



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Reference: Wheat Marketing Amendment Bill 2002**

THURSDAY, 29 MAY 2003

CANBERRA

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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**

**Thursday, 29 May 2003**

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

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

**Terms of reference for the inquiry:**

Wheat Marketing Amendment Bill 2003.

**Committee met at 1.49 p.m.**

**BROOKS, Mr Christopher Raymond, Managing Director, Ray Brooks Pty Ltd**

**CHAIR**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee is meeting today to further consider the Wheat Marketing Amendment Bill 2002. Public hearings on the bill have been held previously in Canberra and Perth. Today's hearing is public and open to all. A *Hansard* transcript of the proceedings will be available via the committee secretariat or the Parliament House Internet home page next week. It should be noted that the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings. Before the committee commences taking evidence let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given before it. Any act by any person that may operate to the disadvantage of a witness on account of evidence given by him or her before the Senate or any committee of the Senate is treated as a breach of privilege.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Senate. The Senate also has the power to order production and/or publication of such evidence. I should add that any decision regarding the publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

I welcome today's witnesses today, which include Mr Chris Brooks, who will now speak to us via telephone. Later in proceedings, representatives of Elders Ltd and of the Futuris Corporation will appear. Mr Brooks, we have a submission from you and, if you wish, you may make a brief opening statement. The committee would like to publish your submission, so, if you have no objections, that is hereby ordered.

**Mr Brooks**—I have no objections. I do not think it is necessary for me to make an opening statement as what we do and what we think are pretty well documented in our submission. The evidence required of me is regarding a specific issue that I am aware of because I was involved in it. I just want to bring to your attention that they have the ability to stifle different markets at their will.

**CHAIR**—Thank you.

**Senator FERRIS**—Mr Brooks, there is one area from your letter to us that I would like you to enlarge on if you could. You say:

The AWB storage concept damages the grower in three different ways.

You then go to point 1, where you say in relation to the central receivals point:

This forces the other BHA's to close the neighbouring sites—

and forces—

the rail service provider to offer a discount rate for these sites—

which will eventually—

cost the local growers more.

Have you got any absolute examples of that, or is it something that you have experienced yourself? I am wondering if you can share any more information on that particular area.

**Mr Brooks**—It is quite evident, Senator Ferris. It is not necessarily a deliberate market abuse, I suppose. But it is important to understand the circumstances of the existing bulk handler, be it Vicgrain or Grain Corp, where they have taken on a facility that is established along a rail line. For example, in the case of the Mallee areas of Victoria they are almost five kilometres apart and, what is more, they were set up in the horse and cart days when they would take in their five- to 10-thousand tonne parcels. Of course, the rail outloading facilities there are much slower than bulk transport requires nowadays.

The Wheat Board pick a specific area where there are great rail lines to all these sites. They build a massive 100,000-tonne site in the middle of it. They give a guarantee to have a train loaded within a specific time frame and demand a reduced freight rate from the rail service provider. That in turn, just by market forces, means that, if their rail rate in the centre of that area is \$2 or \$3 less, all the other sites more or less close down, because there is not twice as much grain being grown there, even though it is being serviced. It is just that that is the receival point and, if all the others close down, all the growers along the line up to 50 kilometres away are forced to cart the grain to that central receival point at their own cost.

**Senator FERRIS**—I am wondering whether it has actually happened to you in your business and whether you are able to tell us specifically about anybody who has been offered discount rates and so on.

**Mr Brooks**—Yes, I can give examples in various areas. Typical areas are almost all the sites where they have built the new Wheat Board receival centres—at Charlton, Dimboola, Birchip and Sea Lake.

**Senator FERRIS**—What sorts of discount rates are they?

**Mr Brooks**—The average rail rate on the Mallee lines is \$23 to \$24. The discounted rail rates offered there are maybe \$2 to \$3 less.

**Senator FERRIS**—You go on to make the point in your submission that when the other sites close down, in fact, the value of the discount to a grower is lost because they lose the dividend from the other bulk handling authority. Is that correct?

**Mr Brooks**—That is part of it. But understand that the other part of it, which is more directly affecting a grower, is where he was capable of carting the grain from his property that five or 10 kilometres to the existing bulk handling silo. He now has to employ a subcontractor with a larger truck to cart it further down the line—some 50 or 60 kilometres away—at a cost of \$10 or \$12. So while he has a freight reduction—the port is, say, \$2 less—the actual freight incurred is \$10 more.

**Senator O'BRIEN**—In your letter you talk about a circumstance where you were seeking a permit to export, I take it, bagged or containerised wheat?

**Mr Brooks**—Containerised.

**Senator O'BRIEN**—You say you had a specific order for a specific variety, grade and quality of wheat from a long-term customer. Presumably that is an overseas customer?

**Mr Brooks**—Yes.

**Senator O'BRIEN**—The customer had also requested the AWB to supply the same wheat, and they had responded in writing that they did not have that grade of wheat available. Do you have a copy of that letter?

**Mr Brooks**—I have a copy of his letter. I have an email confirmation that that was the case and I did ask him for a copy of that letter. I have not got it, but I could get it.

**Senator O'BRIEN**—If you could and if you could supply it to this committee, I would appreciate it as concrete evidence of this sort of activity.

**Mr Brooks**—Yes.

**Senator O'BRIEN**—You say you applied for a permit which was rejected. You applied to the Wheat Export Authority, I take it?

**Mr Brooks**—Yes.

**Senator O'BRIEN**—They rejected it. You appealed to the Wheat Export Authority, and they again rejected your application. You say:

... despite the evidence we showed them the AWB response.

I take it that means you showed them the AWB response in writing that they did not have this grade of wheat?

**Mr Brooks**—I asked this particular gentleman to forward me the Wheat Board letter. He was away on the road at the time and he sent me an email confirming what he had told me—that he had made applications to the Wheat Board to purchase the specific variety of wheat, and that they had responded by saying that that quality grain was not available in that particular year.

**Senator O'BRIEN**—And you are going to supply that email to us?

**Mr Brooks**—Yes.

**Senator O'BRIEN**—Thank you. You go on to say:

I was then contacted by the AWB and they advised me we would never be given a permit to sell that type of wheat anywhere in the world.

Whom did you speak to?

**Mr Brooks**—Ms Sarah Scale.

**Senator O'BRIEN**—Was it a telephone conversation?

**Mr Brooks**—I and Ms Scale had written a few letters to one another in the *Weekly Times* at the time over this particular issue. I had written a letter objecting to the treatment and she had responded. It was a fairly personal attack from both sides. Then she rang and said, 'Look, you're never going to get the permit,' and made the offer, which I took.

**Senator O'BRIEN**—You say that you had no choice but to accept this offer so that your customer could be supplied. Did you have another market for the wheat?

**Mr Brooks**—No, they never supplied him, unfortunately. I got a bit of evidence out this morning. I have been away at a funeral but one of my staff just rang me. When we finalised the deal they offered to give us the money—the premium—for this wheat. They supplied us with 6,000 tonnes of normal ASW wheat and they took from us this specific variety—Rosella wheat—and paid us the premium. We have further evidence to show that the 6,000 tonnes of the Rosella variety of wheat that we transferred to them was taken to Geelong and shipped as normal ASW. They did not use it for any specific market.

**CHAIR**—For the committee's purposes, Rosella is a biscuit wheat—a soft wheat.

**Mr Brooks**—It is a noodle wheat or a biscuit wheat. It can be a biscuit wheat but it is also used for the udon noodle.

**Senator O'BRIEN**—I assume AWB knew this customer wanted this product?

**Mr Brooks**—He sourced it then from North America. They did not supply him.

**Senator O'BRIEN**—Was that his decision or AWB's decision?

**Mr Brooks**—He did not have a choice. They did not give him the offer. He went and sourced it elsewhere.

**Senator O'BRIEN**—So that contract was filled by wheat from the United States.

**Mr Brooks**—Wheat from North America. I am not sure whether—

**Senator O'BRIEN**—You are not sure if it from Canada or the United States.

**Mr Brooks**—Yes, that is what I mean. I am not sure whether it was from the US. It was more than likely from Canada.

**Senator O'BRIEN**—In this case, you are telling us that there was an opportunity to export wheat, you were denied that opportunity, AWB did not fill that contract and, as a result, the sale was lost to North American interests.

**Mr Brooks**—Exactly.

**Senator O'BRIEN**—Thank you very much, Mr Brooks.

**Mr Brooks**—Thank you, Senator O'Brien.

**Senator COLBECK**—You said in your letter that this was a long-term customer. How long had you been supplying him?

**Mr Brooks**—I had been supplying him via the New South Wales Grains Board with various forms of barley for Sho-chu and other domestic uses. Whenever they made a sale of barley to this trading house, this particular gentleman had to come out and draw samples from all the sites where we had the barley that he

wanted. He would do all his own tests for pesticide residue, chemicals, proteins and grain size. I have been supplying him since 1995, at a guess; I would say six years.

**Senator COLBECK**—When did this event occur?

**Mr Brooks**—This event occurred in September 2001.

**Senator COLBECK**—So, essentially, you have been supplying him for six years.

**Mr Brooks**—Yes.

**Senator COLBECK**—Can you see any way that this trade was a threat to the AWB?

**Mr Brooks**—No, not ever. You will have to check with the Australian Wheat Board but you can never get the accurate figures. I would say that, conservatively, 300,000 tonnes of wheat go into this same market from Western Australia every year in bulk—and understand that the bulk freight that they do is a hell of a freight advantage to the Wheat Board as opposed to the additional freight that I would pay for containers to go into a smaller market.

**Senator COLBECK**—Essentially what you are saying is that you did a product swap and then a premium was paid to you on top of that.

**Mr Brooks**—Yes.

**Senator FERRIS**—Can I take you back to the area you were discussing with Senator O'Brien, which is also covered on the second page of your letter. When the appeal to the WEA was rejected again, how was it that the AWB then advised you that you would never be given a permit to sell that type of wheat anywhere in the world and offered you \$50 a tonne to take the wheat off your hands?

**Mr Brooks**—Sarah was indicating that they had sufficient stocks of wheat to supply all that market and, basically, she wanted to know the buyer. I said: 'What would it matter if it were Korea, Taiwan or Japan? My buyer is telling me you haven't got the wheat.' In the conversation I was saying the price at the time was \$A100, which is \$US50, a premium over and above the standard ASW price for this particular wheat. We argued about whether or not they had the stocks in Western Australia and whether this was a legitimate market or a political stunt. I said, 'That is not how I see it.' I said it was worth X amount more and she said, 'We will give you this much more,' and we negotiated a premium. I had no choice but to take it because I had exhausted all avenues for getting a permit to export it to get any premium. So, with those options lost, I just had to take whatever she offered.

**Senator FERRIS**—I am not asking you to disclose all the details of it, but it would be helpful if you could tell us how many tonnes there were.

**Mr Brooks**—There were 6,000.

**Senator FERRIS**—So you got \$300,000?

**Mr Brooks**—I did not get that much in the end. I have since checked and seen that it was not the full amount, but it was close to \$50 a tonne. There was some freight advantage they gave me and some storage and a premium, which added up to \$40-something.

**Senator FERRIS**—How did you feel about that?

**Mr Brooks**—It was a hollow victory. I suppose I could say I felt a little bit cheap, but there was some comfort in the fact that I had extracted a premium.

**Senator FERRIS**—Yes, except that it was from presumably, eventually, the same client base, wasn't it?

**Mr Brooks**—The annoying part is that it was the growers' money that I got and we still lost a market, which was more frustrating. That is one example I am giving you.

**CHAIR**—Thank you very much for that, Mr Brooks. We do appreciate your evidence.

**Mr Brooks**—Thank you. You will want the original letter from Wheat Board?

**CHAIR**—Yes, if you could send those letters along, I am sure the secretariat will be in touch. We will send the *Hansard* down to you—and pray for rain.



[2.08 p.m.]

**HUNT, Mr Gregory Allan, Managing Director, Elders Australia Ltd**

**SADLON, Mr Michael Peter, Company Secretary, Futuris Corporation Limited**

**WOZNICZKA, Mr Leslie Peter, Chief Operating Officer, Futuris Corporation Limited**

**CHAIR**—Welcome to this committee hearing, gentlemen. You would be aware that everything that is said here is privileged and we can take evidence in camera, if you so wish. Would you care to make an opening statement, Mr Hunt? We will then go to questions.

**Mr Hunt**—We welcome your invitation to make a submission to this committee. Elders is one of the largest rural service organisations in Australia and we provide a wide range of services to 100,000 farmers, many of whom are grain growers. These services extend to financial products as well. Elders is also a large exporter of Australian agricultural products and we are vitally interested that the incomes are maximised for our clients.

We have reviewed the information that has come to this committee. We would encourage the committee to make a recommendation to the parliament to reform the regulator. We have raised some specific issues in our submission which we would be happy to take questions on.

**CHAIR**—You are happy to have that two-page submission published as presented to this committee?

**Mr Hunt**—Yes.

**CHAIR**—Does the committee agree that the submission be published? There being no objection, it is so ordered. Thank you for your opening statement. We will now move to questions.

**Senator O'BRIEN**—Thank you for coming here today and fitting into our program. It is important that the committee gets the best possible information when it is going to make recommendations to the Senate on this legislation. I specifically have some questions for Futuris—I am not sure who will take those. Can you give me an idea of the nature of the business and its relevance to this inquiry?

**Mr Wozniczka**—Yes. Just briefly, Futuris is a publicly listed company. We have approximately 50,000 shareholders and we would be amongst Australia's top 100 listed public companies. We have a range of businesses, the largest business being Elders, which includes not only the traditional livestock agency business but also a banking business, the insurance business, the fertiliser and agriculture chemical activities and, over recent years, numerous activities in relation to the export of Australian produce, particularly to Asian markets. That involves meat and horticulture primarily, and also wool. The other parts of Futuris include Air International, which is the largest automotive components supplier to Holden and Ford Australia. We also have a small property group and we have recently announced a new investment in a new industry, the hardwood plantation industry, which is just re-emerging. We have 7,000 employees worldwide and approximately 4,500 in Australia.

**CHAIR**—You have got a pretty good bunch in Wagga, too, I might say. Before we go any further I had better put it on the record that I am a client of Elders.

**Mr Wozniczka**—And a very good client, if I may say so, too.

**Senator O'BRIEN**—I'll bet he is! Witnesses to this inquiry have taken the view that our activities concern much more than the narrow imposition of a levy to fund the Wheat Export Authority. I take it that is your view as well?

**Mr Wozniczka**—We have come forward today to answer questions primarily restricted to the adequacy of the regulator and the efficiency of that process, particularly as it reports to parliament. We are happy to answer questions in camera in relation to other issues regarding an application which is in the public domain by the Wheat Board to increase shareholding in Futuris, but that is not really the primary purpose we are here.

**Senator O'BRIEN**—Your answer is consistent with other answers we have had from people who say we should not just be looking at the imposition of a levy to fund the Wheat Export Authority in this inquiry. That is what you are saying to us as well.

**Mr Wozniczka**—That is correct.

**Senator O'BRIEN**—The AWB Group is growing its business vertically and horizontally—and I hear what you say about in camera—but it has been suggested to us that this is at the expense of other players in the market. You are out there. What is going on?

**Mr Wozniczka**—It is quite clear to us that one of the primary objectives of the Australian Wheat Board in relation to their shareholding in Futuris is to remove or place under their control probably the one organisation that would be the most credible competitor to the AWB in the event that at some future point in time the government chose to deregulate either completely or partially the single-desk marketing arrangements. I understand also that the Wheat Board has made approaches at various times to acquire other state based grain handling organisations, I think with a view to the same commercial objective. The consequence of that is that, if at some future point in time the government does decide that it is appropriate to deregulate the market, there will not be any alternative competitors standing. The only competitors would be foreign owned companies. That would be a backward step for the national interest.

**CHAIR**—It would be fair to say, though, that AWB's growth of its asset base and business would be perfectly normal behaviour for a public company—what it was trying to do would be in the best interests of the shareholders.

**Mr Wozniczka**—That is true. Having said that, that behaviour would be, and has been, subject to rulings and prohibitions by the ACCC. At this stage I am not sure whether an application has or has not been made to ACCC as regards Futuris and Elders. However, I emphasise that the AWB is not a normal commercial enterprise; it has duties to the parliament, to growers in Australia and, of course, to public shareholders. How those obligations are discharged is a matter of considerable debate, hence this inquiry.

**Senator O'BRIEN**—I return to the theme that I was intending to get to. I have the view that we have to put the interests of wheat growers to the top of the list in forming a view as to what our recommendations on this legislation should be. Many witnesses have told us what growers want and how growers view the current arrangements but we have been told different things by different groups. A number of organisations have appeared to claim considerable grower membership in the case of agri-political bodies and a large customer base on the part of companies. You have a lot of customers who are wheat growers. Do you want to tell us what you think the growers are saying with regard to their interests and how you would base that view?

**Mr Hunt**—We obviously have a number of people who are in regular communication with the 100,000 farmers that I mentioned earlier. Certainly, in relation to grain growers, in recent times we polled a number of those growers as well. Four issues come through. Growers are seeking more information and, certainly, independence. In relation to the marketing of wheat, they are seeking accountability and transparency. Our view would be that we would simply be echoing the sentiments of a lot of our clients.

**Senator O'BRIEN**—So you have had a formal polling process to ascertain the views of your clients?

**Mr Hunt**—Yes, we have.

**Senator O'BRIEN**—How many clients would you have polled?

**Mr Hunt**—There were a number of focus groups run, but in total probably close to 400 clients. In the main, they were wheat growers. That was across Australia.

**Senator O'BRIEN**—Is there a detailed document which sets out the findings of what I take to be some sort of market research?

**Mr Hunt**—Yes. We commissioned a market research company to undertake that for us. There is a document that sets out in detail the findings of that research.

**Senator O'BRIEN**—Could that be made available to this committee?

**Senator FERRIS**—Perhaps we could have a summary of it, because there may be some commercial-in-confidence material.

**Mr Hunt**—We will take that question on notice, if you do not mind, and come back to the committee.

**Senator O'BRIEN**—If there is a component of it that is sensitive, I do not think the committee would object to you giving to us the part of the document that is not sensitive—with the intent of the committee receiving the information relevant to the questions I just asked and the answers that were given—rather than anything that might have a commercial bearing on the business. Do you think we will get at least some of the documentation?

**Mr Hunt**—The major feedback really was that growers are simply seeking more accountability and transparency. There are some other specific issues that were raised, but I think we just need to discuss it.

**Senator O'BRIEN**—Okay, I am happy for that to happen. In terms of the actual marketplace for wheat, is it your view that the structure of the market today is dramatically different from that in place when this regulatory regime was put in place in July 1999? Has there been significant change?

**Mr Hunt**—Obviously the structure of the Australian Wheat Board, or the AWB as we know it now, is clearly different. Parliament and the Australian growers have expressed a desire for a regulated market, and we believe it is important to ensure that there is in fact an efficient regulator.

**Mr Wozniczka**—There have been some major changes. As the committee is aware, the domestic market has been deregulated and there is quite active competition. Generally, all participants would consider that that has been a forward step. I know that there has been some criticism that one of the participants in that deregulated market is actually the Australian Wheat Board, which has a monopoly position for export markets and therefore has an unfair advantage over other companies which trade in the domestic market. I think there is plenty of evidence in front of the committee that that is probably the case. So there have been some important changes, and to our mind those simply reinforce the need for the regulator to do the job for which it was put in place, which is to ensure that the single desk is operated so that the interests of growers are truly maximised.

**Senator O'BRIEN**—Do you think it is possible to effectively equip the regulator to become more effective or do you think the time has passed for that and we should be looking at some other approach to the issue of the single-desk monopoly, how it is controlled and the influence of AWB Ltd and AWBI?

**Mr Wozniczka**—The very strong sentiment that is expressed to us by our customers is that a form of regulated market is desirable and that growers take comfort that such an organisation can protect their interests in international markets. But the critical question that comes from that is that those growers are saying, 'Prove to us that the levies and the structure that are imposed on us do actually generate premiums for growers as a result of that.' I think that is where the process is failing.

If the general feeling is that we should proceed on a regulated basis, at least for export markets going forward, then that should be tested. There are a couple of examples which I would like to raise, and which Greg could perhaps expand on, where, when tested in certain areas, the previous practices were found to be failing. One example of that is that, when competition was introduced in the provision of harvest advances, the cost of finance to growers fell very significantly. I think the quantum benefit that went back to growers has been assessed at almost \$100 million. More recently we have been made aware, and I am sure the committee has been, that CBH has put a proposal to the Wheat Board to save Western Australian growers approximately \$40 million in storage and handling costs. I think this is evidence that the market as it is currently being operated is not as efficient as it should be.

**Mr Hunt**—Certainly, the feedback that we are getting is that growers are losing or have lost confidence in the system. I think once they have lost that confidence then it is very difficult to regain it.

**Senator FERRIS**—Mr Hunt, in relation to your survey you used words such as 'accountability' and 'transparency'. While I understand that you are going to supply some form of that material, can you take us through the sorts of reasons that you were able to get from growers that led you to question the levels of accountability and transparency in the WEA? Did they give you any examples of why they thought there was a lack of accountability and transparency? I think you said that made it a less effective regulator. I directed the question to you, but I understand that Mr Wozniczka might like to respond.

**Mr Wozniczka**—I think there is general understanding in the community, including in the grower community, of what constitutes an independent regulator. Those standards would include a board that is patently independent of what is being regulated. Information emerges, and is reported on, which is provided by the regulator to the parliament and also to the public generally that demonstrates that the regulator is complying with its statutory obligations and responsibilities to the constituents, the growers. Certainly, that transparency is not there. I understand that some 70 or 80 services are provided by the Australian Wheat Board to the single desk.

**Senator FERRIS**—That is AWBI.

**Mr Wozniczka**—But no-one knows what those services are, what price those services are being provided at and whether other participants could provide those services at a lower cost. It is interesting that in the one example that I mentioned before where that was tested it was found that there was a participant that could provide those services at a significantly lower cost. So the relationship between regulator and regulated is quite unusual here, compared with other sectors of the economy where a similar situation is in place.

**Senator FERRIS**—I am interested in your response, because in today's *Weekly Times* there is a letter from Glen Taylor, Chief Executive Officer of the Wheat Export Authority, in which he agrees, basically. He writes:

The WEA's legal advice is clear that it does not have information gathering powers.

WEA therefore had to determine how to perform its statutory functions of performance monitoring without such power. He says therefore that the confidentiality agreement was struck 'to facilitate information flows and provide AWBI with confidence over the management and publication of its information'.

It seems to me that that is just further proof of what I have said on the record in this committee, and that is that the WEA is a toothless tiger because it had its own hands tied within months of the legislation going through. Do you think that the legislation could be amended to in some way give the WEA a stronger power than the one that is already legislated for? Or do you think the WEA is fundamentally flawed in relation to its ability to be a monitoring agency in the future? After all, this committee is looking at the effectiveness of the WEA and how it is funded.

**Mr Wozniczka**—I am not qualified to comment on amendments to legislation. I can ask Michael Sadlon, our company solicitor, to make some comments in relation to that. However, there are numerous other examples of where parliament has taken issue with the independence or performance of regulators and made appropriate changes. The normal elements of that involve a board that is patently independent of the entity being regulated; a process for securing information from the regulated entities and for auditing that information independently, and in some cases outside experts are used for that process; a report being made to parliament on the performance of the regulator which is generally available to the market; and a process whereby other organisations can provide input into that—and this is an important difference—on the basis that they have information on which they can form a view and a judgment. One of the difficulties here is that the information for organisations like ourselves to express a view to the regulator is simply not available. I can think of numerous examples of where the government has taken the initiative to improve regulation and that has been very successful. If Australian growers wish to continue with a regulated market, we should be able to find a way of ensuring that that process is done in the appropriate manner.

**Senator FERRIS**—Mr Sadlon, would you like to add any comments?

**Mr Sadlon**—The only thing I would add is that you can amend the legislation. You can give the power and the resources and you can give a clear and unequivocal reporting line. But a bigger issue here is, as Greg said earlier: once confidence is lost in an authority, can you get that confidence back?

**Mr Hunt**—If I could just reflect a comment from our research, which was that the WEA is just a rubber stamp for the AWB: that sentiment is probably echoed by a number of the clients we interviewed.

**Senator FERRIS**—And perhaps from the letter that the WEA published today defending itself.

**Senator COLBECK**—Gentlemen, you said in your submission that the difference between the price received for export wheat and the price received by Australian wheat growers of approximately \$50 a tonne is too high. Would you perhaps care to quantify by how much it is too high and the basis for your claim?

**Mr Hunt**—As Les has said, we have reviewed a number of the submissions to this committee and our issue is that there is not enough information available to test whether that statement is correct. The transparency and the information available really go to the nub of the issue.

**Mr Wozniczka**—Perhaps I can add to that. Elders is a very major exporter of numerous products from Australia—for example, wool, meat and horticultural products. Many of the clients that we export to are also purchasers of Australian wheat. Our own analysis of export cost is that, for example, if we were able to supply wheat to those clients as part of an integrated supply service, certainly we would be able to make some savings. I am not necessarily putting my hand up to say that that is the way the committee could go, but these costs need to be tested in some way; they cannot simply be accepted as fair or accurate simply on the basis that they are there. I refer to the two examples that I gave you before. When those costs were made contestable by relevant participants, the costs to growers went down and they had some significant benefits.

**Senator COLBECK**—You also say that the WA is not ensuring that enough market signals are being given to Australian wheat growers with respect to the needs of customers and that that could have an adverse impact on the industry over the long term. What signals do you believe that the WA should be providing to growers?

**Mr Wozniczka**—I am not sure that it is necessarily a matter for the regulator to provide the signals but I think it is very important that the regulator makes certain that the regulator, being the Australian Wheat Board, provides the right signals to growers. There is a clear gap in price and quality information that is going from

the AWB to growers—and that is feedback that we get from growers who feel inadequately informed as to what they should or should not be growing and what prices they should or should not be getting for their product—and from customers. One of the major driving factors behind the broader Elders business in recent years is that we have taken an organisation that has been largely farmer focused and concentrated on listening to what customers have to say. One of the mantras in our business is that you ignore the customer at your peril. One of our concerns is that, if some of the complaints that customers have made to us are not listened to, they have a very powerful incentive to source wheat from other than Australia, and I cannot see how that is in the interests of Australian growers in the long term.

**Senator COLBECK**—Can you indicate the levels of export that Elders have in wheat trade?

**Mr Hunt**—As far as the wheat trade is concerned, obviously we do not export any wheat, but in relation to exports generally—that is, wool, livestock and meat—it would be in the vicinity of \$950 million to a billion dollars.

**CHAIR**—Thank you very much, gentlemen, for appearing today. It has been a great pleasure.

**Senator FERRIS**—We would appreciate very much any of that material that you can make available.

**Committee adjourned at 2.39 p.m.**