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Mr BROCK (Frome) (11:03): I bring up the final report of the select committee, together with minutes of proceedings and evidence.

Report received.

Mr BROCK: I move:

**That the final report of the committee be noted.**

The select committee reiterates the recommendations made in the interim report, which was tabled on 14 September 2011. In this report, the committee's final report, the select committee strongly recommends, first:

That the Federal Government initiate a review of the Wheat Export Marketing Amendment Bill 2012 that is currently before the Federal Parliament, with the objective of developing policies and legislation that will ensure the benefits of deregulation are fully realised within a competitive and innovative framework that provides the basis for a viable and successful industry.

The committee finds that the existing regulatory arrangements imposed on the grain storage and handling systems in South Australia are failing to provide a vigorous and competitive marketplace for grain growers. There is a clear case for a review of the system. It is a system that is overly complicated and difficult to negotiate. Legislation and regulations at commonwealth and state government level are not consistent with the objectives of deregulation. There needs to be an alignment of the relevant legislation at both levels of government.

This access regime requires the approval of the Australian Competition and Consumer Commission (ACCC). The ACCC has recently endorsed an auction system developed by Viterro to allocate shipping slots. The whole of the grain supply chain that delivers grain to the ports is not subject to access regulation. Regulation is only applied at the ports.

ESCOSA recommended in its 2007 Ports Pricing and Access Review that the South Australian government undertake a broader review of the South Australian grain supply chain. The recommendation was also included in the

recommendations of the draft report of its 2012 review. The committee believes it is time to act on this recommendation, particularly in the context of federal government legislation to deregulate wheat export marketing.

What becomes obvious is that a wider review of legislation that governs access to ports and also rail services is needed to fully realise the benefits of deregulation of the wheat export markets. The emergence of new traders indicates that there is competition and farmers now have a choice for marketing grain. The difficulties in the industry are around the control that is able to be exercised by the dominant owner of storage and handling infrastructure in South Australia and the ownership of rail and port services by companies that own all of the facilities.

The point to be made is that, in order to export grain, the competitors must go through Viterra because it is Viterra that controls the port loading facilities. Market parameters in the South Australian grain industry do not provide the basis for a vigorous and competitive marketplace for grain growers. Despite deregulation of wheat export markets, the fact remains that South Australian farmers will not be able to fully exploit the opportunities that deregulation should provide.

The committee has considered all of the arguments in favour of the current structure but still comes back to the fact that the effective monopoly in South Australia does not sit well with the principles of deregulation. The imposition of access regimes only adds to the costs that are then passed on to farmers without providing any productivity gains that reduce costs and increase competition. There is a clear case for a comprehensive review of the current legislative and regulatory systems that govern the wheat export market and grain handling services in South Australia. Recommendation 2 states:

That the Federal Government establish an independent body to oversee the classification of grain. The independent body would develop and implement classification policies and procedures, set grain standards, accredit grain classifiers and their training, undertake audits to ensure compliance with mandated procedures and generally ensure the reputation of Australian grain.

The body is to be funded from existing levies paid by the industry. In its interim report, the committee made two recommendations that dealt with the issue of grain classification, namely:

1. That GTA be required to mandate that, in the case of a disputed grain classification, an objective measurement is made available to the farmer at the sampling point.
2. That the relevant Commonwealth and State Ministers be requested to provide direction to the industry on the implementation and enforcement of a dispute resolution process that mandates the use of objective tests.

Neither of these recommendations have been acted on. The committee's view is that the absence of sound and reliable practices for the classification of wheat puts the Australian industry at risk of becoming a second-class producer. The state government has set as one of its objectives for the state the development of a reputation for producing premium food from a clean environment. Classification of grain and the maintenance of standards must come into consideration if this objective is to be achieved for the grain industry. However, there is still no mandatory legislative requirement for an objective test to be available on request and, given their response to the committee's interim report recommendations, little enthusiasm by authorities to go down that path appears likely.

The committee has received submissions from industry participants who believe that Australia risks gaining a reputation for providing grain that does not meet world standards. The committee is not convinced that the industry has an appropriate structure that will allow market forces to manage the classification and grading of grains. The dominance of one company in South Australia which, under current procedures, has the power to determine classifications and is responsible for turnout of grains that are not to specification calls for oversight by an independent body.

For this reason, the committee is advocating an examination of the arrangements that apply in Canada and the United States. Canada deals with these issues through the Canadian Grain Commission and, in the United States, the relevant body is the Federal Grain Inspection Service.

The committee is also recommending that the principles underpinning the Australian Wool Testing Authority (AWTA) should be examined for their relevance to the grain industry. There was no reference to these models in the Productivity Commission's 2010 inquiry report. The responsibility is on all participants in the industry to come to an arrangement that ensures Australian grain can be such that the market has complete confidence in the standard and quality of the product. Recommendation 3 states:

That the State Government review the costs and benefits of establishing an agreement with the Government of Western Australia for participation in the Australian Export Grains Innovation Centre.

Together, South Australia and Western Australia account for 75 per cent of Australian wheat exports, and there are similarities between the two states on issues such as road transport, access to port facilities and rail transport.

The deregulation of wheat export markets has greater relevance to Western Australia and South Australia because of the volume of grain exported. An investigation into the areas of common interest and opportunities for cooperation should be undertaken to establish a formal arrangement that will provide access to expertise that has the potential to improve the industry in South Australia. Recommendation 4 states:

That the State Government establish formal arrangements for consulting with the grains industry and local councils on planning for each harvest, rationalisation of grain receival centres (strategic sites) and, designation of access routes (rail and road) to port. This arrangement would extend to providing annual reports to the Parliament through an appropriate Standing Committee.

In its interim report the committee made recommendations that dealt with annual management plans. The interim report included extensive coverage of this issue and facilities in general. The general view was that facilities and operating hours were less than satisfactory. The objective is to establish a forum that allows the grain handling companies to work with the state government and local councils to share information and to work towards common goals that will support the industry. Recommendation 5 states:

That the State Government authorise ESCOSA to undertake a review of the entire grain supply chain with the objective of establishing arrangements that provide the basis for pricing of and access to grain storage and bulk handling facilities (including up-country services) that are consistent with the requirements of a competitive and deregulated wheat export market.

The committee has undertaken an active interest in the role of ESCOSA in administering ports, pricing and access arrangements in South Australia.

The committee made two submissions to the commission: on 15 March and 18 July 2012. The imposition of two levels of regulation in a system that should ideally be treated as a single system appears to be unnecessarily complicated and expensive. In its 2007 Review of Ports Pricing and Access, ESCOSA made two recommendations that have not been acted upon by the South Australian government. The draft report of June 2012 includes similar recommendations.

The committee believes it is time the government took action on the recommendations, particularly of the recommendation that there should be a broad review of the entire grain supply chain in South Australia. The need to establish a legislative system that sets the base for competitive and viable port services is important for the future of the grains industry in South Australia. The issue requires leadership from both levels of government. Recommendation 6 states:

That the State Government undertake a review of the Maritime Services (Access) Act 2000 to determine the effectiveness of the legislation in providing the basis for competitive services and investment in port facilities. The proposed review would also clarify the interaction between Commonwealth and State regulations to eliminate possible duplication and simplify the procedures that are imposed on industry participants.

Recommendation 7 states:

That the State Government in consultation with Local Councils, transport operators and appropriate grain industry representatives establish a project group to:

- identify a coherent network of local government roads which provide direct and appropriate access for heavy vehicles between main roads, storage sites, railheads and ports in all council areas;
- produce an agreed single policy document for the operation of heavy vehicles on access roads across all Councils;
- provide a forum for local councils, transport operators and industry to work collaboratively to identify priority needs thus maximising the benefits of road infrastructure funding;

- provide a single voice for local councils to present a logical and consistent argument to the State and Federal Government for road infrastructure planning and funding of heavy vehicle access routes; and
- seek to rationalise and reduce duplication of the network;

The committee heard evidence from local councils that indicates there are problems in the way the heavy vehicles are regulated. Given the commercial arrangement between Viterra and Genesee Wyoming Australia for the supply of rail transport and the cost to use the service as reported in the committee's interim report, the importance of good heavy vehicle access routes cannot be overstated.

This is an important aspect of the grain industry and it is the committee's view that management of road infrastructure would benefit from an open public process that ensures that all parties have access to information and can be involved in determining policies and priorities. There appears to be a problem in communicating these processes through various levels of government and the industry.

A central problem for provision of road infrastructure is the lack of capacity of local councils, local government, to meet the cost. This is a constant theme raised by councils across all rural areas. The cost of regulating heavy vehicle movements and maintaining roads to a suitable standard places an onerous responsibility on the councils.

The whole question of managing road infrastructure for the grain industry should be seen as part of developing the industry and not managed in isolation from the objective of establishing the basis for an industry that is very important to the whole of the South Australian economy. Development of the grain industry is part of the government's stated objective of producing premium food from a clean environment. Recommendation 8 states:

That the services offered by the Small Business Commissioner be made known to farmers throughout the relevant groups representing the interests of farmers in South Australia and that the Small Business Commissioner, in preparing the current code of practice on farming, notes the recommendations from the committee.

The Small Business Commissioner will ensure South Australia's small business have a fair and competitive environment in which to grow and expand by

providing low-cost mediation services to business to business, and business to state and local government disputes.

The Minister for small business may also wish to give consideration to direct the commissioner to investigate market practices in the grain industry that may adversely affect farmers. Farmers are small businesses that rely on a service provided by a dominant company that holds an effective monopoly over the classification, storage and handling of grain in South Australia. Recommendation 9 states:

That the South Australian Parliament establishes a Standing Committee on Primary Industries with the following objectives:

- to ensure that Primary Industries continue to be a vital part of state's growth and economic successes;
- to assist in developing policies and practices that promote the State as a producer of Premium Food from a clean environment.

The grain industry and other industries that can be classified as forming the primary production industry have always been mainstays of South Australia's economy. The work of the Select Committee on the Grain Handling Industry once again highlights the importance of primary production to South Australia.

Issues raised in the evidence to the committee are not confined to the grain industry but are generic to all forms of primary production. The provision of infrastructure to support these industries is a major challenge that will require coordination and planning across all levels of government, and the allocation of finance to implement the required changes. Many of the changes will require new legislation and revision of existing legislation. The appointment of a standing committee on primary industries would provide a forum to monitor and to keep the parliament informed of developments and issues.

Such a committee, with appropriate terms of reference relating to primary industries, will ensure parliament is kept aware and will enhance a policy and legislative framework that is supportive of primary industries in South Australia. The appointment of a standing committee would also complement the objectives of the government to promote South Australia as a provider of

premium food and wine from a clean environment. Recommendation 10 states:

That the State Government establishes a formal working arrangement with Glencore International to ensure that the transition from Viterro to Glencore avoids disruptions to the grain industry and sets the basis of cooperation in introducing measures to improve efficiency.

In closing I would like to sincerely thank the committee members Mr Adrian Pederick, Mr Leon Bignell, Mr Tony Piccolo and Mr Tim Whetstone. The committee also worked tirelessly and the final report was unanimous. I would also like to thank Parliamentary Officer, David Pegram; Ms Rachel Stone, who was Assistant Parliamentary Officer; and John Parkinson, Research Officer for their tireless work. I also thank Hansard for their commitment for the duration.