly friendly.

MS MacRAE: Okay.

MR METCALFE (DAFWA): Rob Delane was the head of AQIS, he is now the DG. I think GIWA made the point previously to AQIS that the service they're providing is for the Australian grains industry, it's not for the Australian government and that changes the context quite a bit. GIWA lobbied quite heavily to have more industry say and representation in what AQIS was doing and that's been opposed up to this point. But I think we will certainly continue with that, to try and reshape that service again, because industry, at the end of the day, pays for it. So we should have a say in how that service is provided and to what level the service is provided, and

also about how it's positioned into the future. I don't think we're having a reasonable say in that space at this stage.

MS MacRAE: That has been very useful. Is there anything else, Wendy?

DR CRAIK: That's fine, thanks, Angela.

MS MacRAE: Okay, well, unless you wanted to say anything else?

MR METCALFE (DAFWA): Thanks very much.

MS MacRAE: No final statement, no?

MR METCALFE (DAFWA): No, I seem to have dug enough holes.

MS MacRAE: Thank you very much. That has been very helpful. So if I could call our next participants then, the CBH Group to come up.

DR CRAIK: Thanks very much, Peter.

MR METCALFE (DAFWA): Thanks, Wendy.

MS MacRAE: If you wouldn't mind, please, introducing yourselves, your name and the organisation you're representing. If we could hear from each person in order, then it just helps our recording and then if we have got an opening statement and then questions, that would be great.

DR CRANE (CBH): Great. Andy Crane, CEO of CBH.

MR CODLING (CBH): Richard Codling, general counsel for CBH.

MS MUCJANKO (CBH): Karlie Mucjanko, corporate affairs, general manager, for CBH.

MS MacRAE: Okay?

DR CRANE: Okay, thank you very much for the opportunity to speak with you today. I think I will keep my opening comments quite brief and leave the time to really focus on the issues that are of most importance to yourselves after the reviews that you've been doing. Just as opening comments, CBH is a WA based grower controlled cooperative; and like all of our global competitors and many of our domestic competitors, we are vertically integrated. We have an engineering business that builds our silos, we run a storage and handling business, we have a grain marketing business, and we have some flour mills in South East Asia.

This is a strong business model that is replicated around the world. When you look at those entities that are coming to Australia to take advantage of deregulation, they all run very similar business models to differing degrees. We believe that the Wheat Export Marketing Act and the associated ACCC undertakings are relevant to those port operators. We consider them to be precautionary and transitional.

The degree of the caution needs to be relative to the real threat of anti-competitive behaviour, and not perceptions, and needs to be relative to the alternative controls that exist or don't exist. The degree and the pace of transition also needs to be relative to the negative and unintended impacts of regulation. Whilst its best intent is to promote competition and to allow competition, at the same time regulation invariably in the majority of cases has unintended impacts that does stifle the natural market to work; a scenario that I would like to come back to in our discussions.

We understand its best intentions, but really, whilst of course wishing to support those smaller companies that are wanting to establish themselves in this deregulated environment, there are some very, very large players involved internationally and have come to Australia to establish strong positions, and this industry will consolidate. There will be smaller players I believe in the container

market and smaller exports, but they will be niche players. We do believe that deregulation has been beneficial.

Many more players, competing for our growers' grain, stimulated innovation, particularly in (indistinct) areas; but related to growers, stimulating the presentation of a whole range of new products to our growers: payment options, different ways of selling their grain, marketing their grain and advising growers in how to make those decisions. However, the concern around the re-regulation storage and handling, when it is on the basis of unsupported claims, is of grave concern.

Accreditation of exporters we believe has worked well, but again is part of this transitional approach. The key discussion is at what point do we move on. In Western Australia we have been through the GLA process ourselves, and barley and canola which are important crops, not minor crops, are functioning exceptionally well without accreditation. Port terminal access regulation, we do believe it's unnecessary and costly, particularly when there's no evidence of previous poor behaviour in this area, or subsequent, and that there are existing legal protections in place as well as commercial imperatives to behave correctly. We just cannot afford to chase volume away.

Transport and storage, clearly there are some alternatives emerging. As the CEO of the business I welcome that. It's important that I have credible competition to keep my business lean and mean, and that we have some benchmarks. You only need to read the papers to see the variety of alternatives that are coming along. But on-farm storage is growing and will provide growers more options. At the same time, Grain Express was a crucial introduction. Some comments are often made in the freedom of not really understanding what it would have be like if there was no Grain Express.

Of course we can't run a controlled experiment. Bear in mind, please, that we are a grower organisation. I have nine grower directors who are there on the board driving growers' interests, they wanted all those 23 new accredited exporters to present prices to all their members right across the state at all sites, those being most distant from port as well as those at port, so Grain Express provided that environment to do that. It really allowed anybody to arrive in year one and present prices right across the state to all growers, and for us to bring their grain to port at a uniform single price, open to scrutiny, and to put it on their vessels for them.

I really have to emphasise there is nowhere in the rest of the world where new entrants can achieve that level of market entry from scratch - Argentina, Ukraine, Canada; you cannot do that anywhere else, you would have to go and build your own infrastructure, be it of organic growth or buy incumbent players. So we really have dropped the barriers of entry dramatically in Western Australia to allow everyone to accumulate. That's what our growers wanted.

Finally, on information provision and market transparency, it's really for us a question about who is asking and why. Let's get to the nub of that. I think the ultimate determinate is our growers; and really understanding the balance of power that we're meddling with in dictating the release of information, particularly in referencing to further regulation through the Census Act, you know, let's tread carefully, because clearly there's a lot of requests for that information, but who is asking and why and where the benefit lies, I think really should be driving that. I can come back onto that and what we're doing to help on the release of information. I'll stop there I think.

MS MacRAE: All right. Would you like to start then, Wendy?

DR CRAIK: Okay. Thanks very much, Andrew, and thanks very much for your submission, and also the attachment from ACIL Tasman. I guess it's probably better if Angela raised that later on, given she can talk to you in person, but it's a very useful document and I guess if there's any chance of getting it more generally available than in confidence that would be great too.

MS MacRAE: Wendy, I was going to ask for that to be clarified. We might do that at the start. I think we had a hiccup in our systems and it was never intended that that whole attachment be confidential.

DR CRAIK: Okay.

MS MacRAE: There's one page or two in it, that's all, that needs to come out, and the rest can be publicly available. They're all nodding here; so I think that's great. For the same reason, it's a thorough piece of research, and it's very useful that it's available. So I think we have got that one solved already.

DR CRAIK: Okay, that's great. Thanks for getting that done, Andrew. I mean, it's a really good, useful piece of work. Just a couple of questions just to clarify. In your submission you suggest that CBH incurred something like \$200,000 in the cost for accreditation. You've had to do it twice though, haven't you? You've had to do it once, and then the renewal. Was that about the same cost every year, each year?

DR CRANE (CBH): I think I have Richard here who can be very clear on the costs of accreditation.

MR CODLING (CBH): Yes.

DR CRANE (CBH): The licensing or the accreditation to the port access?

MR CODLING (CBH): Yes, two different - - -

DR CRAIK: No, the licensing.

MR CODLING (CBH): Yes. Look, I think the figure of 200,000 was a rolled-up figure for both years' application.

DR CRAIK: Okay. Then the other was the figure for the port access undertaking was 1.2 million, if I remember correctly, or one million?

MR CODLING (CBH): No, 1.2 million, you're correct with that. The one million is external costs and then there's approximately \$200,000 in internal costs.

DR CRAIK: Okay. Thanks very much for that. Did you find the cost of renewing your licence - renewal was less than the initial accreditation or was there not much difference?

MR CODLING (CBH): It was a bit less, but not significantly so, I wouldn't say.

DR CRAIK: Okay.

MS MUCJANKO (CBH): Wendy, it's Karlie here - - -

DR CRAIK: One of the issues that has come up a number of times, and you will have heard - I assume you were there while the department was there and it has certainly come up a number of times - is this whole issue about market information between bulk handler and the turning up of CBH, Andrew, and I guess the fact that as I understand it CBH have put in place some kind of ring fencing provisions to get around that issue so that there isn't transmission of information between the bulk handler to the trader which would lead to the marketing advantages. Could you explain what those provisions are and did you do it voluntarily and why and things like that? Could you give us that sort of information?

DR CRANE (CBH): Yes, we put quite a few policies and systems in place, segregation of information and internal processes. I might just get Richard again just to elaborate on those because he is part of putting those in. Richard is at our corporate level, our group level, and these have been in force right across our business.

MR CODLING (CBH): Yes, sure, Wendy, look, it was a voluntary thing. We voluntarily did it as part of the ACCC notification process. We recognised the risk that could occur to the group were we to misuse that information. I guess we decided that the value was not there in terms of making sure that we didn't contravene the Trade Practices Act versus an idea and the damage to our reputation and the damage to the willingness of people to put grain into our system and to deal within our

system.

MS MacRAE: Sorry, can I just clarify, because this is, I think, where my confusion is coming from. When you said it was part of the notification process for the ACCC is that a general Trade Practices Act thing or part of your access undertaking?

MR CODLING (CBH): Well, it was part of the bundling process that we went through where we sought to notify our bundling conduct for Grain Express.

MS MacRAE: So it's the separate ACCC undertaking for Grain Express, not - - -

MR CODLING (CBH): It's not an undertaking, it's a notification.

MS MacRAE: Sorry.

MR CODLING (CBH): Yes.

MS MacRAE: The notification there is not to do with the WEA access - - -

MR CODLING (CBH): Correct.

MS MacRAE: Okay, great.

MR CODLING (CBH): Correct.

MS MacRAE: Because that's one of the things that keeps confusing me.

DR CRANE (CBH): I think it is important to emphasise we have so much to lose for our business to get any of these things wrong that we have erred on the side of extreme caution. Sorry, Richard, I interrupted you.

MR CODLING (CBH): No, that's fine, Andy. I guess the policies and procedures are in place to stop the transmission of marketer information across to Grain Pool.

MS MacRAE: Yes.

MR CODLING (CBH): They're designed to prevent Grain Pool obtaining information which would be market sensitive, and they're audited on a yearly basis. The results of that audit are provided to the ACCC. So we feel that there's very strong controls on that. That is done to give our customers comfort that their own information won't be misused against them.

DR CRAIK: Is it possible, Andy or Richard, for the commission to get a copy of those audit reports so we can have a - is that a possibility or should we ask the ACCC

or what?

MR CODLING (CBH): Look, I'll have a think about that. I'd have to have a look at what's in them.

DR CRAIK: Yes.

MR CODLING (CBH): I mean likewise we have obligations of confidence with each of our customers.

DR CRAIK: No, of course.

MR CODLING (CBH): Which we can't breach. So I'd just have to check to make sure there was nothing in there which would breach those. But otherwise in principle certainly I don't have an issue with that.

DR CRANE (CBH): And particularly some of the systems and processes we have put in place they're not actually covered in our submission. If you're asking the question, Wendy, what other types of things we've put in place and proof that they have been audited then I'm sure we can provide that. We are also relocating our operations team into a separate building. We are doing everything - you know, as I said, we've got so much to lose. But I will not be separating our business and selling off parts into its constituent parts at a time when we are trying to compete against - trying to ensure there's at least one Australian grain entity's surviving competing against the major vertically-integrated businesses.

It was quite galling - well, some of the unintended impacts of these sorts of things during last harvest around the allocation of shipments that people would be surprised to know that - and again the business's attempts to be absolutely whiter than white - that Grain Pool was permanently behind in its allocation of shipments and that (indistinct) were allocated even though there was line-ups and we had the problems we can talk about. But Grain Pool was permanently behind our entitlement as the scheme was laid out for all to understand because they just couldn't afford to be on the wrong side of this. So we're actually harming our own entity at this phase. So it's particularly galling when unfounded claims of unfair access, preferential treatment are made when I know we've actually disadvantaged, the growers' own entity.

DR CRAIK: Okay. If we could get information on, you know, the systems and whatever you've put in place that would be good. In terms of - if it's possible to access those other reports we don't really need to know anything commercial because it's really, you know, how the auditing of the systems has gone that's of interest to us. So if that's possible that would be excellent. Thanks very much. That would be really helpful. I take it from what you're saying that neither GrainCorp nor - - -

MR CODLING (CBH): ABB or Viterra.

DR CRAIK: Yes, ABB, yes, Viterra, have those provisions in place?

MR CODLING (CBH): We're unsure whether they have them. They have not made anything public on that nature.

DR CRAIK: Okay. Well obviously we'll be - it has been really helpful to clarify that position.

MS MacRAE: Yes, amazing.

DR CRAIK: We've been wondering about it a bit. Moving on to other issues - - -

DR CRANE (CBH): Sorry, I'll just emphasise that point. I'm not going to reorganise our business on the basis of perceptions, particularly when they are coming from the competitors of the Grain Pool - - -

DR CRAIK: Yes.

DR CRANE (CBH): - - - who would love to see the business broken up and they remain vertically integrated at global level and other levels in different countries. Sorry, Wendy.

DR CRAIK: Okay, thanks. Just on the port access undertakings, I note in your submission that you suggested that - well one, you want it removed. But equally that you'd be prepared to develop a voluntary industry code of conduct. Now, presumably you're talking about one that's industry wide, a code of conduct that's industry wide where everybody is subject to the same provisions in the code, I guess, with - and you suggest a dispute resolution process overseen by an appropriate grain industry body. Presumably you're talking about something like GTA. Is that right?

MR CODLING (CBH): Yes, an appropriate industry body. I think over time that will develop as to whether it's GTA or another body but we certainly offered that up in the lead-up to the Wheat Export Marketing Act. I believe ABB and Viterra would - sorry, Viterra and GrainCorp would still be amenable to something like that, but you'd have to ask them.

DR CRAIK: Yes.

MR CODLING (CBH): But we certainly see an industry code in that way as being less intrusive and less expensive to run whilst still maintaining, I guess, a bit of transparency and ensuring that there's a say in how the industry is run.

DR CRAIK: Yes, okay. Okay, thanks, that was helpful. One of the issues that keeps coming up and you've alluded to, Andrew, is the congestion issues in the export grain industry, the 08-09 harvest. Could you just sort of run us through that, take us through that and why it happened and what happened and how it was resolved?

DR CRANE (CBH): Yes, certainly. So at the time in the lead-up to harvest working through all the new ways that suddenly CBH was going to deal with 23 different owners of wheat as opposed to two owners of grain, the Grain Pool and AWB, they put together the scheme of awarding shipment access to the ports based on entitlement. If you've bought 50 per cent of the grain you get 50 per cent of the slots. It was the best and pretty much the only method that could be found that people were reasonably happy with. However, the smaller exporters started to challenge that early on. They felt that was not giving them the access they required. Compounding then we had a delayed harvest. We had a global financial crisis where those people trading grain would be very strongly driven to execute contracts early, ship early and get those funds back and paid off, so those combination of issues, and then other vessels arriving down in Western Australia at the same time, so we had a line-up of vessels.

I think at times, with hindsight, we could have handled it better, absolutely, but we did though really ramp our game up. I mean, we exported 6 million tonnes between October 08 and April 09; that's double the volume of the year before and one and a half million tonnes in the March, which is a record. So we ramped it up and in the end, the average delays are quite small.

Now, clearly there's been a lot of noise because some of those entities incurred demurrage. Western Australia ports have been heavily invested in by our growers, sometimes not actually to the financial (indistinct) of our growers. Peter alluded to ease of doing business; it's probably the method. We expended \$137 million just upgrading our new port a few years ago. People try and build ports for less than that. Some of that money was to speed up the loading of vessels. That is value we actually give to the exporter because that vessel is then loaded quicker than their charter party and they earn despatch. They earn money when it's loaded quicker. Both the Grain Pool - I can't really speak for AWB but I would be reasonably sure of this, in the years leading up to this have been very happy that they earn despatch far more times than they ever paid demurrage and so there hasn't been a demurrage despatch agreement. In fact CBH, I would believe, actually talking on the growers' behalf, has been leaking value over the years. So those demurrage despatch agreements weren't in place for the last season, as a precedent, and because our ports do perform well and even judging on last year's performance, there were line-ups, but on average, and again in comparison to other ports, I still felt probably weren't that bad. But are those people saying, "Where's my demurrage?" when in fact they didn't

sign an agreement that included it on a despatch because invariably you get despatch out of Western Australia.

Taking into account all of that though, we brought in our unique online shipping slot auction service that is run by a third party, is run at cost, we don't take a margin from it, and we trained all the traders in how to use that. We've had mock auctions. We have had auctions and so slots have been allocated on that basis as an alternative method of ensuring people have absolute certainty over slots. What deregulation has done is probably turned shipping slots into a new commodity that never existed previously, so that when you're an exporter or a trader, you're buying grain from a grower. Part of your risk management is then to know whether you have a sale in place or not. You make the decision of when you're going to physically sell that grain. You need to have your currency in place; whether you're going to fix your US dollars or not and you need to have your ship freight, your freight rate fixed as well. One new leg of that risk management is: have I got a shipping slot? That would be common right across Australia. Have I got certainty of shipment? What our system does is provide that.

So I do hope in your review that whilst of course you would have had plenty of comments on those issues last year that we're not designing the future based on the rear-view mirror. We have got something in place that is working. We've had the first two auctions which auctioned off 70 per cent of the volume available and then we have subsequent auctions that auction the remainder and that is functioning, by our determinants and others, as working very well. We've had some praise from the trade and also inquiry now from others as to how this is working and maybe its wider adoption in other areas.

DR CRAIK: With the auctioning, if people successfully bid for a slot and they subsequently can't use it, can they then trade that slot? I mean, if it's a commodity, can they then trade a slot themselves or - - -

DR CRANE (CBH): Yes, there's a secondary market. In designing this, equally, and traders being traders, if you create a commodity - we didn't necessarily want to create a whole new market, it was to do a specific job of giving exporters certainty over loading, so there are anti-gaming, anti-cornering measures in there. There's also a review committee that includes members from the trade, as well as from our business, to give it that independent nature as well.

DR CRAIK: One of the comments that the Exporters Association made was that you auctioned off core capacity and then sometimes you had what was called surge capacity and the question was raised, is it additional capacity or not? If there's a certain amount of capacity, it's capacity, and then suddenly this surge capacity appears, is that surge capacity the 30 per cent you're referring to, the 70 then the 30, the core and the surge? Is that what that relates to?

DR CRANE (CBH): Richard will give you the technical answer to that.

MR CODLING (CBH): Yes, nowhere near - the 30 per cent is not the surge capacity. There's a couple of things here, to be clear: the surge capacity is really about the up-country supply chain. It can be acquired by people who wish to just use the port terminal and they don't pay the additional costs associated with that capacity but when we're auctioning off the capacity, and bearing in mind that most people use our up-country supply chain, we need to be clear as to what the whole cost of that is, and that's why we include a surge capacity cost. We're making an assessment in advance of the ability of our ports to get grain out. That's affected by weather, it's affected by a line-up, it may be affected by mechanical breakdown, all of these things. What we're trying to do is give the trade a great level of certainty as to what they can export in the given 14 to 16-day window and what the cost of that is, whether they use the port, or the port and the up-country supply chain.

DR CRAIK: So if they just use the port, then that's the surge capacity. Do I understand that correctly?

MR CODLING (CBH): No, if they want to just use the port, they can use either core or surge capacity but obviously you don't get into the surge capacity until all the core capacity is used up. But if they use the surge capacity and just the port, they will not pay the additional fee.

DR CRAIK: Okay.

DR CRANE (CBH): And I think it's important that the auction is for all people trying to get slots, be they coming from Grain Express or the direct access people, so it's very much a provision to allow that open access to our ports.

DR CRAIK: But is simply open access to your ports straightforward in all your ports?

MR CODLING (CBH): We believe it is, Wendy. It's certainly there, it's transparent. You've got auction catalogues being released. There's another one coming out on Monday for the next auction. We feel that people know exactly what they can get out of the Western Australian ports in any given month. They can see how much was taken up, how much is still remaining and yes, we feel access is very straightforward.

DR CRAIK: Okay, thanks. One of the other issues that was raised in the exporters' submission was that some of the traders feel that they wear all the downsides, that CBH doesn't share the risk, so if there's something on the despatch side, CBH gets that benefit and if there's a demurrage cost, then the trader wears that. I take it that

wouldn't be your perception, so I guess I'm interested in your view on that.

DR CRANE (CBH): That's definitely the reference to the demurrage despatch debate and unfortunately they don't see what Grain Pool and AWB were seeing for the previous 20 or 30 years of earning despatch year in, year out of growers' investment. So I think though here we come into some of the territory of unintended impacts of regulation, that the guys in the AGEA and the club there, at times are looking for their cake and eating it. They want to sometimes define a commercial relationship with us via these regulatory instruments and are using the ACCC and their submissions and complaints to the ACCC and to the WEMA to drive us to certain points.

What that does is that drives us to deliver a vanilla solution. It drives us to sometimes be quite afraid of our own shadow in not wanting to treat anybody specially, in not wanting to enter into what you would normally do in a commercial environment, trying to attract volume into our system and enter into commercial contracts with these large players. So in fact many of them who are the large players, really what they're receiving as an outcome of this process is the same vanilla option that even the guys only exporting one vessel gets. Now, for the little guys, that's great comfort; for the big guys, it's frustrating. But that's an unintended impact of where we are, versus having a commercial relationship whereby CBH has 19 million tonnes of storage. We could put the crop out five times over in a year. We have a commercial imperative to attract every volume to our system.

We want to sit down with these guys and negotiate relationships with them, storage and handling agreements that could be individual and that suit their particular needs, and they are different and would include demurrage despatch agreements and so on. We have started demurrage despatch discussions with these guys anyway, but I am cautious, because if we do something special for someone, least of all the Grain Pool, everyone goes running to the regulators and that just drives us back to say, "Well, then we'll just provide the nice, safe, vanilla, independent, automated solution, and then we don't get any fuss."

But is that actually connecting our growers to the marketplace better than the Canadian growers and the Ukrainian growers and the Argentinian growers; because this is not about Australia. Whilst we are very preoccupied with ensuring about competition within Australia, within WA, this is a global issue. Our growers, particularly South Australian and Western Australian growers, largely depend on being competitive in the export market, and we do not want to cruel their system in trying to be true and honourable to Australian businesses trying to get themselves established and to regulate the environment when in fact this is about our growers being competitive at the global level.

MR CODLING (CBH): Sorry, Wendy, can I just clear one thing up too, which I

may have misunderstood from your earlier statement on despatch. CBH doesn't earn despatch on any of the vessels that it loads or doesn't load, the marketer does, and it always goes to the marketer if they're loaded within their charter party time limit.

DR CRAIK: Okay. The special occasion was that they didn't ever get any of that benefit that they - well, maybe I misread their submission, that they certainly wanted the demurrage. Okay.

MR CODLING (CBH): It would be very disingenuous if they were to say that we took the despatch and gave them the demurrage, because it's their agreement with the ship owner.

DR CRAIK: Right. Well, I'll go and re-read that. Thanks for that.

DR CRANE (CBH): Certainly the freight rates that they achieve when shipping out of Western Australia versus the other states, based on the speed at which our ports operate, does provide them an advantage. There's not only a geographic freight advantage in Western Australia but, you know, other ports, that have to two-port load, they are slower; they have to build in more fat into their charter party, which puts the freight rate up. So sometimes they're not earning demurrage despatch but they're actually getting a cheaper freight rate because they have shrunk the time down in the charter party allowed for loading in Western Australia to a small amount. Sometimes also, "we don't see, you won't see" some of the financial advantages they get by loading through our ports.

MR CODLING (CBH): They can load the risk up into the demurrage rate to get a lower freight rate.

DR CRAIK: Yes, okay. Now, just a last question, as I understand it, you have something like 197 receival sites through WA and we have seen some commentary that there's a tension on CBH, in terms of trying to rationalise the number of receival sites, which seems like an enormous number, but the tension of trying to rationalise that with the cost structure and of course people wanting to retain their local receival sites because it's most convenient to them. Is that a very real issue for you?

DR CRANE (CBH): It's something we wrestle with every year, particularly as a cooperative. We're as much about providing a service to our growers, a cost-effective service. You know, we might be more cost-effective by closing a lot of sites, but not if that's just moving those costs onto the growers and they have to drive an extra 100 kilometres or something. So we balance the two. Our strategy at the moment is very much, yes, we have 197 sites, and in a 14-and-a-half-million tonne crop, our last record crop, we'd probably need most of them, but in a 10 million tonne crop you have two options: you can use them all and not all fill; or you can padlock some and use the remainder efficiently, and that's more the strategy

we're following.

At the same time we also have a strategy of focusing our capital expenditure on around 60 primary sites and getting their performance up to the point where those growers want to bring their grain anyway, because of length of service, the number of segregations available. In turn, if they then prefer those services and start to neglect those smaller sites, then we can bring rationalisation through a sensible approach, rather than the draconian, you know, we're just going to shut them for some greater good.

So absolutely, yes, we wrestle with it, but we have strategies in place - like I say, focusing the capital, and prudent opening and closing. I was only in the bush the last two days where we are also trying to close sites early and get our variable costs down to be efficient for our growers, now that the deliveries are tailing off in certain areas. We also have to balance that with changes in the freight network and the flows the grain based on the cost of road and rail. But we may come on to that.

DR CRAIK: Are you to a large extent reliant on government investment for the increased investment or improved investment in the road/rail network?

DR CRANE (CBH): We'll bring the crop to port, whichever way.

DR CRAIK: This was in making sure that the rail and road is sufficient for your activities.

DR CRANE (CBH): We believe that there is an element of state interest, environment interest, as well as growers' interest, to be bringing, say, 60 per cent of the grain to port by rail. We have been higher than that number, but in the last few years that has been dropping down to around 50-50 and even less by rail. The rail isn't performing, but you have heard this morning about the review.

DR CRAIK: Yes.

DR CRANE (CBH): The government just gives us certainty over which lines they will be supporting, then we will build infrastructure accordingly. We invest in rail very heavily. You know, for us it costs more to load trains than it does trucks, to put grain up in the air above a rail line versus buying a front end loader that we can move around the state. It is more fixed capital, it's high risk and also more expensive. But we are committed to rail and we're happy to support it.

That's why in this process we're saying, "We are there with more rail infrastructure investment if the government is there to support the rail network and the rail companies, both the operator and the track owner, are also there," and that's that three-way solution that we really need, and the government are hopefully close

to some clarity on that, and we can then keep the rail volumes moving; because, like I say, there's a grower interest, there's an environment interest and a social interest in this as well. Then it's whether the roads are actually truly costed correctly versus rail. It's easy to say, you know, the grain will just migrate to the road, but is a road train paying its full true cost compared to a train?

DR CRAIK: Okay. Just a last question in relation to industry-good functions and information generally. The government funding for the ABS and ABARE information runs out in 2011. Do you have a view about whether government should continue to fund information collection or do you think that really is a responsibility that should fall back on the industry, and industry-funded solely, through some kind of structure that the industry has or sets up.

DR CRANE (CBH): Maybe I can give two answers: (1) around ABS and ABARE, which I think are institutions, and I'm only giving you a gut-feel answer on that one rather than a CBH position, but I think they'd form a very important central system of data for the country. But as for industry good functions, I would just point to the creation within the industry of organisation for barley and for canola and for oats and for the trade. From my experience, the best industry-good organisations are those that genuinely exist because the industry wants them to exist and the industry have thrashed out their pre-competitive and post-competitive discussions about what they deal with and what they don't deal with.

I was involved in the creation of Barley Australia, which exists to provide feedback of information to breeders, to provide accreditation, some standards around what is exported from the country, and to stimulate research and development, and all the main players are part of it, they all put money in; and it costs quite a lot of money to maintain an executive, even one or two people, plus all the associated costs, but they do that willingly because they have dealt with all the issues of conflict.

The same exists for canola, and Pulse Australia as well. So these bodies exist, they are 'industry' bodies. I think one I point to as well of course is Grain Trade Australia. We are funders and supporters of all of them; and not only that, we put a lot of management time into them. But the important thing is the industry players have got together and actually got quite clear about what is in their common interest and what should be left for them to compete on.

That's a very important line to be drawn, and it's best drawn by industry, because if you start drifting into, saying, "Right, we'll all get together and go off and do overseas missions and promotion," everyone wants to go to the market and do that, but ultimately true competition, if we're letting it go, if we're all fans of that, then we let those people do that, but taking certain key things and messages, brand

names, certain minimum quality criteria, taking those policies and instruments with them, embedded into their own materials, just as an example of being able to draw these lines. So at the moment, yes, something for wheat hasn't emerged, there are different proposals for that.

MS MacRAE: The US Wheat Associates gets raised regularly as a possible one but that's quite different, I understand, and has a big funding element from government and quite a big say I think in what it does according to how the government sees it. So would your preference be for a purely industry-focused body to do that work rather than having a government involvement as well?

DR CRANE (CBH): I think so. I'd need to be convinced otherwise. There's also a Canadian Grain Commission, I think, but then that starts to move more towards our GRDC model. I'm just cautious about further levies on growers and particularly when it's doing things that say the industry don't see the validity for, and ultimately the competitive spirit means - some people just buy and sell FOB to the trade, others who are marketing and there is a great difference between trading and marketing, we are strong marketers, we employ technical experts, we take them to the market, we are working with not just the commercial buyer but the technical people to prove our products and get them established and so on. That's hard work and that's something we do and that's part of differentiating ourselves and I'm not sure if that's what a national body should be doing.

MS MacRAE: Just in relation to that work that you do do, we hear conflicting about views about how much of that sort of activity that AWB used to do is now being done for the Australian wheat market as a whole. Do you see that as something that's kind of evolving and the market will just look after it or is there something that AWB used to do in that sort of realm that isn't - I guess you're saying that you need an industry body that can work out if there's gaps and fill them but that would be a package solution, if I can call it that, from your thinking of what was happening previously.

DR CRANE (CBH): Absolutely there are gaps and that entity of the AWB built up over all those decades with the brand and so on, it was so strong. For that to now just be one player, absolutely there's some confusion in the marketplace and we see container shipments and varying quality and people attaching an old AWB name to a grade and they're not actually backing that up, absolutely. We are in a transition period and things such as the Wheat Classification Council proposal and so on, the industry is getting together now and saying, "Okay, we need some of this for our own good," and I think that's starting to happen. How that will flesh out, I'm not so sure but it's starting to happen.

But certainly for us and I think several other large credible exporters we have a long-term game to play and we take a very important focus to technical marketing.

We can't afford to ship out of spec.

MS MacRAE: Can I just ask generally about the operations of CBH, in relation to your operations throughout Australia now, obviously you've been WA-focused, but are you looking now to expand more to other parts of the market within Australia, doing things in Victoria and South Australia?

DR CRANE (CBH): Absolutely. We're accumulating grain in the other states.

MS MacRAE: Is that since deregulation or were you doing that a bit beforehand?

DR CRANE (CBH): We started before, absolutely. But certainly now that the wheat is available, a larger proportion of the crop than we're doing that. For us it's very much about exports so we have to focus on those areas where we can export from but we know we have to participate in the domestic market on the east coast to be able to do that, to be a successful exporter because it's a different type of market than here. Just as the competition is coming here to buy grain against our trading entity, so our trading entity will try and compensate.

MS MacRAE: But your cooperative structure wouldn't extend to involving farmers in other states?

DR CRANE (CBH): It doesn't at the moment and our co-operative structure is that WA members are our members so we're buying and in the case of our trading entity, the grain pool is operating in the eastern states purely on a commercial basis.

MS MacRAE: Right. Just in relation to the alternatives that are available for farmers, we're still hearing a bit in our submissions, probably less from the West Australian growers but from other parts of the country, about this feeling of great loss over Golden Rewards disappearing and I was just wondering if you wanted to make any comment about the sort of offerings that you think growers have in the new market and whether alternatives are emerging and whether it's a reason or feeling of loss or what might emerge in its place.

DR CRANE (CBH): I think what's emerging in its place is varying offers from different marketers as opposed to everybody getting a benefit or a perceived benefit from a system that takes all the grain and pays certain quality premiums. Now we'll see more direct connection between the grower and the marketplace whereby there is a particular grade for a particular volume and it will be a bit more confusing for growers because sometimes there will be a price for a particular grade but it is only for a certain volume to a market that's paid a premium. Those market signals will be more direct. Golden Rewards - you have some growers here you may talk with in more detail about what benefits they'd had and the other side of the coin is it may have deadened some of those direct market signals back to the growers as to how

much, for instance, noodle wheat they were growing versus how much noodle wheat the market was truly taking and paying a premium for.

MS MacRAE: Yes. Nothing else, Wendy?

DR CRAIK: I don't have anything else, thanks, Angela.

MS MacRAE: I guess it finishes for us to say thank you very much for giving you time and not just for today but our other forums and things, we really appreciate that and obviously the substantive time and effort you put into the submission too. So thank you very much. We'll break for morning tea now and we'll be back at 10 to 11 so we will reconvene then.

DR CRANE (CBH): Thank you.

DR CRAIK: Thanks, Andrew, thanks, Richard, thanks Karlie.

MS MacRAE: If we could start again, please. Thank you for that, it's good to see such animated conversation going on during the break, we probably should have been recording that as well. Welcome back. We're resuming now with the Grain Industry Association of WA, GIWA. If I could first welcome you. If you could give your name and the organisation you represent for our transcription and then if you've got an opening statement and then we can have a discussion.

MR FALCONER (GIWA): Thanks, Angela and Wendy. David Falconer, I'm an executive of GIWA.

MR DUFF (GIWA): I'm John Duff, I'm the executive officer for GIWA.

MR FALCONER (GIWA): I will make a few opening comments and follow with questions. GIWA's an interesting group and it was formed in 2008 to amalgamate five different groups: oilseeds, pulse, oats, barley and then has since formed a wheat group so there's actually six committees under GIWA, wheat, barley, oilseeds, pulses, oats and derivatives and trade. The idea was to bring all those groups together who had been desegregated and probably represented by others in an agri-political way, but there was seen a need to perhaps cover some of the issues in a more objective way, so that's how it basically came about. Its member include grain growers, consultants, processors, storage and handlers, as well as other grain-related businesses, so a diverse group from really farm to export. It's been involved in some policy development, looking at some of the supply chain constraints et cetera. Its main objective is to look at making our grains industry being internationally competitive at the lowest cost it can do.

We've provided a submission and I'd just like to make some comments about the accreditation, wheat classification, some comments on market information which Peter Metcalfe has covered from the Department of Ag, some of the industry-good functions and maybe some comments around the funding question.

In respect to the accreditation, the GIWA wheat committee sees a need for less accreditation and is mindful of the costs that are imposed on the people that have applied. CBH has identified the high cost to them and they're probably in a position where the high costs can be put over many more tonnes. Smaller exporters obviously don't have the same absolute cost, but a cost per tonne is much higher. It's probably been a misconception that accreditation has meant surety of payment and I think in the last couple of months, people have started to see that's not the case, but accreditation was thought - well, they're accredited, and payment wasn't an issue, so from the growers' point of view, it hasn't done anything in terms of surety of payment.

The other thing that's probably been a little bit of a problem is what, going

forward, would be the timeliness. I read in the submission that the process in some cases takes years and so I was quite pleased they had taken three months to approve a licence application. It seems a very long process if you have an inquiry from someone who wants to get grain from Australia and you say, "Well, I can't do it for at least three months," because that's how long it will take to get a licence. I'm not sure it's serving that function particularly well.

In terms of wheat classification, it is thought that it is a requirement in the industry and to date it's probably been helped with the receivable standards of the bulk handlers but as the industry has been deregulated, we've got bulk handlers and we've got many more traders of grain, so that's probably not as covered as well and we see that as probably covered in the industry good, but that's important that the wheat classification in some way continues.

In respect of marketing promotion, in Western Australia, the minister for agriculture commissioned GIWA to do a report on market information and there's been a lot of discussion and very different views about what was available, so that's been held in three parts. The first part was a background paper on what was available in other parts of the world and also what was available in Australia and Western Australia. That was illuminating to some participants in the industry because we run into this perception issue again. There is a lot of information out there. Some people don't know where to find it or it's not delivered on the plate in front of them so they think it doesn't exist. That report did indicate it was there. The second phase was a meeting of industry, 40-odd people across all sectors of the industry and there was a big divergence in views there again of what information was appropriate. Some traders believed that there was adequate information and it was all available. Other participants believed that the information wasn't available. What became very clear and it reinforced the issue was clearly that there wasn't a single one-stop source to get information from. One of the conclusions from that was that maybe that's something that should be developed, the available information should be actually consolidated to one source.

The delivery, and maybe that's where there is a role of government or an overarching body to assist with that provision, there is also a timeliness issue, that CBH gather information today, provide it to ABS, and some five or six weeks later, it's released. Now, I'm not sure what happens in that six-week process but I presume the data doesn't change and so there's some timeliness. The report that will go to the minister will cover in detail GIWA's recommendations. We would hope that that is to the minister shortly and released in December. I hope we could encourage the minister to make that available within the review process. So I think GIWA would be encouraging that; all as we do is encourage them, but - - -

MS MacCRAE: Yes, we know the feeling.

MR FALCONER (GIWA): In terms of industry-good issues, when we talk of industry-good functions, I think one of the issues that we get confused with is we now talk about there's 27 marketers of grain and they can do their job. I think there's a big distinction between marketers and traders. I think we need to separate that out and understand that better, where people's position is, because if you're a trader, as I said, you're simply interested in a pricing difference opportunity. You're simply interested in the arbitrage opportunity and you're not so interested in developing the market. You're operating for today. There's a price list, you make \$4, do the deal, back it off, done. A marketer on the other hand as I see it is interested in the long-term development of relationships and of selling - what I think we should be doing - Australian grain, and I think that's one of the dilemmas we have where we talk about the deregulation of the industry good. If we talk about the bigger industry good, I think we need to cover the marketing issues, so where Australian grains been positioned. If I'm a trader and I've got an international book and my Australian grains are 3 per cent of the total, I'm not sure I'm too worried about the position of Australia in the world market; I'm very worried whether I can get 3 or 4 per cent of Australian grown to cover my position. I think when we start thinking of industry good, that's a very important thing to maybe recognise the difference.

GIWA's position then becomes, on some of the industry-good functions, that they do need an overarching body. In our submission we suggest may it's not just wheat; maybe it's Australian grain that needs promotion and it's been alluded to in a couple of the other submissions that the US Wheat Associates model - not all components of that model or the Canadian model - and you hear people who have been to markets in Asia and that, "Well, US Wheat Associates were there before us and Canada was there before us. Who's coming from Australia?" Well, before, it was the Australian Wheat Board. Now, in deregulation there's not someone there representing Australian grown. If you're a trader, you're not representing Australian grain, you're representing, "How do I make \$4?" So I think that's why we think some of the industry-good functions are very important to be covered by some sort of overarching body. They come to, you know, "Why have we got the best wheat in the world? Why have we got the cleanest wheat in the world?" a whole lot of those functions.

The variety issue needs not to be dealt with on a very short-term basis, it needs to be dealt with with some rigour and some opportunity that breeders know where they're coming from in terms of the whole markets that they're operating, otherwise we'll lose components of that system. Once again, I don't see simply someone who's a trader covering those issues. I think that covers QA as well. "Quality assurance" is a very easy term to use but you get back to - there's a disparity of ways that's administered in the industry. GIWA once again is associated with the CBH group on the growers advisory council and they have provided some funding for GIWA to look at that QA issue over the next couple of months and that once again may be more relevant there. That could be provided to the commission as some sort of

background.

MR DUFF (GIWA): I think the QA issue is a very interesting discussion point that GIWA will have in the next few months and industry will have, in that QA could potentially be a supplement or displace the need for accreditation. If you've got a QA'd industry, if it's providing quality-assured grain that has preferable industry standards, industry-assured supply chain right through from the input suppliers, producers, through to marketers and traders and they all comply with the QA standards - maybe they're different, but they all link together; then I think you're starting to get that marketing of Australian-grown that David is talking about. So I think that is a critical issue that's worth taking on.

MR FALCONER (GIWA): The last section is funding. Someone has got to pay for all these good ideas. I believe there's a common good for a lot of this for Australia as well as growers and exporters and other participants. The GAC funding model I think is 50 per cent government and 50 per cent industry funded, on the basis that there's a common good to that research and it's good for growers, and maybe that supports some of the argument that, certainly initially, and I think a bit longer term as well, there is value in Australian grain being promoted and some of these issues covered. So we would think from GIWA's point of view there is a role.

The other issue at the moment, the way the wheat export funding works, obviously it's only on wheat export. Being from WA, it means WA is paying for most of the Wheat Export Authority, simply because we export most of the wheat. But there's a lot of other grains also benefiting from some of these common good functions. So if there was an industry levy as such, as much as we don't like a levy, maybe it's a little fair if it covers all grain and it's not just export, because I think domestic picks up from a lot of those exports. Maybe in the short term it has been appropriate for it to be export, but I think that should be canvassed

So in terms of the recommendations from GIWA, we think there is a role and maybe looking at the GIWA model at a national level may have some advantages, in that if you've got the individual commodity groups coordinated into one, then that gets some efficiencies, because some of the standards and some of the variety issues can be covered across all grains - they have their own specifics, but the structure can be covered across all grains, we think that would be useful - and that the funding should cover all grains.

Just touching on a couple of other smaller issues. GIWA has been involved in the strategic review of the grain network committee, which Peter alluded to and I think Andy alluded to in terms of the transport issues. Hopefully, once again, that report comes to the commission and I can see the results of that. I think one of the difficulties we have seen there is people being unable to focus on the long-term issue as against the short-term issue: if I'm 2 K's from a bin and operationally it's deemed

it should close, then I jump up and down and scream because it shouldn't close.

It has been slow for the industry to recognise that may have a higher cost, and I think until it does, the full cost of that is reflected to the participants, we will still have this individual patriotism for "my bin." I think the real challenge is how do we think five years ahead for the best network, both road and rail, because once again it's very easy to think that we have got a plan that says, "Let's take it to Lake Grace. But if I'm at Newdegate, I want it to go to Newdegate," and it's very hard to separate that bigger issue. But it's a challenge that we need to face in the industry.

Just finally, two other comments. There was the AQIS issue and how do we think differently. I think in all these things we have to think very differently in going forward. I have been involved in some of the discussions that GIWA has had with AQIS. I think in the past it has probably been seen as an organisation to enforce what the act says and that's a requirement, rather than think further ahead and say, "How do they assist Australia to get the most grain out?" So the comment about why we can't fumigate or ship is simply because the law says it has to be fumigated before it leaves. No-one is saying, "Why can't we change it?"

There was an example the other day with CBH. CBH in their assessment for grain going into bins is that traditionally the truck have gone to the CBH sampling shed and been sampled. They have introduced a policy this year on a trial basis where they're sampling on farm; it has increased efficiency enormously. It's about thinking ahead and making those sort of changes. I think we can do the same thing with AQIS. How do we get grain more efficiently? If we have got it up-country fumigated for two months and it's on the water for a month, why can't we use some of it? From a GIWA point of view, we haven't had this feeling, "How do we help?" We have perhaps had a feeling of, "How do we enforce the law?"

There was comment made about Grain Express. There's a couple of things that happened with Grain Express. The system involved a change from paper to computer, and that was happening with deregulation, so they had to come to grips with that. They had to come to grips at the same time with there were two buyers and then there were 23. So there was enormous change, not just because of Grain Express.

From what I've seen and my clients have experienced, the growers and traders have adjusted after one year, and it has been a remarkable system, in terms of how it has worked. There has been hiccups, there has certainly been some adjustments. But the ease to be able to deliver your grain and separate the physical delivery to the pricing has been very good. You can sit down and look at your loads and make that transition. So from a GIWA point of view, we have seen that is pretty good. It's change.

It wouldn't help Wendy today, but the days when we had one landline and could only take so many callers, it seemed pretty easy, today we have got a mobile phone and a Blackberry and a fax and everything else and we have got myriad plans, and that's just change, and we have got to be careful in separating the change from whether the system is any good. I'd just like to thank the commission for the opportunity to present GIWA's submission. Any questions?

MS MacRAE: So did you want to say anything more, John, as an opening?

MR DUFF (GIWA): I think that David has covered it pretty well. I guess the GIWA feeling is trying to get individuals to see themselves as part of the bigger team and operate as part of the team for the benefit of everyone, including individuals, if I could sum it up. But I think he has covered the main points, and they're in the submission.

MS MacRAE: Well, would you like to start then, Wendy?

DR CRAIK: Okay. Thanks very much, John and David for the introduction. That's really helpful, and your submission was really helpful. Just following up the issue of - I'll call it, national wheat or grain industry body, there are a couple of questions. Firstly, do you think that the government should be part of that body or should it be driven by industry and should industry drive the establishment of that body, and would you be expecting government funding for it, or do you see the whole thing as a totally industry-driven and funded entity?

MR FALCONER (GIWA): I think in the transition phase the government will need to assist. My comment is that we have now got 27, what I call, traders and maybe three or four marketers, they're quite different in how they will wish to contribute, and I think unless we have people thinking along the lines that they're marketers then they probably will not see the need to contribute to some of these industry good functions, but they will be receiving the benefit of them. So I think that the government may need to be involved to incubate that, more than just leave it to the industry itself to sort out, because you may well have three or four only seeing it of value.

DR CRAIK: Barley Australia and Pulse, I know there's all those groups, it's not evident to me that governments have a hand in that and yet they seem to be quite successful industry-driven entities.

MR DUFF (GIWA): Yes, Wendy, it's John here. GIWA is a member of the national Pulse Australia, Australian Oilseeds Federation and Grain Trade Australia. It sees that they're providing part of the picture, part of the national scene. It is also having flirtations with the Grain Council of Australia, in maybe its death throes. But it sees quite big gaps there, that we see in the GIWA model we fill probably well

with the wheat committee.

Those organisations, I know from experience, have funded themselves from industry and are industry-driven - which I would suggest, and I'm sure the GIWA executive would strongly support, is best driven by industry, because, you know, government has all sorts of other requirements, none the least is having to be elected every three years, whereas industry is driven very much on a commercial basis. So I believe it has to be strongly industry driven but government support is essential, really, and particularly in the early stages. With GIWA we're getting going on industry support and government support and without the government support we wouldn't be getting the traction that we're getting now.

DR CRAIK: Yes, okay, thanks. Just moving to the issue of information, the report on the workshop or the report to minister of the review of market information was interesting and it certainly highlighted the divergent views across the industry and within the industry of what kind of information, who should provide it et cetera. But I guess the recommendations that came out of it, a national scheme for provision of market information, there's two specific recommendations of information: one that pre-harvest information should be provided monthly on hectares planted and variety; and the other one on post-harvest information, which I guess is already being provided by ABS, ABARE. Do you have a view about who should provide that pre-harvest information, you know, who should collect it and who should provide it? I think there's planters and varieties.

MR FALCONER (GIWA): Yes, Wendy, on the second issue, the post-harvest information, at the moment in Western Australia it's only provided on a monthly basis.

DR CRAIK: Yes.

MR FALCONER (GIWA): So it's not provided on a weekly basis.

DR CRAIK: Okay. So you want it provided weekly? Okay.

MR FALCONER (GIWA): Yes.

DR CRAIK: Yes, okay.

MR FALCONER (GIWA): The information that goes to ABS is provided - it comes out of ABS five or six weeks later.

DR CRAIK: Yes, that's right, yes.

MR DUFF (GIWA): So it's not timely at all. Look, I think an industry group

could - to date the Department of Agriculture and Food has provided some of the forecast information in combination with ABS but I think once again it needs a review because going forward those contexts are a little different, as CBH has done a grower survey and had a high participation rate from growers in terms of what they had planted and expected to deliver. This year the response was quite a lot lower for a number of reasons. One, there was a perception that maybe CBH was going to use that information to their advantage and growers were much slower in returning that. So I think it will need to change and I think an industry body doing that would be much better.

DR CRAIK: Okay.

MR FALCONER (GIWA): Just on the information, I think we get confused about the power of the information and that who has actually got information now. A number of people have got customer bases over a period of time of what growers delivered without actually owning the handling authority. AWB, for instance, has sold a lot of grain over the years. They obviously have a database on their clients and the amount of grain they've delivered. Other smaller consultants who may have 200 businesses they're working with in the grains industry have all that information on their own clients and form their views upon it. Grain Pool, separate from CBH, is able to do the same thing with their client base. It's not a lot different from other groups, other businesses, having a client base. We have suddenly got really confused, I think, that because one group also owns a handling authority they've got a lot more information.

Now, you know, we've been shown that if you contravene the Trade Practices Act the penalties are pretty severe, not only on the business but on the individuals. The individuals in the CBH group are pretty cognisant of those powers coming down on them and don't want them enforced. So I think we have this misunderstanding, or it's an easy perception to have, but the reality is there is a lot of this information out there already aggregated by others and CBH is just one of those groups.

DR CRAIK: Yes.

MR DUFF (GIWA): With the report, Wendy, and the study, it sort of became clear - a couple of things came out of it that were very interesting. One was that there is quite a lot of misunderstanding, particularly amongst growers, of what information is available and what the power of it is and whether they should allow it to be released or not. I think some of them changed their position 180 degrees during the study. So the sort of conclusions that came out of it was that there is a need to provide something now from industry to ensure we're probably in this marketing phase, more or less, marketing objective to market Australian grain or Western Australia grain that we're concerned with, and continue a flow of information. So there's a bit of benchmarking going on. But also there is a real need

to consider from a national point of view what is in the best interests of the industry, you know, what type of information is in the best interests. That needs further consideration and further understanding, further education so that there's a much better common understanding before we launch into a US Wheat Associates or something like that. So they're two - - -

DR CRAIK: Yes, it would be an expensive venture too.

MR DUFF (GIWA): Yes, well, I guess that's why we're talking to you.

DR CRAIK: Okay, Angela, that's all I've got to ask.

MS MacRAE: I just had a couple of questions, because Wendy has covered most of the ground I was going to. But we have had a range of views about - just going back to the overarching sort of industry body, I would just be interested in your views of the benefits of having a grains organisation rather than a wheat organisation. We've had a bit of feedback saying, look, you know, the word "wheat" is very powerful and important and we shouldn't lose that and we don't want it to be sort of caught up with other grains if we're going to be successful at marketing and positioning it in the world that it's really about a wheat body rather than a grains body. So I guess the synergies and the pluses and minuses you've seen as a result of GIWA forming, do you have views on that?

MR FALCONER (GIWA): The GIWA model is driven by individual organisations identifying there were some common goods across them. So the GIWA structure has been to keep five or six committees as mentioned before, the trade, wheat, barley, oats, pulses and oilseeds. But across that there's a matrix in that across that there's a group for standards, there's a group for varieties, there's a group for agronomy.

MS MacRAE: Okay.

MR FALCONER (GIWA): So more recently there has been a discussion about the grain delivery standards for Western Australia. So what has happened is within GIWA rather than wheat dealing with it on their own or barley dealing with it on their own or oilseeds, the standards group across all those grains has got together and met and said well, what's common - that we should put across all those growing that's common - and then what are the individual positions that we need to deal with? So that has been very useful. The other thing that has helped is that it has helped then people have an understanding of what each other's issues are because at a farm level you don't just grow wheat. Well, there's not many people just grow wheat. You're growing a variety of grains and you have to deal with all these issues.

MS MacRAE: Yes.

MR FALCONER (GIWA): I think also the same with a lot of people buying grain, we're in - Australia's exporting grain. Okay, the trader might be just worried about wheat, when I'm the wheat trader I'm worried about wheat. But really I'm dealing with Saudi they may be interested in four grains. So I think there's a lot of advantages of putting them together. That has been, I think, the success of the GIWA model is tying that across the industry together to get efficiencies in some of those things. Like in R and D you can be doing R and D and there's little point in a group doing that on wheat when you're in a rotation with wheat, canola, lupins and barley.

MS MacRAE: Yes.

MR FALCONER (GIWA): So there has been a lot of benefit like that.

MR DUFF (GIWA): Yes, and there's a lot more entities and individuals in the grain industry who are associated with multiple commodities than there are individuals or breeders or processors who have just one commodity.

MS MacRAE: Yes.

MR DUFF (GIWA): You could name them on a couple of hands, probably.

MS MacRAE: Right.

MR DUFF (GIWA): So there's a lot of people dealing with multiple commodities and in order to have a good communications forum and deal with a lot of issues you've got to deal with multiple commodities.

MS MacRAE: Okay. It'll be useful to explore a bit before we let you go, because it's 11.30. So unless you had anything else - did you, Wendy?

DR CRAIK: I don't think so.

MS MacRAE: No? Okay. All right. Well, if I can thank you very much then for both your submission and your coming along today and if I could ask Mr Wally Newman to represent - our next witness. Good, thank you.

DR CRAIK: Thanks very much.

MR DUFF (GIWA): Thank you.

MS MacRAE: Okay, well, as with the other participants if you could just state your name for the record and if you're appearing for an organisation if you could mention that as well, if you're in your own capacity, that's fine.

MR NEWMAN: Yes, Wally Newman, Angela, I'm a third-generation grain grower. On a good year I grow about 10,000 tonne, which is probably average farm out where I am. I make the submission in my own right. I'm a director of CBH but this is my own personal view and I put in my submission and went through the questions and answered them as I saw from my perspective. I've spent over 20 years in local government so I have a keen interest in the wellbeing of our communities and we have a real battle out there to keep our communities viable and thriving and I saw this as a good opportunity to make a comment.

What I thought I'd do is just go through my submission and - just the key points. The port terminal access, the competition at the ports with CBH being the so-called monopoly; it's a natural monopoly. It's not regulated any more. It was deregulated in 89 and in the Bulk Handling Act anyone and everyone has the right to use that facility, even individual growers. So I don't see that as a problem. Should the bulk handlers have their wheat exporting business ring fenced: I've got some pretty strong views on that because CBH and Grain Pool merged in 2003 and the very reason we merged was to pick up the synergies worth, at that time according to the experts, around \$40 million over around three years, I believe. To unring-fence that would not be in the best interest of the growers going on the information we had back at that time and there is a perception that some of the competitors see that it's an advantage for Grain Pool and CBH. In the US the co-ops over there who we compete with on a world market, they actually have exemptions to the equivalent of our national competition rules and we need to have a look. The Americans have been deregulated since day one and they've got some very good systems and good laws around those so we need to have a look at how they do that and how they look after their rural communities in effect.

Transport and storage: actually probably the opposite to what's happening now, in 1997 I got involved in transporting all my own grain to port which is about 400 kilometres and I did that up until 1989 when the system was actually deregulated. So contrary to what's happening now where they're saying that the farmers would cart to port, I've elected not to cart to port since it's been deregulated and the reason I did it then was because everything was regulated to rail, and rail was very expensive and I could actually transport for about a quarter of what I was paying by using the rail system back in them days. But once it was deregulated and competition took hold, it didn't pay me to do it any longer. So I've got storage facilities on my farm and at that time I could store all my grain on farm and cart the whole lot to port and backload fertiliser and made a lot of money during that period. But today I elect not to do it because it's so competitive; it's not worth the time and

effort to compete.

Do Grain Express arrangements raise competition concerns? I think as a farmer Grains Express is probably the best thing that's ever happened for us because it gives marketers of the world access to our grain as individuals and they can come to Western Australia and virtually have every marketer deliver grain from anywhere in the state. So it's made it very good for us as growers. Does the ownership or structure of companies influence their efficiency: I just did a world tour only last year with CBH looking at structure and I can assure you that business is business and structure shouldn't have any bearing on the good and efficient running of a business and it didn't matter whether they were corporate or cooperative or private structures, you still found failings where inefficiency took place and some of the best companies we looked at were in fact actual co-ops and private enterprise.

The industry-good functions: you definitely need an industry-good function. As a grower I see that it needs to be a production based levy so everyone contributes to it equally so that there's no free riders on the system. I think the US Wheat Associates, mentioned earlier, is probably a good model to have a look at. The Americans have been at it for a long time and they certainly know how to get the best for their growers. In my submission I put in a graph of the number of shareholders in CBH and it went from 1943 to 2008 and I believe that's a very good indicator of how governments have influenced the mental and financial wellbeing of rural communities and if you're an accountant and you've been around a while - and I'm not an accountant but I've got a pretty good idea of my time when we had super bounties and that sort of thing and if you look at the graph around 1970 there was 15,000 growers as members of CBH and it was a very good indicator of the wealth and wellbeing of our rural communities and as a shire council that's the sort of thing we're looking at. Today we've dropped off to just over 4000 so we're down to less than a third of where we were back in 1970.

So what happens with growers or rural communities, they're totally dependent on the margins or the profit margins they make out of any industry and if the growers make a good margin, they put that back into their farm or into their community and it helps our communities to sustain. We've got towns out in our wheat belt area that have virtually disappeared. They're having a lot of trouble getting the sporting teams for cricket, football that sort of thing and it does have a really big impact on the mental wellbeing of rural communities as well. If you look at last week's rural newspaper, the Countryman, the very front page of 3 December they had an article there on the wellbeing and health of farmers and farmers have double the chance of committing suicide than the average bloke in the city. So it just goes to show that we need to get the efficiencies from any of these system to get the financial margins increased out in rural areas. I have probably covered my key points, Angela.

MS MacRAE: Thank you very much for that and for your submission. Would you

like to go first, Wendy.

DR CRAIK: Thanks very much, Wally, for your submissions and the comments that you made. In terms of - and it's addressed in your submission, you just didn't mention it, I gather that you don't believe that accreditation of wheat exporters is necessary any longer and I guess I've viewed them in your view being wheat export charges currently are set at 22 cents a tonne. You did mention the possibility of a levy on growers or a production based levy covering some body for industry-good functions so would you be suggesting something that that wheat export charge could be - well, get rid of the accreditation, get rid of WEA and the wheat export charge and going to a body doing industry-good functions. Is that what you had in mind?

MR NEWMAN: Yes, that's roughly what I had in mind. We definitely need some sort of representation and we saw in Western Australia with barley it was totally regulated to the Grain Pool in Western Australia and they brought in the GLA, the Grains Licensing Act, which gave Grain Pool the main licence and then it allowed competition to come in. I was on the board of CBH during that period from 2003 onwards and it certainly put a lot of competition into the grain pool and we saw some big improvements and that system worked very well. Now it has been totally deregulated and as a grower we haven't seen any detriment and we're obviously saving money because we're not funding that organisation any more. I don't believe we need any regulation to any great degree there because it will self-regulate. If the growers aren't getting the value for their product they have the option of going elsewhere.

DR CRAIK: Do you think by industry-good functions, an organisation that does those things, that parts of the industry other than growers should also contribute?

MR NEWMAN: I think it needs to be representative of the whole industry and being a grower, we tend to get fairly parochial, just looking at it from a grower's point of view. But it needs to be looked at from a whole of industry base with in mind at the of the day, the growers are the producer of the product and we've got to be able to keep them viable so that the whole industry is viable as a whole.

DR CRAIK: Yes. Do you think that the deregulation of the wheat industry or the removal of the single desk has benefited the wheat industry in WA?

MR NEWMAN: It depends when you look at it, Wendy, because probably when it was totally a single desk, it worked solely for the growers and they were the only beneficiaries of that system and it probably wasn't too bad, but once it was corporatised and there was outside investors in there, I don't believe that the growers were getting the best deal they could, I think. The single desk was a little bit like dial-a-dividend for the outside investors.

DR CRAIK: Okay. You clearly don't find that the port access undertaking is necessary. Do you believe that to be the case for the bulk handlers as a whole?

MR NEWMAN: I've been involved with CBH for a while and I'm familiar with the Bulk Handling Act, not totally familiar with Trade Practices and that sort of thing, but certainly even in the Bulk Handling Act, there's plenty there to give everyone equal access. At the end of the day, CBH in Western Australia is owned by the growers and if the growers didn't have total access to it, they would soon let their directors know that they wanted it fixed ASAP or the director wouldn't be there any longer. Because it's owned by the growers, they make sure it works for the growers and that they have access to all the markets.

DR CRAIK: Okay. On the subject of ring fencing, as I understood it, it was something that was voluntarily done by CBH in relation to the Grain Express notification to the ACCC just to counter - not just, but in part to counter the perception that information passed from the arm that handled storage and transport, particularly up-country to the marketing arm, trading arm of CBH; that seems to be an important issue. I mean, the whole issue of ring fencing and transfer of market-sensitive information is raised with us quite a bit, but really you have a view that it should be unnecessary for CBH to undertake that?

MR NEWMAN: I agreed with the concept at the time but after going to the US and actually seeing how our competitors, being other co-ops over there - they actually utilise all the synergies of their marketing and storage to get the very best possible deal for their members and it doesn't seem fair that we're hamstrung by having to separate them and we actually lose a lot of those synergies. When we merged CBH and Grain Pool, the so-called synergies at the time by the advisers was \$40 million and we've obviously lost a substantial amount of those synergies by having to ring fence the Grain Pool from CBH. At the end of the day, our competitors aren't local, they're international and our competitors are the Americans probably and the Canadians.

DR CRAIK: Yes, that's certainly true. The current rail system, as we understand it, there's this report that's about to go to government which makes some recommendations about road, rail and investment. Do you see that as a weak link in the whole supply chain?

MR NEWMAN: Being involved in local government, I'm familiar with the road and rail and local government have had a great fear of a lot of trucks coming onto the roads because it actually increases the maintenance costs incredibly, the more trucks that go on the roads, and they're very concerned that the funding won't be there and the roads will deteriorate. So certainly at local government level there's a big push to keep as much grain on rail as possible, and you have got the community impact as well. As soon as trucks are on the road for whatever reason to shift grain in a hurry,

the number of phone calls to local government is just incredible because people have a great fear of large vehicles on the road and the damage that they do to the roads.

DR CRAIK: I guess that's the sort of messages we've had from some people to date that while the freight trains right now might be 60:40 in favour of rail to road, they anticipate in the future it might well be the other way round, with 40 per cent going by rail and 60 per cent going by road which - - -

MR NEWMAN: I have some thoughts on that and I'm probably looking further ahead. With energy costs increasing and the green push and carbon trading and that sort of thing - and a tour I did to the US, looking at logistics - rail is 17 times more energy efficient than road and if fuel costs start to get high, it will certainly give rail a big competitive advantage over road and then you've got the environmental impact as well.

DR CRAIK: Yes, okay thanks for that. That's all the questions I have. Thanks very much, Wally.

MR NEWMAN: Good, thanks, Wendy.

MS MacRAE: I had a much smaller question but it was a matter of detail from your submission - and you didn't raise it in your opening comments but I'm pretty sure it's there, although I can't put my hand on it yet now - but you talked about some level of dissatisfaction with the way that the receival standard is assessed and the way the GTA sets those. I wonder if you could elaborate on that a little bit.

MR NEWMAN: Yes, probably seen from a grower's perspective and as a grower - and I talk to a lot of growers - they see that the market has set the standards and they're concerned that they set the standards higher than what they probably need to be because at the end of the day, the grower's quality of his product is totally dependent on the season. You can't change it, what grows grows, and they see that the market has had a bit influence in setting those standards so that they can arbitrage or push the price down because it doesn't meet the standard, and that's written from the grower's point of view. No doubt everyone wants good grain but at the end of the day, nature gives us what we get and there's nothing we can do about it. We just see it that they set a higher standard than what we can achieve to push the price down, but that's from a grower's point of view.

MS MacRAE: Do you think that's a result of the make-up or the way that GTA makes the process they have in deciding what those receival standards will be?

MR NEWMAN: Yes, I'm probably not a good person to comment on it because I'm not familiar who GTA - who sits on that panel. But it certainly needs some grower representatives on there. I wouldn't think you would want all growers on

there because you'd get the other opposite; you need a balance.

MS MacRAE: I think that was the only other additional question I had, so I will just thank you again.

DR CRAIK: Thanks so much, Wally.

MR NEWMAN: Yes, thanks, Wendy.

MS MacRAE: Our next participant is John Hassell.

MR HASSELL (WEA): My name is John Hassell. I'm a farmer from Pingelly. I'm also a director of CBH and I have been the transport spokesman for WA Farmers and I no longer hold that position.

MS MacRAE: Are you happy to give an opening statement and then we will go to questions?

MR HASSELL (WEA): Yes, I'll just do it fairly briefly. I guess just to back up the submission that I put in there, I think that the Wheat Export Authority is another layer of bureaucracy that we don't need in a supposedly deregulated environment. It's supposed to be a transition from a regulated environment into a non-regulated environment and so as I said in my submission, they should invoke a sunset clause and finish it off in the way that it was originally intended. The access requirements are unnecessary for bulk handling as there's sufficient protection within the Trade Practices Act. Growers are demanding more and more competition themselves and they don't need regulation to force that. They're pretty well arguing for it themselves.

On-farm storage is growing at a fairly massive rate. Silo manufacturers are having a bonanza time in building on-farm storage for a variety of reasons because the headers are getting bigger and CBH can't quite keep up. They're blending, they're delivering outside the peak period and the domestic market are selling later in the year et cetera.

Growers are exploring ways to export grain differently. We've seen a couple of groups trying to get around the CBH system and CBH has got to try and do the right thing and keep volume in the business so that they remain profitable. I also talked about Grains Express and I felt that Grains Express was a fairly important part of our business. If an acquirer has a number of tonnes from growers that are spread over five or six different receival sites, it would cost CBH - and this is the presentation that was given to me when I was transport spokesman - about \$6000 to open up each site, to get the grain out and then reseal the site, in order to maintain cleanliness and weevil control, because Western Australia is the remaining state that has no widespread phosphine resistance, and we need to maintain that integrity. It would be a huge expense, and that wouldn't be borne by the marketers, that would be borne by the grower.

I think under Grains Express it's an absolutely essential part of the system, or else under deregulation the whole system would be in turmoil. The other one I wanted to talk about was the road/rail. Various ministers from different governments have talked about the cost recovery of trucks on roads. The figure has been bandied around about \$300,000 per road train. If you took someone like Wally Newman,

who is 400 K's from the port, he can get one load a day.

So on a \$300,000 extra cost on that truck, and he can do 300 trips per year, it's \$1000 spread over 50 tonnes, you're talking an extra cost of \$20 a tonne if you went for full cost recovery on trucks. That would render a big chunk of the wheat belt unviable. So if you took the rail out of the system, then I'm sure governments would enforce this full cost recovery, and I think that would be very dangerous for the grains industry. I think - as Wally has said, and various other people - that rail is much more efficient.

I think we have got a real problem in Western Australia, we have one business running the below rail asset; you know, not unlike the AWB with the single desk, it's a dial-a-dividend arrangement where, if they paid too much for the business, which I believe they have, they just dial a dividend into the cockies, the cockies have to pay the cost recovery on their rail access. If I pay too much for a farm and I can't make it pay, I go broke. Now, I don't see why the farmers should be having to prop up WestNet Rail, for instance. Quite frankly, I think this is probably outside the scope of the Wheat Export Authority, but this is what you asked for, so this is what you're getting.

MS MacRAE: Yes. No, that's good.

MR HASSELL: The other point we talked about was the structural separation. In any other business, other than CBH, companies have the right and the ability and are exercising it - take Viterra, for instance, who have vertical integration of their businesses and are not subject to the scrutiny that CBH seems to enjoy. You asked in your submission, "What could we learn from other countries?" I put in there that I thought we could learn from the US in terms of the Capper-Volstead Act.

We have the ACCC, which provides a huge amount of scrutiny on our businesses. In the US they have the anti-trust laws, which are similar to our ACCC, but they have a law called the Capper-Volstead Act which allows cooperatives to have more market power because it's beneficial for the participants. Why we have to suffer that and Viterra doesn't, I really don't know. But we need to be able to compete fairly, as opposed to an outside-Australia business such as Viterra coming in and being able to have much easier competition characteristics than we do. I think that's about all I've got to say.

MS MacRAE: Okay. So over to you, Wendy.

DR CRAIK: Okay, Angela. Thanks very much, John. Thanks for your submission and thanks for your comments. I'm pretty clear about your view about WEA and no longer any need for accreditation. Certainly I think we should have a look at that Capper-Volstead Act that both you and Wally actually mention in relation to

cooperatives.

As I understand it (indistinct) on something that CBH put in place themselves in relation to the Grain Express notification to the ACCC to counter any possible concerns of perceptions of information passing from one arm to the other, from the storage and handling arm to the marketing arm, and it was something that, I guess by Andrew acknowledging the downside of it, seemed to suggest that it would be important part of demonstrating the separation between the two. But I guess you have a different view.

MR HASSELL: Well, I think probably, Wendy, that it's a matter of degree. There are people who think that we ought to be picking Grain Pool up and moving it totally elsewhere and have different directors on the board etcetera, and I think that would be going to a ridiculous extreme myself. I think we can get the benefits of vertical integration without having to go that far. It's not just CBH who have talked about ring fencing, there are people who think that Grain Pool ought to be flogged off altogether, and I don't believe that that is a beneficial thing for the growers of Western Australia. We can still prove that we're not doing anything wrong in terms of information transfer without having to completely separate the businesses to the extent that I just said.

DR CRAIK: This issue of rail, it seems to me a particularly big issue and I guess the concerns about the ongoing investment in rail and I guess to some extent in road in WA to maintain the supply chain there. Is either you or CBH confident that when this final report goes to government towards the end of the year you're going to get some positive outcomes from it? It seems to me it's a major issue, you know, the potential weak link in the supply chain.

MR HASSELL: I guess it all depends on what you say as to positive outcomes, it's about degree. But I think that it would be a folly to completely let the rail system fail altogether. But we have got to work out which are the most efficient lines. Also we do have to look to the future, because if you look at the fact of the east-west line, within the next 15 years it's probably going to be full up with enough freight to render it almost impossible for CBH, or for growers, to get any grain on the line at all; then we have got to look to building further capacity, not shutting lines down.

If you took, for instance, the line from Merredin to Corrigin, extended that through to Brookton and then Mundaring, I think the line is, that would be building capacity for the grain system and other things that come from the south-eastern wheat belt. So what you call a positive outcome might be two different things. But I think that we have got to look to the future and start looking at that kind of infrastructure build to enable the grains industry in Western Australia to maintain its ability to keep flourishing without detracting from the ability of the rail to freight in from the east.

DR CRAIK: Yes. Okay, thanks. Just a question about information. You're suggesting there's no role for government other than providing information via ABARE and ABS. Who do you think should pay for that information in the future? Government funding is now till 2011; but after that, who do you think should be funding it into the future?

MR HASSELL: Well, I don't really know, is probably the shortest answer.

DR CRAIK: Do you think the industry should suffer?

MR HASSELL: As Dave, one of the previous speakers said, there's plenty of information out there. It depends on what sort of degree you want to allow it to happen. There have been people who have been suggesting that CBH ought to give that information away free. As a grower, I would be very unhappy about someone just lashing my information out amongst the rest of the world. But my experience with ABS is, if I want to get information out of them, I've got to pay for it. So is it government who pays for it, or is the consumer?

DR CRAIK: Well, the taxpayer at the moment, for that information. Now, just one final question, John. Do you think that deregulation has been a success for the wheat industry in WA?

MR HASSELL: I probably echo Wally's thoughts. But if you want a bit of history - and you're probably a bit involved with it, coming from your background; when AWB was the single desk and supposedly the growers were the prime beneficiary of it, then I think ultimately the growers probably let themselves down by not being vigilant enough in how it was performing, and so it all went downhill from there. So I think ultimately if the grower owned the single desk and they were vigilant enough about it, then it would probably be a better system than what we have now, so you don't have outside investors wanting to bring their bit of return on capital out of the system.

DR CRAIK: Thanks. That's all I've got, Angela. Thanks very much, John.

MR HASSELL: Thanks, Wendy.

MS MacRAE: I probably only have a single question, it was something that I asked of CBH earlier and they said it's probably smarter to ask a grower, and it was probably was. We hear differing views in terms of the options that are now available to growers, if you're able to produce a better quality wheat, are you able to extract a premium more easily than you used to under the old single desk arrangements? Is it hard or easier to do that, I guess, is one of the questions and are the payment arrangements that you've got the choices now which are obviously much wider than

they were previously, do they give you opportunities there that you wouldn't have had under the single desk?

So given the demise of Golden Rewards and that sort of thing, but this being replaced now with other alternatives that are on the market, do you see that as a positive as a negative for growers? How do you see the returns you're able to extract for the sort of wheat you'll be producing?

MR HASSELL: There are two questions there and the first one is, it depends on how far back you go. When the AWB had the power over the single desk and you couldn't export in any way shape or form, then probably, no, you couldn't extract that next little bit of premium. But when we went to being able to export in containers and bags, then you probably could extract that little bit of premium. The next part of your question is probably about can we do it through the mainstream systems? Probably not but you probably can through going and trying to export to your premium markets through those bags and containers. It depends on how far back you go to answer that question.

MS MacRAE: Yes. I think that's probably all we've got then. Thank you very much, unless there's anything else you wanted to say?

MR HASSELL: No. Thank you very much for the opportunity, Angela.

MS MacRAE: That's a pleasure.

DR CRAIK: Thanks, John.

MR HASSELL: Thanks, Wendy.

MS MacRAE: I call Trevor Badger.

MR BADGER: Trevor Badger, Wendy.

DR CRAIK: Hi, Trevor.

MS MacRAE: If you'd like to just give us some opening comments and we'll go to questions, that would be great, thank you.

MR BADGER: Trevor Badger, farmer from Pingrup, and my peers have made me a director of CBH to represent them but my submission is representing myself as an individual and my views are not the views of CBH. I am a merino and export hay producer and I grow about 8000 tonne of grain. I'm a third generation farmer. I have grown my father's 500-tonne grain growing business into what it is today, tripled the size of the farm and I'm able to store 30 per cent of my own crop and the largest private grain storer in the region and I'm able to sell to multiple buyers domestic and export and I also do my own transport. So you could pretty much say I have my own CBH system as well as being a director of CBH. I am intimately involved in this argument, so that's why I made the effort to put the submission in.

It's fairly clear what we're seeing here is a them-and-us type scenario where one group has the grain and the other group wants to arbitrage it on behalf of the grower. Very nice and kind of them to make that offer to me but my view is that it's my grain and I will arbitrage it, not them. So I will stand up for my own business and my fellow grain growers businesses. It is our right to handle our product and to arbitrage it ourselves. I welcome the offers from everybody else in the industry and it will be my choice whether I accept them or not. I will just go through my submission point by point and I will just reiterate some of the points.

The accreditation of bulk exporters: I'm obviously a shareholder of CBH. It has cost CBH over \$1.2 million for the accreditation for our wheat licence. We're talking about a six or seven-million tonne wheat harvest; work that out per tonne. This year the costs of accreditation to me will be greater than my profit on my grain growing business. So you can imagine I'm not very happy about that. There is absolutely no need to accredit bulk exporters. The barley system seems to be going quite well. If we're going to accredit bulk wheat exporters, why don't we accredit bulk chalk exporters and woodchip exporters and accredit the whole lot? There's no need to single out my industry and place unnecessary regulation on it.

I can't see how accreditation has protected growers. It clearly offers no financial security, contrary to what some of the submissions that you have received have stated. I have read the Wheat Marketing Act and I can't see how accreditation can protect me from a bogus buyer. Port terminal access and services: there has

been a lot of talk about CBH's network strategy. There are a lot of good ideas and brainwaves about CBH's 197 receival sites of which I use five and I'm also a competitor to those 197 as well. We've just heard the opinion of one group proposing to support growers that a lot of these site need to be closed. Who's going to pay to build the extra capacity when we close the perfectly functioning capacity that we already have? It's very easy for the groups who aren't growing wheat to propose these sort of things, but at no stage do they put their hand up and offer to pay for it. We have paid for 197 sites and the growers are happy to have 197 sites.

The economies that we're looking for in these sites has growers as we understand that the small sites will be open short hours, short harvests and will not offer the segregations that the large sites offer. I will use my example where I have two very small sites that we do deliver to but I'm fortunate that within a hundred kilometres I have two primary sites that offer triple the amount of segregations. So it's my choice where I go. Obviously the little sites close early in the afternoon. The large sites stay open and I choose to have my truck running on the road at night-time to those sites. That's an efficient use of resources. This is putting money in my pocket, the grower's pocket. If we were to close that network down to 63 primary sites, it's simply cost shifting. I'd simply have to go and buy two more road trains, hire two more people, triple my fuel bill and cart it further. That does put money in my pocket at all. We have got a system, we built a system, we own the system, we control the system, we're happy with the system.

Shipping problems: the media had great delight in highlighting the ships an anchor. There was more than one reason why ships were at anchor last year. In my submission I stated that I spoke to a crew member of a ship, who the vessel owner or the charterer stated to the staff on that ship that he was losing less money at anchor than he would have been if he was sailing. That is not my problem. That is the charterer's own problem. He deals with his business in his own way. Do not lumber his problems onto me as a grain grower.

As the CEO of CBH stated, CBH shipped record tonnages during this period. They broke records during this period. Who picked up the despatch on these loadings? Was it me the grower who paid for the silos, who paid for the port, who paid for the wharf, who paid for the grain-loading spout? Was it me who picked up the despatch? No way. It was someone outside of the grain growing industry who picked up that despatch. Who paid the bill on that infrastructure? I paid that bill. \$137 million that was invested into the Albany port was my \$137 million. Who benefited from it? The answer is the whingeing, whining market/trader/shipper who is laying at anchor in the water. So he's laying at anchor because the system that I have paid for for him is not performing to his expectation. He is welcome to invest in my system any day.

Grain Express: Grain Express is, from my experience in the grains industry in

the UK, Germany, France and South Africa, has no peer anywhere. Grain Express is the exact system a grain grower in Western Australia needs to market his crop, and I'm making this point as someone who competes against CBH and competes against Grain Pool. I would love to have a Grain Express system on my farm to handle my domestic trading and my storage. I cannot afford to build a system like that and I do not have the tonnages to justify it.

In my submission I stated that our harvest was delayed last year by rain, and Grain Express was able to divert those ships from the Albany port to Kwinana to pick up barley in Kwinana. Now, that's Grain Express working. I paid for Grain Express. I built Grain Express. I own Grain Express. Who picked up the despatch? The marketer, trader, shipper picked up the despatch. Who invested so that he could pick that up? The grain grower of Western Australia invested. Do you start to get my point about who's paying and who's benefiting here? So when I hear these guys start to whine and moan, I feel like sending them an invoice and asking them would they like to invest in the system that is obviously not meeting their needs. That Grain Express system took over 5 million lines of software to get up and running. No-one else in Australia wrote software of that magnitude in the last five years in Australia. It is world-class, world-leading software and operating systems.

During the harvest last year, my fellow grain growers were inflicted with a fungal disease on some of their grain which basically made it unmarketable and unsaleable in the world's grain market. Grain Express and CBH immediately helped provide markets for this grain. Now, that's Grain Express paid for by CBH operations and that's Grain Pool, who belongs to the Western Australia growers, got off their arses and shifted this grain for these desperate growers who had no market for it. I did not see any of these marketers, traders, shippers get off their arses and offer prices and offer services and help these growers out. The silence was deafening, not one iota of interest from them, nothing, nobody, never. It was the cooperative in WA that got off their arse and found a home for this grain.

When you stand in a group of your fellow growers and you see 20,000-tonne growers with tears in their eyes because they can't sell the crop, you wonder who is standing up for these people. Who is standing up for these people, these Australian taxpayers? I can tell you it's not the ACCC or the WEA, definitely not.

Transport and storage: the network strategy I've already touched on. But I will reiterate, if these marketers, traders and shippers aren't happy with the network strategy, you're welcome to invest in it. Ownership structure: very interesting to read one of the submissions from Western Australia that there should be a demerger between CBH and GrainCorp, the very same organisation that wrote a paper recommending that they merge in 2003. Has there been a study to proclaim that there's sudden benefits in a demerger? No, there hasn't. Has there been any evidence that a demerger would benefit the growers of Western Australia? No, there hasn't.

We need to look a little closer at some of these submissions.

The structure that we have at the moment has a sole beneficiary and that is the grower of Western Australia. As a grower of Western Australia, I need to compete against worldwide vertically integrated businesses. I need to be able to compete against the Cargill family. They own their own farms. They own their own silos. They own their own elevators. They own their own shiploaders. They own their own domestic marketing systems and domestic trading systems. They own their own flour mills and they own their own bakeries. Why aren't I allowed to compete against them? Why is the Australian government hell-bent on breaking me down but will not lift a finger against companies such as Cargills? I don't mean to individually point Cargills out because all these companies are similar, but apologies to Cargills if I offend them. The cooperative in Western Australia performs for me, the grain grower. If anything, the cooperative should be protected and possibly given advantages over these multinational companies.

Market information: when you walk into a car yard to buy a new car, do you expect the dealer to tell you how many cars are parked in the shed behind his dealership and how desperate he is to sell those cars? I don't think so. When you walk into Coles or Woolies, is there a sign there stating that there's a glut of cornflakes and they really need to sell them quick and they're prepared to take any price whatsoever for them? No, there's not. I, as a grain grower, will not advertise how much grain I have and how desperate I am to sell it. That is my arbitrage, my market information. I did not get to the position I am today by handing out market information for free. I will arbitrage that against any marketer who wants to; make the invitation and we can deal.

There's been a graph going around lately about grain prices in Western Australia and how wonderful it is in this deregulated market. This graph points out how every price spike by a company offering prices on grain is related to the fact that they have a vessel arriving in two weeks' time. They simple take turns at picking us off. They all put the same price out there and when their vessel is about to dock, they add five bucks to it to accumulate the last bit of the cargo they need to fill their boat so they can sail away. Who picks up the despatch on that? They do. The \$5 that they offer me to fill their boat does not cover it.

The point was made in a previous submission about the CBH growers' survey. That CBH growers' survey is the information of CBH operations and goes no further. That is so the co-op can plan an efficient and economical receipt and storage of grain. Nobody gets access to that information. When I fill that form in, that is my private information and I fill it in on the undertaking that it is not made public. That is my arbitrage and I will use that arbitrage for myself. That is not a gift to the world's grains industry. It's not a gift to people who want to arbitrage on me. The growers' surveys were very slow coming in this year and they were not slow because

the growers were sceptical about whether the information would be used against them. They were slow because of the first time ever, they were done electronically on LoadNet, and the advertising and publishing of that probably wasn't as good and as strong as it should have been because it was a big shift, as growers were used to our blue forms rocking up and filling them out while we were having a cup of tea or something and sending them off. It was a new experience, forced to have to do them on LoadNet. There was a few little glitches in LoadNet while we were doing it. That's our electronic grain handling system. That will improve.

Wheat classification: do we really think we've got better wheat than everybody else in the world? It's a really nice thought to have but I can assure you, from my experience worldwide in the grains industry, wheat is wheat. There's not a lot of difference in it. The only difference we have, our wheat is grown in a very dry non-polluted environment and hence the wheat is very white. Every wheat buyer in the world and wheat processor that's used Australian wheat that I have spoken to, when I've asked them, "What is special about Australian wheat?" their immediate answer is, "It's white and dry." That's our quality. Now, we don't aim to grow white and dry wheat. We simply grow white and dry wheat because that's our environment. Nature gives us white and dry wheat.

I'm going to give a couple of examples of how, if you go into a classification system, it's a trap. It's a trap which allows traders to arbitrage against growers. The current harvest in Western Australia, where I'm from, the Lakes region, are having a very dry harvest. We're having screenings problems in barley. My barley is a small seed, hence high screenings. It's not making the malt segregation. If we had a rigid classification system that has a big hierarchy of chairman and deputy chairman and referral committees and publications and blah blah blah, goes on and on and on, it's inflexible and cannot change to adapt to what nature has given me. Nature has given me barley that just falls outside the screening specification for malt - just falls out. In the grains industry it's called the cliff face. I have fallen over the cliff face.

Guess who got off their arse and made a new segregation for my barley this year? The cooperative got off their arse and made a Vlamingh 2 segregation. This is from a screenings 25 to 35 per cent screenings and it's a malt 2. My barley is still malt. Admittedly it's not as good as the state's malt, but the cooperative got off their bums and made a segregation for me. My malt is now stored undercover and it's safe and it's ready for the world to buy. The whole world has access to my malt 2 now. If we have a classification system for wheat, we would have to probably go through half a dozen reviews to find another number 2 segregation or a number 2 classification. My harvest would be long over and gone. It would be "bye-bye quality" and "bye-bye arbitrage" to me. It would be hollow arbitrage to the traders because they would see me as a desperate seller of barley and they will pick me off, no problems at all.

If we go back a few more years to 2003 when AWB ran the standards; exactly the same thing. At a wet harvest we had a lot of black field mould and smut on wheat and do you think the policy director - who is in the room at the moment - do you think they would make a segregation for this downgraded wheat? No, not the slightest bit interested. Nothing. They couldn't care less. They had Australia's wheat. Why would they bother. It was only under extreme grower pressure that they made up the AUH, the Australian Utility Hard segregation, we were able to deliver wheat into that. But a lot of that wheat had been tipped on the ground in the paddock because it had no market. By the time a single company got around, a corporate company got around to looking after the grower, a lot of this grain had gone to waste in piles in paddocks. We've got a cooperative in Western Australia that will react immediately and they react immediately because they are controlled by the growers. The very people who need the service control the service provider.

So on wheat classification I don't believe we need much at all. Colin Tutt, who is the general manager of operations in CBH, so he's the guy controlling the grain flow in this state, controlling grain into the system and grain out of the system, has given some undertakings. He guarantees to the world what he offers them and what they buy will be what they get delivered onto their boat; an unconditional guarantee that when they buy what he has offered them, it will be the product that they have paid for. This guy is under a bit of pressure because he's promising the world a standard of grain and it's financial if he fails to meet that standard. But worse, he has 4500 shareholders who will be at his neck. This guy will not fail to meet the standard. So that's his right hand operating.

His left hand is offering to growers to receive whatever they grow. As the previous speaker said, what we grow is what nature gives us. We have no control over it. Colin Tutt, as the manager of operations, is prepared to take what we grow. It was Colin Tutt who okayed the Vlamingh 2 segregation like that; done. No review, no panel, no systems, no chairman, no proposal, no vote, no nothing. He took it immediately. So operations in CBH are the ideal people to set the standard. How they go about setting the standard will be in consultation with the growers, not the traders because as a grower, I want my grain stored undercover and fumigated and offered for sale. Colin Tutt is running a supermarket. He simply has a row of shelves and he is putting the product on there and the customer is coming in and buying that product. That's a very simple system. It's incorruptible, it's infallible, it's easy. That's all we need.

This is a Western Australia example, obviously this is not going to work for the east coast with the domestic market. But any product coming through CBH which is the bulk of the Australian export wheat crop could be classified by CBH operations. If you don't want to use the Grain Express system, you have the right to go direct port and do whatever you want to do with it. If you're not happy with Colin Tutt's standard or system that he's devised, choose your own way to the port. We offer it to

everybody.

Industry-good functions: I'm absolutely pro industry good, as long as everybody except the growers pays for it. I really think it's time that the growers stop paying for industry good and the buyers, the traders, the shippers, the marketers who want this industry good started paying for it out of their own pocket. I put that to you, Wendy, that they can pay for it. It would be the quickest, easiest, simplest system you have ever designed because it will be blank piece of paper. They will not put their hands in their pockets, not one of them, and Grain Pool is included in that because I as a grower will go to Grain Pool and say, "You don't need to be part of it." We had the industry-good stuff like Golden Rewards. Golden Rewards was simply a system that you only ever got above the benchmark. In my years and years of delivering the Golden Rewards, I only got rewards, I never got deductions. The Golden Rewards centre of the matrix was set so low you could only ever outperform it. If you failed to outperform the Golden Rewards, you'd need to have a look at yourself as a grain grower.

I get quite annoyed with the continual attacks on my cooperative. We don't need a WEA. In Western Australia we have a Bulk Handling Act and we have a national Trade Practices Act. To my knowledge there has never been a challenge. I actually recommend to growers that we should actually start challenging the people who challenge CBH. If someone wants to make a claim against CBH, well, let's take them to court over it if it's false. We shouldn't sit back and just be picked off because they're buyers. That's what you do when you're buying, you use every cheap shot in the book. When you go to buy a car, you never compliment it, do you? There's always something wrong with that new car. It's never quite the right colour or never quite has the right seats. So we're well protected in Western Australia and the only thing holding me back is regulation.

The submissions that the Productivity Commission review who detract from CBH are unanimously undemocratic. Not one of them has an elected base. They're all simply people who want to be involved in something. So they don't represent growers, they represent their own egos. They want to form these associations. They want to try and exercise some market power. They don't represent the average grain grower. The easiest way to see who they do represent is when they start to make a bit of noise about raising a levy. You soon find out which growers support them and which don't. It's the case in Western Australia where we do have one organisation who has a voluntary levy. It's very clear to see who supports that organisation and who doesn't. You simply have to have a look at their budget to understand which growers are prepared to invest in these groups.

So as a grower I'm very, very happy with my cooperative. It performs for me. It should be given preferential treatment because it's an Australian organisation who the sole beneficiary is the grower. It should not be attacked and broken down. It's

working for the West Australian grain grower. As a grain grower I've travelled worldwide and I know I have to compete and I need an easy, efficient system to compete. Thank you.

MS MacRAE: Thank you. You have given us lots of food for thought. Would you like to start, Wendy.

DR CRAIK: Thanks very much, Trevor, that was very comprehensive. I've just got two quick questions. In your submission under the subject of ring fencing, you say, "A better term quarantining," and you believe that that is necessary to an extent. I'm just not quite clear what you're referring to there, it's on the bottom of page - the last paragraph of page 2. I'm just not quite clear what you're referring to in relation to quarantining.

MR BADGER: Well, quarantining, obviously CBH operations, it would - if we didn't have a quarantining system on information, I do believe that Grain Pool could have possibly an unfair market advantage. Now, the easiest way to prove this is to take away the quarantining and see if Grain Pool can offer a higher wheat price than anybody else, because if they can consistently offer a higher price, you know they're getting an unfair advantage. So CBH has this quarantining process just to protect growers because, you know, my crop doesn't solely go through Grain Pool myself. I need companies like Cargills and Louis Dreyfus and Toepfer protected because I need to deal with those guys.

DR CRAIK: Okay, thanks, I understand that now. Now, just a second question I've got in relation to market information you're saying that ABS currently provides enough information. After 2011 the government funding for that information will dry up. Do you think there's a need for that level of information to continue to come out and who do you think should fund it, if you do?

MR BADGER: Easiest way to see if the information is needed is not provided. If it's only the traders and marketers who are squealing about not having any information and the growers are silent, well, it's the growers' industry, not the traders' and marketers'.

DR CRAIK: Okay, all right. I think that answers it. That's all I've got, Angela. Thanks very much, Trevor.

MR BADGER: Thank you.

MS MacRAE: Just following up from that I guess the GIWA submission we had really said - there was a paragraph which I could probably put my hand on which kind of said the opposite. They felt that it was the growers that were arguing that they were the ones that didn't have the information, everybody else had what they

needed and the growers didn't have it and that's why you needed more information. So it's interesting because you've got completely the counter view to that, if I understand you correctly.

MR BADGER: So I'm a grower.

MS MacRAE: Yes.

MR BADGER: That's my personal opinion.

MS MacRAE: Yes.

MR BADGER: GIWA is not controlled by growers.

MS MacRAE: No, okay. I'm just interested - - -

MR BADGER: So you have to look at a bit of the bias here.

MS MacRAE: Yes.

MR BADGER: You know, are we looking to pick someone off or are we going to be picked off? My example of walking into the caryard, the dealer will not tell you how many vehicles he has got to sell.

MS MacRAE: Yes.

MR BADGER: I will not do the same to my grain, no way.

MS MacRAE: I guess it's the - if I understand the GIWA position, and hopefully I'm not misquoting their views, but I think to paraphrase them it was that the bigger players in the market have access to information, much broader range of information, than an individual grower just because they're bigger, so they've got more of an idea of what's happening out there than the individual grower has. It's that information that they've got that the grower doesn't have that is allowing them to arbitrage more heavily than the grower could because of that disparity in the information they have access to. That's why the view coming out of their forums was that it's the grower that's disadvantaged in the current information provision.

MR BADGER: You're saying the bigger growers have got access to information?

MS MacRAE: Not the bigger growers, sorry, the marketers and the traders are covering - and I guess the bulk handlers have got information across a much broader part of the market than any individual grower have, even the big ones. Probably the big ones would be less of a concern because they're a bigger part of the markets.

Looking for arbitrage opportunities they're saying it's the marketers that are now able to, if you like, do better than the growers because they can see more of where those opportunities are.

MR BADGER: This is where West Australia is a very different environment to the rest of Australia. CBH has four and a half thousand shareholders. There's probably really only 3800 grain growers. If you don't know them, you're related to them.

MS MacRAE: Yes.

MR BADGER: Like the industry is very, very small population-wise. We know what is going on. We're a very - I've worked in the east coast grains industry. It's very progressive here. We understand what's happening in Western Australia quite clearly. I would say that the average West Australian grain grower has a better knowledge of world grain markets than any other grain grower that I've ever worked with, you know, and that's through Europe and Africa; very, very switched on, very tech savvy. The ones that are asking me to represent them are saying, "That's my info. I will arbitrage that, not somebody else."

MS MacRAE: Okay. I mean we heard this morning from the department where their view was that there was at the moment a feeling that - well, originally there was polar views, I guess, within the grower community about whether you wanted more or less information. There was a bit of a coming together of that group and if anything their view was that over time there'd be an increasing push for more information. But your view on that would be quite the contrary. Your view is there's enough out there. It's your information, it's valuable to you and you'll actually lose value by making more of that available?

MR BADGER: I draw that conclusion from the continuum - as a director of CBH I'm continually meeting with growers. When this issue first came up about disclosing of grain stocks, everybody was for it. I'm now seeing a massive swing against it as people realise who is going to do the arbitrage. The growers are realising that power is being removed from them and have gone dead quiet. They're still interested in stock information but they're not prepared to go ahead with it until they're protected. So that says to me that you can't disclose information without losing power and I think you will see at the end of the day the growers will say, "Well, sorry, it's my info and I will bleed it out, nobody else."

MS MacRAE: I guess that one of the last comments you made was that the only thing holding you back is regulation. Would you say then that the deregulation that we've had has been good for you and good for growers in Western Australia in general?

MR BADGER: It's definitely better than a corporatised AWB, no doubt about that.

The reason why I stated in my submission that ring fencing is a terrible term is that I've had many discussions with Sarah Scales, the past general manager of the AWB pools about ring fencing. I would always ask her, you know, does the pool sell into any high-risk markets in the world? She stated every time, "No, AWBL does that." So we had ring fencing to protect growers but still the rip-off occurred. I asked her - well, I actually had to ask Andrew Lindberg, "Has AWBL ever not been paid selling into these risky markets?" His answer every time is no, they were paid every single time. So although we had ring fencing there, still the corporate entity was able to rip-off the pools. They would buy wheat out of the pools at a very low value and sell at a very high value into high-risk markets. The reason the pool had a low value was because it wasn't taking any risks into these supposedly high-risk markets. So we're much better off without AWBL but - I've given it a lot of thought and I really think we're about on a par. We're definitely not making - there's no sign to me that we're making any more money. We lose in some issues and we pick up on some other places; so we've swapped a red horse for a black one.

MS MacRAE: Okay. Just in relation to industry good I was also interested in your view because we definitely have had a range of views, and some of them were from the growers that were here yesterday although as well, although I guess they were speaking in capacities for organisations, to be fair to them, so maybe their personal views were different. But there did seem to be a view among some of those growers at least that there was this premium on Australian wheat and that it was being lost and, you know, when AWB is not out there marketing any more the general value of the premium Australian wheat - I mean I guess your view was, as you said, "Look, it's dried, it's white."

MR BADGER: Yes.

MS MacRAE: And that's our premium.

MR BADGER: I mean AWB had a certain amount of wheat to sell and it had preferential customers. So, you know, during times of drought they would obviously look after those customers.

MS MacRAE: Yes.

MR BADGER: But those customers still had to buy in times of glut.

MS MacRAE: Yes.

MR BADGER: So there was value in the single desk there. Meantime they're not selling to other - I mean they weren't selling to CBH's own flour mills. They would always put a higher price to prevent CBH from being able to afford their own wheat. So, you know, that was a market manipulation but good traders do that. That's

arbitrage. You upset one customer and upset him, upset him till he either gives in or goes away. He has the choice to pay the higher price and that would be good for West Australian growers. So there's a lot of bad things said about the way AWB operated but I operate my own business the same. I will not discount product. That's how I run my business. Sometimes I get stuck with it, but that's the flip side of not discounting.

MS MacRAE: But can I take it from that that you're happy for those individual transactions to be the strength of the market, if you like, that there isn't a role for someone out there more generally to be selling the advantages of Australian wheat over US wheat or Canadian wheat? I mean we know there's a kind of mingling - there's a lot of stuff that gets put together at the end of the day anyway, but I would take it that that's your - - -

MR BADGER: I don't see - you know, Australian's export wheat is coming out of WA. The co-op is doing most of it. The co-op has got to sell it. They have got to promote it, and I'm paying. Now, if they promote it too much and it costs me too much, I'll go to Cargills or Louis Dreyfus or Toepfer because they won't put their hand in their pocket. So that will be the market force weighing it up.

MS MacRAE: Yes.

MR BADGER: So Grain Pool will spend a certain amount in developing their markets for their own self-interest and that will be good for me. Toepfer won't spend a cent developing a market for me and that will be good for them.

MS MacRAE: Okay. I think that's all I've got, Wendy. Did you have anything else?

DR CRAIK: No, thanks, Angela. Thanks very much, Trevor.

MR BADGER: Just one closing comment, the whole timing of this review, I know it's not your decision, the timing, Wendy or Angela, but I ask you to make it very clear in your report to the minister that the timing is atrocious. It is pro operators outside of growers and it's anti-growers. I mean, I worked till 4 o'clock last night so that I could make time to get here today. It's a 400-kilometre trip and I've got a 400-kilometre trip to get home and I'm back on the header. I don't run a multinational farming company that has a division of harvester drivers and a division of truck drivers. We actually do it all ourselves, believe it or not. So the reason why you're not having a lot of growers coming in here, the grassroots growers, is because they're actually out there growing the wheat. Now, I ask you to make that very clear to the minister, because I know he doesn't have a farming background, that if this sort of thing is to go on again, adjust the timing so it's a little more grower friendly.

DR CRAIK: Okay, we'll take that on board, Trevor. We appreciate the difficulties of the growers in getting here to the hearings and the consultations and certainly we appreciate the effort that you and other growers have put in to make it to these hearings and to the public forums. We do appreciate that and we do appreciate the difficulties. But as you acknowledged, we're constrained by the Wheat Marketing Act which didn't give us a lot of room to move, but we have noted your point. We will take it on board. Thank you for coming.

MR BADGER: I'll look forward to reading it in your report.

MS MacRAE: Okay. I think we're concluding our hearings in Perth today and unless there's anyone in the audience who would like to say anything as a closing comment? I'm talking to the room generally, Wendy, because we're closing up. Yes, could you just identify yourself for the record.

MR: Trevor just made the point that (indistinct) I suggest that (indistinct)

MS MacRAE: Okay. Thank you for that.

MR: (indistinct)

MR BADGER: But at no stage did you ask me if I wanted them to represent me.

MR: (indistinct) process which is undersized and (indistinct)

MS MacRAE: Okay. Thank you for that, gentlemen. We'll close for the day and we'll resume again on Monday in Brisbane. So thank you very much and safe travel to all who have come such a long way for us today. Thank you.

AT 12.43 PM THE INQUIRY WAS ADJOURNED UNTIL
MONDAY, 7 DECEMBER 2009