GOVERNMENT OF
WESTERN AUSTRALIA

Agricultural Competitiveness
Green Paper

Submission prepared by
the Western Australian Government

16 December 2014

In response to the Australian Government's Agricultural Competitiveness Green Paper, the following submission has been prepared on behalf of the Western Australian Government.

The Western Australian Government again emphasises that, while the State has a number of relatively smaller industries with output directed to supply of the domestic market. The local agricultural sector is predominately export-focused with competitiveness determined by what other major exporting countries are able to achieve in markets targeted by Western Australian exporters. Consequently, the Western Australian Government remains firmly of the view that the White Paper should be used by the Australian Government to develop policy priorities which will enhance the agricultural sector's export competitive.

The Australian Government is encouraged to concentrate on policy development in the Competitiveness White Paper which offers market driven solutions to increase the investment and export readiness of Australian agri-business.

The Western Australian Government considers the priority areas of the White Paper should be:

- Increasing returns to the farm gate and building more profitable businesses through measures such as promoting business structures which improve investment readiness and developing business capabilities which enhance management and marketing skills through education and training.
- Connecting farms to markets through policies targeting more efficient and effective logistics and supply chains and improving opportunities for processors and marketers.
- Building the reputation of Australian food by developing an export marketing framework which promotes the competitiveness and positive attributes of Australian agricultural produce and contributes to growing markets and increased returns to growers.
- Strengthening of the biosecurity regime in Australia to enhance the agricultural sector's competitive position. The Green Paper pays limited attention to biosecurity policy, which is a serious deficiency in terms of its contribution to improving competitiveness and, in some cases, market access.
- Long term sustainability of the production base supported by appropriate research into factors of production such as soil health, water use efficiency and genetic improvement programs.

The Western Australian Government would like to stress the benefit of considering government efforts to boost agricultural competitiveness from a wider regional economic development perspective. Investment in regional infrastructure to deliver improved agricultural outcomes can also benefit other sectors of the economy.

Government action in this space should be cognisant of and supportive of investments that have the potential for widespread economic development which supports the expansion of Western Australia's economic base by investing in the export capacity of the agrifood sector. The Western Australian Government's $300 million "Seizing the Opportunity Agriculture" initiative is being invested in agricultural infrastructure, market and water development, as well as biosecurity, research and assisting producers in developing skills in risk management and innovation and should be complemented by Australian Government funding to maintain the momentum gained.

In addition, the WA Government strongly recommends that related investigations or processes being undertaken by the Australian Government should involve regular engagement and involvement with State Government stakeholders. Included in this category would be:

- the White Paper on the development of Northern Australia,
- the Ministerial Working Group on Water Infrastructure, chaired by the Hon Barnaby Joyce,
- the Infrastructure Australia national audits and
- the audit of Northern Australia infrastructure,
- the CSIRO studies of water and land resources,
- the review of Cooperative Research Centres and
- the consideration of the growNorth CRC.

Comments are provided in this submission under the 11 section headings and associated policy ideas, where appropriate.

2: Infrastructure

The detailed listing of Major Government Infrastructure Commitments 2013-14 to 2018-19 indicates proposed expenditure in Western Australia on road and rail projects of less than 7% of the projected national total despite Western Australia contributing almost 50% to the generation of wealth from Australian exports in 2013-14. If the Australian Government is concerned with enhancing agricultural competitiveness, then it should look more closely for projects within Western Australia which will target genuine competitiveness and enhance the production and export processes within this State.

The Green Paper outlines Commonwealth funding commitments which are strongly biased toward road ($28 billion) as opposed to rail ($1.3 billion) and, as discussed, strongly favour the eastern states.

Export markets are expected to be the primary driver for increased agriculture output for Western Australia. Improved port infrastructure and links to ports are critical developments that build the capacity of regional areas to develop export focused agricultural businesses, particularly in the north of the state.

Policy idea 1—Building new transport infrastructure: The Government is committed to working towards filling Australia's infrastructure gaps to meet the infrastructure needs of the 21st century. Some specific stakeholder suggestions included:

a. improving links between public and private freight lines and port infrastructure;
b. investigating all-weather access rural roads that may increase productivity of interstate freight movement, including sealing a third east–west continental road through central Australia;
c. identifying air freight hubs in regional Australia as potential opportunities to significantly reduce transport times to markets; and
d. examining infrastructure for greenfield developments that may support growth in new areas and open up new opportunities for Australian farmers.

There are a number of 'greenfield' agricultural developments being considered in northern Western Australia. In our previous submission, we pointed to the need for the development of infrastructure to support expansion of agricultural activity in the north of Western Australia. In particular, the Western Australian Government considers key transport requirements to encourage economic development of regions within northern Australia, in the context of traditional Federal funding responsibilities, include:

- Placing greater emphasis on enabling projects in smaller population centres in northern Australia by adopting broader, longer term evaluation criteria.
- Improving the reliability of the transport network in flood prone areas through mitigation strategies.
- Developing port and logistics capabilities to support the expansion of northern Australian agriculture.
- Developing marine supply bases and maintenance precincts at selected locations.
- Constructing heavy vehicle bypasses at selected locations on the Auslink national network to improve transport efficiency, such as in Karratha and Kununurra.
- Driver fatigue management initiatives, for example, rest stops.

The extensive transport of livestock and grain crops produced in Western Australia require effective transport infrastructure for timely delivery to port and regional storage and aggregation centres. Strategic investment by the Australian Government in road and rail infrastructure is required to achieve an appropriate balance between industry requirements for an efficient network and social expectations, such as investment in rail freight networks which reduce the impact of agricultural freight on other road users.

The Western Australian Government is devoting considerable resources to the investigation and development of new water sources and production areas in the North West of the State such as $320 million from the Royalties for Regions program for the Ord River expansion and $25 million for improvements to the Carnarvon irrigation system. Without suitable shipping and air freight infrastructure, these investments will take longer to achieve commercial success, given the lack of suitable alternatives beyond lengthy road transport to port.

Western Australia, more broadly, is poorly supplied in terms of port facilities capable of handling shipping containers of food in a timely and reliable manner which, combined with poor shipping scheduling, detracts from the competitiveness of local fresh agricultural produce in Asian markets.

The ports with the largest throughput for livestock exports are Fremantle and Broome. Limited transport corridors for livestock to Fremantle result in carriers moving through residential and commercial areas, creating the potential for unnecessary conflict. A move to dedicated livestock loading facilities in more industrial port areas like Kwinana would be preferable. Cattle exports from the Broome port are in the main handled well in the mix of normal freight and mining and resources needs, however loading space competition does result in some scheduling issues. Industry would like to see livestock given preference over inanimate cargoes; however port authorities have to juggle the relative inconsistency of cattle boats with regular mining and resources bookings. The need for additional export infrastructure is clear.

Given the lack of adequate public funding for all high priority infrastructure requirements (noting in particular the critical need for additional infrastructure spending to allow Australia to take full advantage of emerging market conditions in Asia) it is important to develop a clear understanding of the needs and preferences of private sector investors in infrastructure.

An audit of Institutionally Invested Private Equity Investors in infrastructure globally ,not just local Super funds, would facilitate a better understanding of investment theories, portfolio structure, criteria, preferred business models and preferred classes of infrastructure investment. Critically, the major limiting factor of inadequate project scale in many regional projects may be addressed through a better mutual understanding by project proponents, infrastructure users and financiers.

Policy idea 2—Improving existing infrastructure and transport regulation: The Government is committed to upgrading existing infrastructure across Australia and reducing transport costs. To address these needs, stakeholders have suggested that mechanisms are required to incorporate information on local infrastructure needs and bottlenecks into infrastructure planning and funding decisions. Options are also sought on areas where transport regulation can be amended or removed to improve the efficiency of the transport system and reduce business costs. For example, the Government is considering reform of coastal shipping regulations to reduce costs faced by producers.

The Green Paper suggests a greater focus should be devoted to developing airfreight hubs for agriculture. Type of product, origin and destination, and pricing arrangements will play an important role in generating interest in such a proposal. The Chamber of Commerce and Industry of Western Australia (CCIWA) investigated airfreight potential in the WA context in 2012 and suggested at the time that although there is available capacity, there appears to be limited interest from industry.

It is encouraging to see that the paper, in the context of long term planning, acknowledges the Transport and Infrastructure Council's commitment to develop a National Remote and Regional Transport Strategy that takes 'full account of the key issues and possible solutions identified to resolve the significant transport challenges faces in remote and regional Australia'. The WA Department of Transport is participating in the drafting of this Strategy.

In regions such as the Pilbara the only connections to major markets are through road and coastal shipping. Markets for Pilbara agricultural produce would most likely be overseas. The development of agriculture in the Pilbara, which is expected to be a long term industry in the region, would benefit from expansion of both sea port and airport infrastructure to better access these markets. The economic and social impact of the Ord River Scheme on the Kimberley Region serves as an example of the potential benefits which can be generated by such investment.

The Pilbara Development Commission has had discussion with the Western Australian Department of Transport about a Pilbara Aviation Strategy. The scope of the strategy would include the identification and development of regional air freight hub(s) in the Pilbara. Western Australia's current regional aviation infrastructure in the Pilbara limits opportunities for private investment.

The Western Australian Government is supportive of moves to reform coastal shipping regulations given the dependence of many communities and businesses on this form of transport and to make this form of transport commercially viable.

There does not seem to be recognition of the unintended impacts of some forms of deregulation. For example, grain marketing deregulation allows greater choice with respect to modes selected for transport, and potentially encourages greater numbers of trucks to use state and local government roads, with associated impacts on road safety and road condition.

The Green Paper investigates charging mechanisms to fund the new or improved infrastructure. The paper does not mention reform to the (Commonwealth) Road User Charge (RUC), which is largely a pre-requisite for heavy vehicle reform.

The Green Paper suggests jurisdictions have commenced work to implement initial heavy vehicle road reform measures – primarily to improve information, transparency and consultation. WA is considering these minor, though not inexpensive, supply-side measures that come out of the Heavy Vehicle Road Reform project. However, WA is not likely to implement these changes until their net benefits can be shown. There are unlikely to be significant net benefits unless these minor reforms are coupled to demand-side reforms, which the Commonwealth has not shown an interest in.

The paper refers to regional road Community Service Obligations (CSOs). "The majority of road infrastructure in remote and regional Australia is provided as a community service obligation, to maintain an acceptable level of access by communities and industry to the road transport network. Ensuring the maintenance of adequate levels of heavy vehicle road services in remote and rural areas will be a fundamental objective of any future heavy vehicle reforms. Providing levels of service or infrastructure for industry beyond what is generated through user charges is effectively an industry subsidy. CSOs should not be seen as a fundamental component of road reform, but as a part of industry development policy and alternative transport and non-transport forms of assistance should be considered.

The Western Australian Government is committed to creating a better business environment to enable businesses across the State's export-focused sectors to compete more successfully against overseas competitors. The Government is committed to a review of relevant legislation and processes and is supportive of more standardised transport regulations across Australia. The Government would encourage the Australian government to use its influence to hasten this process.

The Western Australian Government has commissioned targeted reviews of ineffective, inefficient and unnecessary regulation and inefficient agency processes, with a view to removing those which impose administrative or financial burden beyond adequate benefits. This work will identify inefficiency and business impacts across all levels of government, and will include provision of specific recommendations for improvement to relevant Ministers and agencies.

Both rail and road networks are critical for transporting Western Australia's grain to port. Decisions regarding the choice of road or rail transport are private, commercial decisions. As with most States, WA's grain freight network suffers from aging infrastructure (some rail is over 100 years old) which results in severe weight, speed and temperature restrictions being applied to operate safely. This has the impact of severely reducing the efficiency of rail. In addition WA has a mix of rail gauges, with the main east-west line being standard gauge and the rest of the States rail being narrow gauge.

Rationalisation of the WA freight rail network has already occurred. The 2009 Strategic Grain Network Review determined that some rail lines (classified as Tier 3) were not commercially viable, taking into account all relevant factors, including safety. In the absence of a commercial agreement between Brookfield Rail, which has a long term lease over the state rail network, and its major grain client, it was determined that Tier 3 lines should be placed into care and maintenance. Lines placed into care and maintenance can be brought back into service if demand justifies the investment required to make the lines operational. The future operation of the WA grain rail network is dependent on commercial arrangements between Brookfield Rail and its customers. The WA Government has no direct control over freight rates.

Rail access seekers in WA may approach the Economic Regulation Authority (ERA) to resolve rail access matters through the *Railways (Access) Code 2000* framework.

Policy idea 3—Enhancing communications: The Government is committed to ensuring that farmers and regional communities have access to reliable and affordable communications systems. Views are sought on areas of focus for future government and commercial investment in communications infrastructure and options to assist farmers and regional communities to use the communications infrastructure currently being deployed.

Pervasive, reliable mobile phone and data access would provide a step-change is business efficiency, opportunity capture (eg. grain marketing), risk reduction and overall competitiveness.

DAFWA has commissioned a study of mobile phone coverage across the agricultural region of Western Australia. The conclusions of this study have highlighted the poor digital coverage of farm businesses in the region. The study has outlined the growing importance of technology, such as variable rate applications, to large scale farm operations such as those in Western Australia as well as numerous social benefits of extending coverage. The report argues that future competitiveness of the agricultural sector will depend on access to this technology and that Australia is already lagging behind some competitors in terms of the capacity to employ new systems in the field.

The Regional Mobile Communications Project (RMCP) received an allocation of $40 million from the Royalties for Regions program to improve mobile telecommunications coverage in regional Western Australia which will enhance community and business well-being as well assisting state emergence services. In partnership with Telstra, the project is delivering 113 new communication sites along major roads and highways across the state as well as several regional communities. Significant gaps remain, however, in mobile services available to farm businesses. The RMCP will be extended, as the Regional Telecommunications Project, with $45 million additional funding from Royalties for Regions commencing in 2015.

While this investment by the Western Australian Government will improve coverage of population centres, it will still leave the majority of broadacre agriculture in the State with limited or no coverage. The Western Australian Government seeks greater commitment from the Australian Government to expanding the mobile phone network through the Western Australian agricultural region. The study prepared for DAFWA concluded that a $122 million investment would generate a return of $1.75 for every dollar invested through improved returns to farm businesses and the broader economy.

It is unclear how much impact the delays in the rollout of the National Broadband Network (NBN) will have on regional, particularly northern, Western Australia given the current reviews of the NBN rollout. Enhancing communication would be of importance to regional agricultural businesses – communication and engagement with sophisticated markets, geolocation, automation efficiencies and the like are increasingly important modes of business for agricultural producers. The current level of communications infrastructure in the north and in some wheatbelt areas of Western Australia continues to lag behind the pace of economic development, including the potential for more sophisticated agricultural development.

It should be noted three private consortia are considering/progressing new undersea data cables into Perth, and are also considering overland routes from the Pilbara to Perth. While these private investments are underpinned by major mining and oil and gas companies, the Commonwealth and State Governments should assist and leverage these investments for the benefit of all regional and remote Western Australian communities.

Fast effective biosecurity surveillance, diagnosis and reporting are not possible without mobile phone coverage across Australia.

3: Working with the States and Territories

Policy idea 4—State government deregulation: Deregulation is a priority for COAG, with governments already looking at ways to reduce red tape and duplication and improve the performance of regulators. Stakeholders suggested some ideas for deregulation including:

a. removing excessive native vegetation laws;
b. removing excessive work health and safety requirements; and
c. improving the efficiency of the native title system.

As discussed in our previous submission, the Western Australian Government is committed to creating a better business environment to enable businesses across the State's export-focused sectors to compete more successfully against overseas competitors. The Government is committed to on-going review of relevant legislation and processes.

The State Government has commissioned targeted reviews of ineffective and unnecessary regulation and inefficient agency processes, with a view to removing those which impose administrative or financial burden beyond adequate benefits. This work will identify inefficiency and business impacts across all levels of government, and will include provision of specific recommendations for improvement to relevant Ministers and agencies.

The Western Australian Government has committed significant resources to reducing red and green tape, and associated business and community costs, which is being driven through a Ministerial Taskforce on Approvals, Development and Sustainability (MTADS). A supporting Director General level taskforce includes a focus on reducing business costs across the agriculture and food sector, and reducing impediments to new business development. Some important reforms have already been achieved, such as amendments to clearing permit regulations. In addition, the Economic Regulation Authority has released a report on its enquiry into Microeconomic Reform.

An important Western Australian initiative is the partnership of the Department of Agriculture and Food Western Australia with CCIWA to reduce business costs in agriculture where poor awareness of processes such as regulatory applications or applicant regulator relationships or other issues impede progressive business development and operation.

The Western Australian Government encourages all policy initiatives to improve the efficiency of the Native Title system as the legislation has a significant impact on the agricultural sector in Western Australia and uncertainty limits development and investment in some regions.

The Green Paper appears to imply that improving the efficiency of the native title system is a matter of collaboration for Commonwealth, State and Territory Governments. In unlocking new land for development in the north of Western Australia, making native title more efficient and responsive to these needs is largely a matter for the Commonwealth to address through its own regulatory reform. While this should be done in consultation with the states and territories, only the Commonwealth can initiate it.

Policy idea 5— Protecting the resource base: A strong agriculture sector requires the natural resource base to be maintained for future generations. Stakeholders made a number of suggestions for the States and Territories, including:

a. limiting the adverse impacts of mining on the agriculture sector, including by providing a royalty stream for land holders affected by mining, ensuring that access to freehold land is granted with the agreement of the landowner and ensuring that no long-term damage is done to aquifers so as to change the agricultural capacity of the district as a result of extraction activities;
b. providing opportunities for farmers to convert leasehold land into freehold;
c. ensuring greater consistency in biosecurity regulations between Australian jurisdictions; and
d. quarantining prime agricultural land from mining.

The Western Australian government looks to achieve the right balance between commercial developments across all sectors while acknowledging the need to protect valuable agricultural land from unnecessary development. This is particularly important in peri-urban areas where encroaching urban use can remove land from production or incompatible land uses become an issue, for example, spray drift, and noise. State rural planning policy contains recommendations for buffers etc. and guidelines for where subdivision and loss of agricultural land is not appropriate. DAFWA works closely with Department of Planning on these issues and has input into the policies.

The concept addressed in this policy idea is consistent with the Royalties for Regions funded Water for Food project being delivered by Department of Lands to investigate land tenure options for underpinning investment on pastoral leases. It is not clear from the Green Paper how the Australian government proposes to facilitate this objective but the overall concept is supported.

The current Royalties for Regions projects directed at northern agricultural regions include examination of policy issues around pastoral diversification and most appropriate ways to achieve this to allow third party investment in the context of current land title arrangements.

The problem of wild dog control in the rangelands has emerged as a significant issue in terms of efficient pastoral operations and is an area that warrants support at a national level.

WA has distinct requirements for biosecurity regulations that differ from the eastern states. WA, because of its relative isolation has pest and disease free status that does not exist in the eastern states. This gives the State access into valuable and emerging markets. Adopting uniform national biosecurity regulations is not necessarily in the best interests of Western Australia WA Biosecurity Council made a formal submission to the senate enquiry into this issue along these lines.

The Australian Government has established a Green Army, at a cost of $525 million over four years, for young Australians aged 17 to 24 to gain experience in pest and weed management and environmental conservation. The Green Army should also learn about surveillance for pests and be equipped with appropriate tools for pest surveillance. Management through rehabilitation of native species should be a priority as well as policies which increase the number of pest free areas. Goals therefore are made more achievable, as opposed to just managing the status quo of pests.

With regards to the impacts of mining on agriculture, the Western Australian Government does not see a natural or necessary conflict between mining activity and agricultural development. Mining and agricultural activities can occur simultaneously on common ground without undue interference to each other provided that the needs of each group are recognised, understood and respected.

The mining industry in the Pilbara has given the concept of agricultural development in the Pilbara a significant boost. The work of the mining industry has provided greater certainty with regards to available water resources. Furthermore, as companies mine below the water table, mine dewatering has become a potential source of large amounts agricultural grade water. There are now a number of projects underway, including the Royalties for Regions funded Pilbara Hinterland Agricultural Initiative, to utilise this water for agriculture, with the potential for significant expansion.

Mining activities

Under Western Australia's *Mining Act 1978 (Mining Act)*, the provisions of any planning schemes in force[1] are taken into account. However, these schemes do not prohibit or affect the granting of a mining tenement or carrying out mining operations. Mining tenement applications are advertised on the Department of Mines and Petroleum website and any person may lodge an objection to the granting of an application for a mining tenement. Objections to exploration licences and mining leases are heard by the Mining Warden (a Magistrate) who then makes a recommendation to the Minister for Mines and Petroleum. In consideration of local factors, protective conditions may also be imposed on mining tenements.

There are situations in which mining applications can be terminated or refused if the Minister for Mines and Petroleum is satisfied that it is in the public interest to do so. For example, in 2012 the Western Australian Environmental Protection Authority (EPA) advised the State Government that a coal mining proposal in the Margaret River area posed an unacceptable environmental risk. Following this, the then Minister for Mines and Petroleum issued a mining policy for the Margaret River area

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[1] Under the *State's Planning and Development Act 2005*

that no coal mining would be allowed and all pending applications for coal exploration activities in the Margaret River region were terminated.

Private land access

For mining, the consent of private land owners and occupiers is generally required for the granting of a mining tenement giving a right to the surface of the land or within a depth of 30 metres.

Pastoral land access

Agricultural activities may occur on land owned by the Crown i.e. pastoral leases. Pastoral lease areas in Western Australia are defined by the Mining Act as being 'open' for mineral exploration and production. However, some specified land (plus a buffer zone) is protected and the holder of a Miner's Right or mining tenement cannot prospect or fossick on, explore, or mine on or under, or otherwise interfere with that land, without the written consent of the pastoralist. This protected land includes:

- for the time being under crop;
- used as a yard, stockyard, garden, cultivated field, orchard, vineyard, plantation, airstrip or airfield;
- in actual occupation and on which a house or other substantial building is erected;
- the site of any cemetery or burial ground;
- pastoral land which is the site of any water works, race, dam, well or bore (unless the excavation was previously made and used for mining purposes by a person other than the pastoralist).

Mining and pastoral activities can occur simultaneously on common ground and are a good example of how compatible multiple land uses can co-exist to gain the maximum economic and social benefit for the State.

Petroleum

Private land access

For petroleum activities, the *Petroleum and Geothermal Energy Resources Act 1967 (PGERA)* provides limited circumstances in which access to private land can be denied. Specifically:

- their land is less than 2,000 square metres; or
- the proposed activity is within 150 metres of a water spring, dam, bore, artesian well, burial place or substantial improvement.

In all other circumstances petroleum title holders wishing to conduct on-ground activities on private land will have access, however, must firstly receive consent from the land owner. Sometimes this may also include consent from surrounding neighbours. The consent is in the form of a land access agreement.

Pastoral land access

Access is available for petroleum development on pastoral leases. The petroleum operator should notify the lessee of its proposed operations.

Protection of the environment
The regulatory framework for mining and petroleum activities provided through the Mining Act and PGERA gives protection to the environment, including water resources, through the requirements to produce a plan[2] detailing how the environment will be protected. This must be to the satisfaction of DMP, before activities will be approved to proceed.

Additionally, the Department of Mines and Petroleum has a Memorandum of Understanding with the EPA, which describes criteria for referral of mineral and petroleum activities for assessment under the *Environmental Protection Act 1986 (WA).*

The MoU provides that DMP will refer a proposal in a variety of circumstances which specifically includes when the proposal is likely to impact a water resource area, including a water reserve, a declared or proposed water supply catchment area or groundwater protection area.

The resource company, the public, or another government agency may also refer a project to the EPA for assessment.

Petroleum and mining operators may also be required to refer their proposal for assessment by the Commonwealth Department of Environment under the *Environment Protection and Biodiversity Conservation Act 1999*, if the proposal could have a significant impact on a matter of national environmental significance.

Royalties and compensation
In Western Australia, generally all minerals, petroleum and geothermal energy existing in their natural form are owned by the State, being held in trust by the Government on behalf of the community[3]. When title to these non-renewable resources is transferred to developers, the State expects a return to the community. Compensation in the form of a royalty is paid to the State for the use and loss of an asset. The legislation governing mining and petroleum activities explicitly prohibits compensation through a royalty or rent for the mining of a mineral or extraction of petroleum or geothermal resources i.e. no compensation if payable for the value of these resources. Other forms of compensation, however, may be payable to the land owner and occupier.

Private land compensation
When mining and petroleum activities occur on private land, compensation may be negotiated by the land owner and occupier for being deprived of possession to the land, damage to the land and improvements, severance of such land from other land of the owner and occupier, for rights of way and for consequential damages.

Private land holders in the vicinity of the mining or petroleum operations may also be entitled to compensation for loss and damage suffered as a consequence of the activities.

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[2] For the Mining Act 1978 it is a Programme of Works or a Mining Proposal, under PGERA this is an Environment Plan.
[3] The exception is where minerals are found on land which was allocated a freehold title before January 1899 and basic raw minerals on private land.

Pastoral lease compensation

When mining occurs on pastoral leases, compensation may be payable to the lessee of a pastoral lease for any damage done to improvements or loss of earnings as a result of the mining. Petroleum activities which damage improvements on the pastoral lease lands are also entitled to compensation.

Policy idea 6—Strengthening farm businesses: There are a number of State and Territory policy changes that could be made to allow farm businesses to operate more effectively. These include:

a. implementing a nationally consistent and mandatory approach to farm debt mediation;
b. subsidising farm energy audits;
c. streamlining development application processes by assigning a single government official to assist a farm business as they work through the different steps;
d. enforcing animal welfare legislation and strengthening laws to stop trespass on farms; and
e. adopting the Co-operatives National Law to make it easier to run a cooperative across different states.

In Western Australia, the State has adopted a Lead Agency Framework http://www.dsd.wa.gov.au/7633.aspx and it would be possible to apply a model similar to this for certain categories of farm businesses.

DAFWA has provided a service for the past 2.5 years assisting agribusiness proponents to:

a. Understand their regulatory requirements prior in the early stages of business planning, enabling business to have a 'full handle' on what is expected prior to commencement.
b. Compile development applications, to meet the existing requirements of regulators, in an integrated format.
c. Progress their development applications through the regulatory pipeline (chaperoning).
d. Find appropriate sites that meet functional requirements with both adequate servicing and separation distance.
e. The provision of these services has led to DAFWA functioning as a one stop shop for agribusiness proponents.

Parallel to this is DAFWA's work on reducing the compliance load on business by investigating a model that allows a state regulator and an industry standards organisation to superimpose compliance approaches, reducing compliance audits to a single pass.

Local Government should also be encouraged by the Australian government to participate constructively in the process of streamlining application processes.

Adoption of harmonised law, via the Cooperatives National Law (CNL) regime, for State registered cooperatives, will remove a number of current impediments to adopting the co-operative business model. Adoption of CNL will allow for more robust use of the co-operative business model in the Australian agricultural sector.

4: Competition and regulation

Policy idea 7 — Improving market competition: The Government aims to facilitate and support a regulatory environment that allows agricultural markets to operate efficiently and transparently to support competition. Many stakeholders argued that there was a lack of transparency and certainty in the price of agricultural products and that this had led to difficulties in planning or investing. Stakeholders also argued that producers had been unfairly dealt with by other players in the supply chain. Stakeholders suggested that the Government:

a. introduce options to increase price transparency throughout the domestic supply chain;
b. introduce new marketing mechanisms that might restore balance of power to the producer; and
c. facilitate greater use of cooperative structures.

The Western Australian government is supportive of competitive markets at all stages of the agricultural supply chain and believes current provisions for assessment and remediation of competition should be enforced by the Australian government to give comfort to farm businesses that returns are at competitive levels. Co-operatives are one vehicle for providing business members with market information and helping achieve supply chain integration to improve efficiency, for example to pool individual marketing endeavours for export. The government should ensure that export provisions, such as export inspection or insurance promote and do not hinder co-operative effort.

The Western Australian government notes the comparatively strong co-operative sector in WA, with co-operatives maintaining dominant or significant positions in irrigation and grain handling services, lobster, grain, lamb, bananas and organic marketing and regional farm inputs. Other forms of collaborative business exist also in many of these areas.

Farmers are understandably reluctant to invest in business activities that are removed from their core skill sets. This is often compounded by difficultly in attracting and retaining high calibre management, particularly in regional areas. Public policy support may be appropriate in access to training, education and skilled consultant support for current and prospective collaborative business leaders, particularly in strategy development and execution.

Measures which might interfere in the efficient operation of the marketplace, such as the introduction of new marketing mechanisms to artificially shift the “balance of power”, are not supported.

0Policy idea 8—Strengthening competition laws: The Government is committed to ensuring that competition laws in Australia provide a sound basis for ensuring firms act in a competitive manner. Current competition laws generally seek to prevent the misuse of market power and allow for collective bargaining (including by farmers) in certain circumstances, to negotiate better deals. The Government's Competition Policy Review is examining these issues and the Review Panel released its draft report on 22 September 2014. Stakeholders consulted as part of the Agricultural Competitiveness White Paper suggested improvements to competition laws, such as making it easier to prove that market participants had misused market power (strengthening s46). They also raised other issues including divestiture, exclusive dealing (s47), powers to obtain information, documents and evidence (s155), the unconscionable conduct provisions of the Competition and Consumer Act (CCA), and whether there are barriers to the emergence of major Australian agribusiness companies ('national champions') of global scale for exporting to international markets. Specific changes suggested include:

a. revisions to the CCA to make it easier to prove breaches of market power provisions; introduce a flexible anti-competitive 'effects test' in the misuse of power provisions; and increase penalties for breach of the CCA including a general divestiture power enabling courts to break up a business that repeatedly breaches the CCA;
b. reviewing competition laws to consider whether there are any barriers to greater consolidation among agribusiness firms;
c. increasing the resources of the ACCC, including specialist agribusiness knowledge, and requiring the ACCC to publish more information on investigations and their outcomes; and
d. creation of a supermarket ombudsman with penalty powers and a mandatory code of conduct for supermarkets (across all commodities) backed by direct financial penalties.

The Government will consider views on these issues in the context of responding to the Competition Policy Review.

The Western Australian government notes and agrees that matters of competition law should be considered in the context of the Competition Policy Review.

The relevance of much of the discussion in the Green Paper on this subject to the international competitiveness of Western Australian agriculture is questionable. Local domestic focused industries already have considerable competition from produce supplied from the eastern states. For example, the Western Australian dairy industry has had to rationalise and remain viable against products brought in at seemingly heavily discounted prices while selling into the price driven fresh milk market. More recently, local dairy farmers have undertaken collective price negotiation to restore pricing levels without requiring intervention from the Australian government of the type canvassed in the Green Paper.

Policy idea 9 – Improved regulation: The Government is committed to making sure that unnecessary red and green tape is removed, and that necessary regulation is effective but imposes the least possible costs for business and individuals. Stakeholder suggestions included:

a. changes to the regulation of AgVet chemicals, such as through relying on the advice of trusted foreign regulators and allowing the Minister to issue temporary permits for chemicals; and
b. improvements to Country of Origin Labelling to ensure that consumers clearly understand the origin of their food.

The State Government supports the concept of amending the regulation of AgVet chemicals in the manner suggested. Chemicals constitute a significant proportion of the cost base of modern, large scale, broadacre farm operations in Western Australia and all endeavours should be made to ensure that their supply is governed by the sensible application of regulation.

In addition, the Australian Pesticides and Veterinary Medicines Authority (APVMA), the national independent statutory regulator, is currently participating in a global joint registration review program. The aim is to improve the efficiency and effectiveness of the registration process.

The program operates by dividing up the various components of the review amongst different countries, with the results of the review being shared amongst the participants. Therefore as an example the United States of America may review the health/toxicological data, Germany the environmental data and Australia the efficacy data.

This program should be expanded to ensure all new agricultural and veterinary chemicals are registered in OECD countries at the same time. This would assist in ensuring Australian farmers have access to the latest chemistry at the same time as major competitors.

The State Government has commissioned targeted reviews of ineffective, inefficient and unnecessary regulation and inefficient agency processes, with a view to removing those which impose administrative or financial burden beyond adequate benefits. This work is identifying inefficient provisions and business impacts across all levels of government, and will include offering specific recommendations for improvement to relevant Ministers and agencies.

The Western Australian Government has committed significant resources to reducing red and green tape, and associated business and community costs, which is being driven through a Ministerial Taskforce on Approvals, Development and Sustainability (MTADS). A supporting Director General level taskforce includes a focus on reducing business costs across the agriculture and food sector, and reducing impediments to new business development

The Western Australian government supports measures to better inform consumers through enhanced country of origin labelling although the relevance of such an issue within the context of a competitiveness policy document is weak. There is room for improvement in the CoOL provisions, especially in the need for a terminology which is more accessible to consumers. Any changes to the labelling measures need to strike a balance between consumer interest and support of the Australian food industry, while minimising the compliance burden. Support has been broadly given to the recommendations of the House of Representatives Standing Committee on Agriculture and Industry Report on the inquiry into country of origin labelling for food.

5: Finance, business structures and taxation

Policy idea 10—Improving access to finance: The Government wants effective finance mechanisms to provide farmers with the capital they need to grow. Stakeholders suggested a number of options for assisting Australian farmers to better meet their financing requirements including:

a. making the existing concessional loans scheme permanent; and
b. creating incentives to encourage greater institutional investment in agriculture. Options could include creating superannuation products that exchange cash for partial equity in farms and the issuing of special Government bonds to finance agricultural infrastructure investments, with taxation concessions for investors.

Any attempts to direct the investment allocations of Australian Superannuation entities will be resisted by the investment industry and will actually contribute towards a lower likelihood of investment by them in the Australian agrifood sector and associated infrastructure.

However, there is certainly a very valuable role of government in facilitating a clearer understanding of the Institutionally Invested Private Equity sector (PE) and its critical role in the future of the Australian agrifood sector in Asia.

What is required is an audit of the PE sector and their developing interest in investing in the agrifood sector globally. Any such audit must be global, since the PE sector operates globally. The audit would be designed to identify these investments from various segments of the investment community (not just Australian super funds), identify business model preferences held by investors and understand the investment criteria as they apply in the 6-8 asset classes that exist within the agrifood space. The audit would seek to inform both the investment industry and the agrifood sector on the respective shifts required in their business models in order to create value from the agrifood opportunities represented by the emergence of Asia.

Both sectors (investment and agrifood) will need to innovate and meet in the middle to optimise the opportunities. Innovative engagement mechanisms must be defined to encourage a meaningful intersection between the sectors. The Commonwealth has well tested means within its arsenal of policy instruments to bring this about. In particular the role of the leveraged public private risk equity capital instrument, known as the Innovation Investment Fund Program, should be assessed as the mechanism for catalysing “productive engagement” between the sectors.

The Western Australian government, through DAFWA, commissioned KPMG to prepare a report into the capital requirements of Western Australian agriculture. This pointed to the particular requirements of the sector in terms of financing succession, consolidation and access to technology in order to maintain competitiveness and the potential sources of this capital.

The study highlighted a number of areas in which governments could assist industry to be investment ready and to have access to adequate capital to remain competitive in world markets. Among the recommendations of the study was the need for the Australian government to maintain stable policy settings to encourage foreign investment. Farm businesses require education in approaches to adopting more corporate business structures and decision making processes required to attract investors. Strategies such as the separation of land ownership and management and the pooling of resources to achieve investment thresholds received attention in the study. In addition, KPMG has encouraged the development of investment indicators at a national level to assure potential investors of the returns achieved and the benefits of developing commercially based risk management tools.

Foreign investment will be important for attracting investment in irrigation infrastructure in many of the Western Australian Government's Water for Food projects. Direct incentives, such as "providing a 50 per cent per year deduction over three years for investment in on-farm water reticulation infrastructure", may be a significant incentive for investment.

The KPMG study did not propose intervention in the finance marketplace by government or the provision of financial assistance, which is discussed in the Green Paper, and the Western Australian government supports non-intervention in this market.

Policy idea 11—Improving tax system efficiency and equity: It is important that Australian farmers are subject to fair taxation arrangements that recognise the unique circumstances of farming. In general, taxation policy changes should be considered in the context of the Government's Tax White Paper. However, specific policy changes that relate only to the agriculture sector could be considered in the Agricultural Competitiveness White Paper. Suggestions include:

a. revising the non-commercial loss rules to encourage investment, by i) removing the $250,000 maximum income threshold or raising it to $1 million; and ii) increasing access to the primary producer exception to the non-commercial loss rules by raising the income threshold;
b. increasing thresholds and extending eligibility for the Farm Management Deposits Scheme (FMDs)—for example by increasing the deposit limit for FMDs to $1 million—raising the off-farm income threshold, extending access to FMDs to companies and trusts and re-establishing early access provisions in times of drought;
c. reducing the complexity of depreciation for farm plant and equipment by changing the effective life schedules for farm plant and equipment, which would result in a positive effect on productivity;
d. realigning the Zone Tax Offset scheme to be representative of the true cost of isolation from publicly funded amenities such as health and education services and public transport;
e. allowing farmers to trade tax losses to non-farm businesses, such as banks, to assist farm cash-flow in low-income years;
f. allowing farmers to opt back in to the income tax averaging provisions after a period of time to recognise changing circumstances; and
g. reducing and better targeting the rebate of the Wine Equalisation Tax.

The Western Australian government is highly supportive of measures to simplify the imposition of the burden of the taxation system on the rural sector, acknowledging that local broadacre operations are now much larger, with complex management challenges. In particular, it is considered that application of the Farm Management Deposit (FMD) scheme is of less relevance.

A recent review of the FMD scheme in Western Australian conducted by DAFWA included the following recommendations:

- With the cessation of "exceptional circumstances" drought provisions, FMD guidelines should have adequate flexibility to allow withdrawal within 12 months of deposit in the event seasonal conditions satisfy determined climatic criteria, without taxation penalty.
- FMDs should be considered as an asset for the purpose of being registered as security when a farm business is sourcing finance.
- Given the increasing size of Western Australian farm businesses, the ceiling on FMDs should be increased to a value more closely reflective of the ongoing operating costs of these businesses. For example, an increase from $400,000 to $1,200,000 would allow an FMD to have a ceiling or maximum value equivalent to the average annual operating cost of a broadacre property in Western Australia, as per the 2013-14 Planfarm Bankwest Benchmarks.

- The off-farm income limitation should be removed as being irrelevant at a time when farm businesses are becoming more diversified as a counter to seasonal fluctuations…The principal focus should be on the size of the farming operations meeting minimum financial criteria.
- Consideration should be given to including Trusts under the provisions of FMD's to prevent undue discrimination against this form of financial structure, subject to compatibility with other Federal requirements for Trusts.

Measures, such as the proposed amendment or removal of the non-commercial loss rule or increasing access to the primary producer exception, as a mechanism to encourage investment into agriculture, reducing the complexity of depreciation provisions applicable to agriculture and reviewing the flexibility of tax averaging provisions would be considered positive moves. The suggested review to Zone Tax Offset could offer better acknowledgement of the special circumstances of many, relatively isolated farm businesses in Western Australia.

As per the Western Australian Government's submission to the Joint Select Committee on inquiry into the development of Northern Australia, and in line with the submission to the Henry tax review in 2009, the Western Australian Government's preferred taxation settings in relation to northern Australia are that the value of zone rebates should be realigned with real values. This would be more representative of the true cost of isolation from publicly funded amenities such as health and education services and public transport.

It is noted that these matters will be considered in the context of the Australian government's Tax White Paper.

Policy idea 12—Farm business improvement: Farm businesses need to consider the most appropriate business structure for their circumstances, and access business information and rural services that allow them to operate at their best. To promote more competitive farm businesses with better support for farmers, stakeholders suggested:

a. establishing a programme offering independent business advice and assistance to farmers to improve decision-making and performance;
b. expanding the role of Rural Financial Counselling Service to assist 'at risk' businesses, promote learning and extension activities and provide links with mental health support services; and
c. establishing a programme to encourage collaboration between agricultural businesses by providing a networking service to bring interested parties together.

The Western Australian government has a number of projects investigating novel business structures and other options to improve the competitiveness of local farm businesses. The KPMG study, referred to above, has pointed to the need for more corporate like business structures to be implemented in order to secure necessary finance sourced from outside existing finance channels. Any expansion of federal programs to assist in educating the agricultural sector in improved farm business management will be a positive development although such programs should not be targeted at the poorest performing businesses but should have a broader objective of making the nation's strong farm businesses more internationally competitive.

DAFWA has also recently undertaken investigations into the coverage of digital (mobile phone) and Doppler radar services through the Western Australian agricultural region.

Communications and optimising performance within our dry climate will be critical elements of future farm business improvement and international competitiveness. While Western Australia has invested heavily in both of these activities, they are the ultimately federal responsibilities and, given the importance of Western Australia within Australia’s agricultural export endeavours, warrant additional investment by the Australian government.

6: Foreign Investment

Policy idea 13— Improving the transparency of foreign investment: Expanding the coverage of the register of foreign ownership of agricultural land to water and agribusiness enterprises would improve transparency and allow for a more informed debate about foreign ownership.

As discussed in our previous submission, the Western Australian Government has a clearly articulated policy stance on the need for external investment into the agriculture sector, a significant share of which will need to come from overseas, based on:

- International investment has been, and will continue to be essential for development of the State’s mining, gas, agriculture and tourism sectors
- Investment and trade flows are closely linked
- Asian and Middle East countries have substantial capital funding capability to grow supply chains (including on-farm production) to meet business and food security needs
- There are sound arguments that investment coming from major market regions for Western Australia agricultural exports is equal to or superior to any other source of investment
- It is not sensible, nor generally practical, for the consolidation and growth of the State’s agricultural sector to be funded from debt finance
- Relatively few Australian investment institutions and agri-food companies have the financial capacity and experience necessary to fund the scale of development needed; Australian investors are likely to bring in overseas investment partners
- It is rarely appropriate for an Australian Government to stand between an Australian farm business or land owner and an overseas buyer prepared to pay more than an Australian buyer.

The Western Australian government generally does not favour government intervention into the financial arrangements for agriculture and food or other businesses. Interventions, such as interest rate subsidies, generally distort markets and are unlikely to deliver longer term net benefits.

As previously recommended, the Australian Government should retain the existing Foreign Investment Review Board (FIRB) processes and limits, which are demonstrably sufficient to address national interest needs in relation to international investment into the agriculture and food sector. Suggestions of additional administration, such as an expanded register, may well lead to discomfort and discouragement amongst potential investors while adding little to the knowledge base in this country.

The Australian Government should establish clear, consistent policy messaging in support of international investment, as the current vacillation and mixed messaging is confusing potential investors (and customers for Australian agricultural produce) to the short and long-term economic detriment to rural and regional Australia. The Australian Government should also pursue programs which educate the broader community on the benefits of investment into agriculture.

The Australian Government should, in consultation with States/Territories, establish major infrastructure investment plans for which international investment would be deliberately targeted. This should be extended to include broad encouragement of Australian institutional investors, such as superannuation funds, to consider agriculture as a preferred investment destination.

Significant new capital investment and the development of innovative business/investment models are critical and northern Australia should be promoted as a preferred place to do business and foreign investment promoted. Given the Australian, Western Australian, Northern Territory and Queensland governments' focus on developing northern Australia, the development of major investment plans targeting foreign investment should be central to achieving that vision. Support for the Northern Agricultural Development (AgNorth) CRC linking business to innovation would be a positive investment.

Foreign investment is critical to developing new large scale agriculture in greenfield areas, particularly in northern Australia. The Green Paper appears to present the conflicting positions that recognise the importance of attracting foreign investment on the one hand, yet also notes a Commonwealth commitment to increasing scrutiny of foreign ownership on the other. The paper does not adequately explain how these two positions are not at odds. There are alternative vehicles through which to pursue a policy on investment transparency without imposing on a document intended to promote competitiveness, should a transparency policy be considered in the public interest.

While transparency of foreign investment may be a reasonable, if not precise, objective it would be counterproductive to the national interest if such measures stymied investment needed to drive productivity improvements in the sector.

7: Education, skills and training, and labour

Policy idea 14—Strengthening agricultural education: Young people, including those in rural and remote Australia, should have access to a comprehensive education. This should include a clear pathway for agricultural education and training from high school to tertiary level, to training opportunities for lifelong learning for those in the industry. Stakeholders frequently raised the difficulties faced by young farmers in getting a foothold in the industry, due to lack of clarity about career options and growth possibilities and high capital costs. Options include:

a. working with States and Territories to ensure agricultural high schools and colleges have the
b. resources to continue to specialise in agriculture in the future;
c. establishing a young farmers' mentoring and networking programme to help new entrants, including offering clear advice and information on education pathways for agricultural careers;
d. increasing financial support for regional education by extending the Assistance for Isolated Children (AIC) allowance and providing living away from home allowances for students from remote areas studying tertiary agriculture; and
e. creating national agricultural tertiary centres of excellence in regional areas for education, training, research and extension.

Western Australia operates a unique set of 5 residential Secondary Agricultural Colleges located through the agricultural region in Denmark, Harvey, Narrogin, Cunderdin and Morawa. The colleges are Registered Training Organisations and are approved to deliver a range of qualifications relevant to agriculture in their region. In addition, students attending the colleges are able to achieve Australian Tertiary Admission Ranking to undertake further study. Enrolments at these institutions have been increasing, with many experiencing lengthy waiting lists, despite the decline in farm numbers.

The Agricultural Colleges have enjoyed strong resource support from the State government and the WA Education Department. The programs at these colleges are more expensive to run than those in mainstream education however they are achieving excellent outcomes. The programs offer a blend of vocational training and general education, there is heavy demand for places and graduates flow easily into employment and further education and training. Since 2009, the State Government, through the Royalties for Regions program, has committed over $50 million to upgrading facilities at the colleges on the basis that they are providing a valuable service to the agricultural sector and rural communities more generally.

The same positive story on agricultural education in Western Australia does not flow through to the Australian government's responsibilities in tertiary education where courses and facilities for agricultural studies have been severely curtailed as institutions look save scarce resources. Agriculture is being increasingly delivered as an adjunct to other courses with reduced scope to deliver the disciplines uniquely related to agricultural production and marketing.

The Western Australian Government encourages all initiatives to increase funding to tertiary education of agriculture. Recent studies conducted into the sector, such as that undertaken by KPMG and the Deloitte “Building the Lucky Country publications, conclude that inadequate tertiary education in agriculture will emerge as a significant barrier to the uptake of technology and other measures to improve competitiveness. In addition, the Australian government should take reasonable account for the extreme isolation of much of Western Australia’s resources sector when framing Assistance for Isolated Children and living away from home measures for secondary and tertiary students.

The Western Australian Government is keen to see resources invested into improving educational outcomes, wellbeing and skills levels for regional youth. In terms of agricultural education, the Western Australian Government has invested $10 million of Royalties for Regions funding into revitalising the Muresk Institute to establish a multi-tenanted, multi-functional training and education precinct that primarily facilitates the delivery of agricultural vocational education and training and higher education opportunities.

The Australian government should engage with targeted industry groups in different industries to improve the image of agriculture as an endpoint career prospect with career pathways for young people.

Policy idea 15—Strengthening labour availability: While the Government is strongly focused on strengthening the domestic labour market and creating jobs for Australians, visa programmes can be an important means of supplementing domestic labour supply for the agriculture sector. Stakeholders emphasised the importance of labour market flexibility and the ability to access labour when needed, and recommended broadening the scope of existing visa schemes. Options to improve the flexibility and reduce the compliance burden of existing visa programmes include:

a. expanding the Working Holiday Maker (417) visa by increasing the qualifying age, expanding the country coverage and allowing a second application;
b. broadening the skill coverage of the Temporary Work (Skilled) visa (subclass 457);
c. expanding the Seasonal Worker Program to all agricultural industries;
d. streamlining visa application processes to reduce administrative burdens (i.e. shorter application waiting periods, less onerous superannuation requirements and automatic provision of tax file numbers); and
e. providing clearer pathways to residency for visa holders in farm management.

The Western Australian government is broadly supportive of strategies and initiatives to ease the burden imposed by labour shortages in the state and the severe impact this places on competitiveness. In particular, the government supports broadening he skill coverage of the Temporary Work (Skilled) visa (subclass 457), expanding the Seasonal Worker Program, any streamlining of visa applications with clearer pathways to residency for visa holders.

The government has reservations over a proposal to expand the Working Holiday Maker (417) as it may not produce the expected or desired outcome, for example, employers may not develop career pathways or other aspects of an employment package required to promote longer term employment, particularly in an environment where regional communities are looking for a more stable residence basis.

If a legitimate 12 month work visa category for youth is to be formulated then the age coverage should be limited to 18-28 years. The 417 visa is a cultural exchange program as opposed to work visa program which would mitigate against expanding the countries covered under the program. There would appear to be a strong case to expand the agricultural work requirement in the second year of an extension to 4 months.

Ultimately, however, pursuit of growth markets leading to more widespread adoption of automation is the route to a sustainable solution or agricultural labour availability, higher order skills based jobs in agriculture, higher productivity and international competitiveness.

Government can play a critical role in facilitation of expanded exports, adoption of automation and associated big data infrastructure and GIS through information provision, extension and targeted R&D.

8: Drought

Policy idea 16— Increasing drought preparedness: While a strong and profitable farm business is the best way to prepare for and manage drought, there were a number of specific options that were suggested to improve preparedness:

a. introducing accelerated depreciation—for example, at 100 per cent in the first year—for new water and fodder infrastructure;
b. encouraging multi-peril crop insurance by providing a grant to reduce the cost of the risk assessment process for commercial insurance products or the States and Territories removing stamp duty on insurance products; and
c. improving climate information through better tools for use by farmers and additional weather stations.

The Western Australian Government agrees that a well-planned, profitable business is the best preparation for coping with drought conditions. The South West land division of Western Australia is expected to experience more dry years in coming decades.

The Western Australian Government has a clear policy position in support of drought preparedness and is opposed to government being a lender of last resort. The Western Australian Government generally does not favour government intervention into the financial arrangements for agriculture and food or other businesses. Interventions, such as interest rate subsidies, generally distort markets however a reduced imposition of tax, through measures such as accelerated depreciation on infrastructure to handle drought, may assist in increased uptake without significant impact on markets for inputs.

The National Concessional Loans Schemes introduced by the Australian Government in 2014 is inconsistent with the Western Australian Government's policy decision made on 24 January 2011 for the Government of Western Australia not to provide a carry on loan scheme or other similar schemes designed to assist farmers via the Government acting as a 'lender of last resort'.

The Western Australian government has a clear policy position in support of drought preparedness and is opposed to government being a lender of last resort.

Some of the major issues that lead to this WA Policy position are:

- The Government would be required to assume risk that commercial lenders have rejected, and with only residual last ranked security. Financiers would refer risky clients to the scheme to limit their exposure and to avoid adverse publicity of debt recovery under the protection of higher ranked security.
- Level of arrears and bad debts are often substantial – and exacerbated if nearby future seasons are also adverse. A total $160M was advanced in loans by RAFCOR during 1972-1993. Loan portfolio peaked in 1987 at $104M. Loans ceased in 1993. In 1995, $8.0M remained outstanding with P&I arrears of $5M despite discounts for early payment being offered. The last loan was repaid/written off in 2003-04. Write-offs (bad debts) totalled $11.8M, representing 7.4% of loans advanced. However, the amount written off includes principal and accrued unpaid interest, so the amount of principal which was written off was 4.4% of loans advanced.
- Government reluctance to pursue arrears and loan recovery.
- A last resort loan scheme would be distortionary and encourage continued 'unviable' activity, artificially holding up land prices and delaying orderly restructure and adjustment in the sector. In the event that future years were also adverse, additional debt reduces equity even further and erodes net wealth of the business.
- The National Drought Concessional Loans Scheme also appears inconsistent with intergovernmental agreement (IGA) signed by all States at SCoPI in May 2013 on the national drought program reform.

The reform program seeks to enable farmers to manage business risks and prepare for future challenges rather than their reliance on direct Government business support that includes the likes of previous Commonwealth exceptional circumstance (interest rate subsidy) assistance.

Access to broadly based risk management tools would be considered a positive development for the broadacre sector in Western Australia. Multi-peril crop insurance has been the focus of much debate and a commercial product has emerged on the local market however there is a need for a consistent national approach to the extent that government has any role to play in the matter. The Australian government provides extensive assistance to drought affected businesses, far greater than that offered by the State jurisdictions. To this point, however, the Australian government has been notably absent in attendance or leadership on this issue. Each State has either developed a different approach to participation in work surrounding insurance or has remained silent.

The Federal Government could review the work in each State and establish a clear national policy position on this issue. Any policy position should be one that does not subsidise or provide any form of guarantee or underwriting but considers ways that government could provide leadership or information that assists prospective providers of insurance.

It is interesting to observe the private sector now investing and developing a range of products to achieve a commercial opportunity while lowering the risk profile of those eligible to receive coverage. The details of the packages on offer have been the subject of two recent provider sector forums promoting new products.

DAFWA have received a report from the AEC Group which investigated the business case for both expanded digital coverage of the agricultural region in Western Australia as well as the introduction of Doppler radar coverage across this region. In many respects, the two issues are closely related. Much of the weather data sourced from radar’s would be important input to technology for planting, fertilising, chemical application and marketing.

In 2003, the federal government allocated $62 million to replace 16 obsolete radars and to construct 6 enhanced, high resolution radars. Radars were replaced in Western Australia at 4 locations however none of these were high resolution units. In 2009/10, the federal government provided $48 million over 5 years for the construction of 4 new, advanced radars.

Weather radar coverage in Western Australia appears well below that afforded to the eastern states, with radars located close to major population centres. The wheatbelt and Great Southern regions, in particular, have limited immediate or accurate coverage. One option for improving grower data flow concerning the impact of weather events would be for the Australian government to consider funding two or three, high resolution weather stations to provide better coverage to the South West Land Division agricultural area.

The use of radar information in combination with automatic weather station measurements helps to improve rainfall estimates over those based on either form of measurement alone. This improvement is accomplished by adjusting, or calibrating, radar-rainfall data with data from rain gauges situated within the radar boundary, considered accurate within a 128 km radius. Radar-derived rainfall accumulation data are now available for the Bureau's Doppler radars in Adelaide, Brisbane and Melbourne.

The potential benefits from an expanded data base from Doppler radars, when combined with input from automatic weather stations include:

- The radar information provides a much clearer understanding of where rain has fallen across the catchment and at farm level. The service would assist substantially in the development of commercial products such as crop mitigation risk insurance. Doppler radar resolves the basis risk behind the development of an insurance risk as claims are based on rainfall or frost events that occur at a farm level.

- Information on rainfall and wind can be derived across the area covered by the radar and, when calibrated by existing weather stations, can be used to fill in the “gaps” between these stations.
- Better quality radar data means more accurate assessment of accumulated soil moisture calculations at a very localised level. This will aid critical cropping decision making. From this data, crop yield potential can be more accurately calculated, enabling growers to more confidently determine crop input requirements for variable application technology.
- Could detect extreme weather events ensuring emergency service resources are in the safest and most effective locations to address the incident.
- Offers benefits to the broader community in terms of preparedness for extreme weather events.
- Improved radar coverage would provide an “all of State” picture of developing weather patterns.

The Western Australian Government has invested considerable resources, partly through the Royalties for Regions program, to expanding the network of automatic weather stations. DAFWA currently manages a network of 120 automated weather stations in the South West Land Division. These have been installed over a considerable period and have differing sophistication and maintenance requirements.

The network of 135 Automatic Weather Stations (AWS) covers a broad area of south west Western Australia however the size of the grain growing area and the diverse geography and climate mean that many growers will be located a sufficient distance from an existing AWS to significantly dilute the benefits of having access to localised climate data. On average, most AWS are located within 50 kilometres of each other. The strength of the case for Australian government investment in improved weather services across the Western Australian agricultural region is persuasive.

Policy idea 17— In drought support: There are community expectations of a role for government in providing appropriate support to farm families and otherwise viable farm businesses suffering severe droughts. Options include:

a. additional mental health support in times of drought; and
b. provision of additional assistance for prolonged and severe drought that is beyond any capacity of farmers to prepare for, such as a one in 75-year drought.

The Western Australian government reiterates that it has a clear policy position in support of drought preparedness of farm businesses and is opposed to government being a lender of last resort. An infrequent, severe drought is the very type of drought that farm businesses need to accommodate into their planning processes.

The Western Australian Government generally does not favour government intervention into the financial arrangements for agriculture and food or other businesses. Interventions, such as interest rate subsidies, generally distort markets and are unlikely to deliver long term net benefits. Assistance measures which prolong the operations of unviable businesses do nothing to promote improved competitiveness across the sector.

The Western Australian governments sustained policy position has been clearly articulated through the national drought policy reform process under SCOPI. It has, however, provided assistance to business operators and rural communities facing personal and regional stress.

9: Water and natural resource management

The green paper reflects the direction of the Western Australian Government's "Seizing the Opportunity Initiative", including the Water for Food program. The considerations for investment in agriculture can be challenging, and we welcome the approach to transparently considering a full suite of criteria to support investment decisions.

The shortlist of potential water infrastructure projects is drawn from the WA advice to the Ministerial Working Group on Water Infrastructure, chaired by Hon Barnaby Joyce, Minister for Agriculture, and is supported. Sustainable water resource management underpins the ongoing viability of agricultural production, and policy or incentives to improve effectiveness of water use while maintaining long term viability of the resource are supported.

Land access for coal seam gas
The Green Paper specifically discusses land access for coal seam gas. Onshore petroleum includes not only coal seam gas, but shale and tight gas as well. Western Australia has abundant shale and tight gas resource potential (estimated to represent about twice WA's offshore gas reserves), however, the State currently has no known potentially commercial coal seam gas resources, because of the State's geology and character of its coals. The risks and impacts involved in extracting coal seam gas which is generally located between 300 and 1000 metres underground, cannot be compared to shale and tight gas, typically located between two to five kilometres underground.

WA has taken steps to enhance the regulatory framework around shale and tight gas activities. The Petroleum and Geothermal Energy Resources (Environment) Regulations 2012 came into force in 2012, and the Petroleum and Geothermal Energy Resources (Resource management and Administration) Regulations are currently being drafted. These regulations provide mechanisms by which water resources and the environment are protected.

The Agricultural Green Paper discusses accessing land utilised for the purposes of mining and makes specific reference to principles for coals seam gas also known as 'CSG' (Figure 21, page 78):

- Principle 1: Access to prime agricultural land should only be allowed with the farmer's agreement and farmers must be entitled to financial compensation for access to any of their land.
- Principle 2: There must be no long-term damage significant enough to impact surface or subsurface water resources which are utilised for agriculture or local communities.
- Principle 3: Prime agricultural land and quality water resources must not be compromised for future generations.

While these principles are specified as applying to CSG, the Western Australian Government is concerned they may be extended to shale and tight gas. The particular concerns with these principles are outlined below.
Western Australia has a robust land access and environmental regime in place and does not support the CSG principles recommended in the Green Paper and their application to other, unconventional gas supplies.

<u>Coal seam gas principle 1</u>

a. Consent

Principle 1 of the Green Paper infers a right of 'veto' whereby the landholder may decide whether CSG activities can commence. Under Western Australia's *Petroleum and Geothermal Energy Resources Act 1967* (PGERA) a private land owner can only refuse a petroleum company access to their land if:

- their land is less than 2,000 square metres; or
- the proposed activity is within 150 metres of a water spring, dam, bore, artesian well, burial place or substantial improvement.

The legislation provides, however, that in all other circumstances petroleum title holders wishing to conduct on-ground activities on private land must firstly receive consent from the land owner. Sometimes this may also include consent from surrounding neighbours. The consent is in the form of a land access agreement which can include negotiated compensation for access to the private land, and may comprise financial and/or non-financial arrangements.

If the land owner and petroleum title holder are unable to reach an agreement after three months then either party may apply to the Magistrates Court to determine a fair compensation arrangement. DMP will not approve the commencement of any proposed petroleum activities until consent is obtained by the petroleum title holder.
Access is available for petroleum development on pastoral leases. The petroleum operator should notify the lessee of its proposed operations and determine the likelihood and extent of any damage to improvements, so that some mutually satisfactory arrangement can be reached.

Agricultural and mining and petroleum activities may occur on both private land and land owned by the Crown i.e. pastoral leases. Areas held under pastoral leases cover much of the known mineral wealth of the State including most of the iron ore regions in the Pilbara and the gold, base metal and iron ore regions in the Eastern Goldfields and Mid West. In 2012, 9,264 exploration and prospecting licences and mining leases overlapped, either partly or wholly, pastoral leases throughout Western Australia.

Importantly, these areas are also highly prospective for future mineral discoveries. In 2012, $8.25 billion was reported as being spent on exploration and mining activities on the 9,264 mining tenements that are wholly or partly within pastoral leases.

Exploration and mining within pastoral leases contributes substantially to State and regional economic development and employment. The total value of minerals produced for the entire Pilbara, Goldfields and Mid West regions combined was over $79 billion in 2013. State Royalties from mining iron ore alone in these regions was over $4 billion in 2013.

The Standing Council on Energy and Resources' *Multiple Land Use Framework* acknowledged mining and agricultural activities can occur simultaneously on common ground without undue interference to each other. This is on the basis that the needs of each group are recognised, understood and respected.

b. Fair return

The Green Paper further states that "Farmers are entitled to a fair return for access to their land. This has the potential to benefit farmers through higher returns than would otherwise be earned from the property".

<u>Coal seam gas principles 2 and 3</u>

Principles 2 and 3 provide circumstances when access should be granted in order to protect water resources and prime agricultural land. In Western Australia protection of the environment including water resources is already well regulated.

A petroleum company must hold a petroleum title and have obtained all necessary approvals for on-ground operational activities. This includes approvals relating specifically to the protection of the environment. The *Petroleum and Geothermal Energy Resources (Environment) Regulations 2012* (the Regulations), require that all petroleum activities have an Environment Plan approved by DMP. This Plan is a legally binding management document, assessed by DMP, which must contain accurate information about all aspects of a proposal.

To ensure environmental risks are responsibly managed during each stage of activity, DMP requires operators to implement best practice management measures and demonstrate risks will be managed to 'as low as reasonably practicable'. The description of the environment must provide a wide variety of information including hydrogeology and hydrology. DMP assesses all hydraulic fracture stimulation proposals to consider whether they demonstrate the following:

- Identification and avoidance of impacts and risks to surface and groundwater
- Mapping of geological features and potential interactions with faults
- Efforts to adopt least impact fracture fluids, chemicals and additives
- Full public disclosure of all chemicals used downhill
- Implementation of internationally recognised best practice environmental management
- Water quality monitoring and reporting regimes, and testing by independent certified laboratories.

All operators are required to monitor, analyse, evaluate and report on their activities. DMP acquires this information through:

- Daily drilling reports
- Weekly activity reports
- Recordable and reportable incident reports
- Quarterly emissions and discharge reports
- Annual environmental reports
- Close-out reports
- Reporting of compliance against specific conditions where applicable.

DMP appoints inspectors under the Act to conduct rigorous environmental compliance audits and inspections of petroleum activities in WA. These audits and inspections ensure activities are conducted in accordance with the relevant approved Environment Plan and also to ensure best practice management is being implemented. Furthermore, all petroleum operators self-audit their activities to ensure environmental impacts and risks are managed appropriately and are continuously reduced as low as reasonably practicable.

To protect against significant environmental impacts, DMP has a Memorandum of Understanding with the Environmental Protection Authority, which describes criteria for referral of petroleum activities for assessment under the *Environmental Protection Act 1986 (WA).*

The MoU provides that DMP will refer a proposal in a variety of circumstances which specifically includes when the proposal is likely to impact a water resource area, including a water reserve, a declared or proposed water supply catchment area or groundwater protection area.

In addition, petroleum operators may also be required to refer their proposal for assessment by the Commonwealth Department of Environment under the *Environment Protection and Biodiversity Conservation Act 1999*, if the proposal could have a significant impact on a matter of national environmental significance.

Western Australia has taken steps to enhance the regulatory framework around shale and tight gas activities. The Petroleum and Geothermal Energy Resources (Environment) Regulations 2012 came into force in 2012, and the Petroleum and Geothermal Energy Resources (Resource management and Administration) Regulations are currently being drafted. These regulations provide mechanisms by which water resources and the environment are protected.

As shale and tight gas deposits in Western Australia occur where there are water resources prospective for irrigated agriculture there is potential for some competition. Both the agricultural sector and the petroleum (or mining sector) can co-exist. The Western Australian Government has not made a policy decision on agriculture being given a priority, however the PERGA prevails in most circumstances

Western Australia has a robust land access and environmental regime in place and does not support the CSG principles recommended in the Green Paper.

Policy idea 18—Improving water infrastructure and markets: Developing our water infrastructure and improving the efficiency of water trading markets are integral to the competitiveness of Australia's irrigation industries. Stakeholders suggested some ideas to improve water infrastructure, markets and administration. These included:

a. investment in new dam and infrastructure projects and opportunities to improve water-use efficiency or increase the amount of water available to agriculture through infrastructure projects;
b. providing a 50 per cent per year deduction over three years for investment in on-farm water reticulation infrastructure; and
c. improving the functioning and flexibility of water trading markets, such as through countercyclical temporary trade of environmental water by the Commonwealth Environmental Water Holder and regulating trading of water by speculators.

Investment in water infrastructure projects, improving water use efficiency and increasing water availability is supported as it will enable further growth and development of Western Australian agriculture.

The principles in figure 19 (p75) are a sound basis for investment in agricultural water infrastructure and should be supported. Maximising water use for agriculture in a dry climate is intuitively compelling. However, irrigated agriculture is generally only profitable with cheap water, and off-farm water infrastructure is expensive, so it is challenging to find investments that meet these principles. This is a key reason why governments don't invest in irrigation schemes as much as previously and, instead allow businesses to make their own commercially viable on-farm investments. Governments across Australia still bear the ongoing liability of maintaining and subsidising the irrigation dams and schemes resulting from past decisions that did not meet these principles. Policy ideas 18a and 18b should be contemplated only if they meet these principles

Investment in infrastructure and improving markets policy ideas need to be considered in the context of the recommendations made by the Commonwealth Government's White Paper on Developing Northern Australia and the Options Paper prepared by the Ministerial Working Group on Water Infrastructure.

The Water Infrastructure working group has provided separate information to the Agricultural Competitiveness Green Paper process proposing:

- Ord Irrigation Stage 3 (water infrastructure components), Northern Territory and Western Australia
- To expand the Ord River Irrigation Scheme north east of Kununurra into the Northern Territory, potentially increasing irrigable land in the region by around 14,500 ha.
- Estimated cost of $80 million to raise the spillway and $50 million for M2 channel.
- Thorough land-use suitability of analysis of the proposed development area is required to clarify the scope and coverage of suitable soils and the nature and extent of key production risks.

- If the stage III is fully realised, significant infrastructure and public works will be required, at an estimated cost of over $425 million (not including a new sugar mill), much of which is likely to involve Commonwealth funding (partially or fully).
- Also important is improving efficiency to support infill of the Ord Stage 1 irrigation area.
- Pilbara and/or Kimberley irrigated water pipeline system, Western Australia
- The project would develop new agriculture nodes to optimise over 160 GL/yr of water available for mine dewatering.
- An investment of $100 million would support land development and piping to agricultural precincts, enhancing diversification and exports.

Other water infrastructure proposals in WA include:
- Wellington Dam Revival
- Gascoyne Food Bowl Initiative (Carnarvon Trunk main irrigation water delivery)
- Investigatory work in the Manjimup area (capture and store run-off/potential dam sites)

Matters of relevance to the Ord Stage 3 development include:
- The Western Australian, Northern Territory and Australian Governments signed a MOU in November 2012 to collaborate to try and expand the scheme into the Northern Territory.
- The raising of the spillway of the Ord River Dam is a critical aspect of a full Stage 3 development of irrigation works extended into the Northern Territory's Keep River Plain. A clear indication of how this is prioritised in both the Agricultural Competitiveness and Northern Australia White Papers is critical to the full potential development of the Ord Scheme.
- A key aim of Kimberley Agricultural Investments Pty Ltd, the Government approved developer of the 13 400 hectares available in Ord Stage 2, is the development of a sustainable sugar industry, which requires extension of the irrigation area east into the Northern Territory to achieve scale development.
- Given the existing investment in Ord Stage 2, it is unlikely that the Western Australia Government would allocate further development funding.

To ensure effective development, water infrastructure needs to be considered along with agricultural business and local community aspirations, land suitability and supporting investment in other areas, such as transport, power and communications.

Department of Water is investigating potential opportunities for WA from the $10 billion Sustainable Rural Water Use and Infrastructure Programme aimed at investing in rural water use, management and efficiency programme.

In Western Australia is it is vitally important water resource investigations, information and land access support the investment in infrastructure and to capitalise on our improving knowledge of sustainable land and water opportunities for expanded agriculture. WA supports use of existing water resource inventories and current water resource assessments as a springboard for further work. The WA government's Water for Food initiative will identify opportunities for new irrigated agriculture in locations including the East and West Kimberley, Pilbara and MidWest.

The Water for Food initiative will also focus on options to optimise existing irrigated agriculture in areas where climate, water quality and infrastructure limitations present a challenge.

Working with Aboriginal communities and organisations is a critical step in ensuring agricultural water infrastructure investment.

Agricultural water use efficiency and innovation is particularly importance in the South West of the WA due to drying climate and competing water users. Note importance of importance of groundwater, local water solutions and managing water in a drying climate. Western Australia’s water resource focus for agriculture is in the context of drying climate in the south west land division, and opportunities to develop relatively unused resources in suitable areas across the state. WA has a strong framework of water resource management through water allocation planning and licensing underpinned by sound water science. The WA Government is currently investing in groundwater resource investigations and information in a number of priority areas across the state. These have potential to support irrigated agriculture in the East and West Kimberley, Pilbara, North Gingin, South West and South Coast.

The proposal for a **taxation concession for water reticulation infrastructure** of 50 per cent per year deduction over three years (150 per cent in total) for on-farm water reticulation infrastructure could help encourage greater investment in water infrastructure for farm development and for drought preparedness.

At a high level, there are at least three factors which can make private investment in infrastructure relatively less attractive than investment in other businesses:

- Under the present tax system, where a consortium is formed, the ability to write-off for tax purposes the early losses associated with infrastructure projects is severely constrained;
- The frequent existence of a high level of social and environmental external benefits means that investors are unable to appropriate many of the gains from their investment; and
- Infrastructure is highly regulated, with implications for property rights and the rate of return that are not present in other sectors.

Traditionally, any savings created through investment in water use efficiency have remained the property of the water entitlement holder and it would be important that the tax concession drivers would drive investment in improved water access and efficiency.

Unless the Australian Government provides some offsetting advantage to reduce or eliminate this net disadvantage, private investment in infrastructure is likely to be significantly less than it would be on a ‘level playing field’.

Reliable, sustainable water allocations will underpin use of water resources Western Australia. Effectiveness of water markets as a tool to enhance investment would need to be considered in the unique circumstances of the north, which is very different to the connected southern Murray-Darling Basin.

Western Australia is currently undertaking legislative and policy water reforms which will benefit the agricultural water user including:

- Enabling the adoption of tradeable water access entitlements, where appropriate, which can be bought, sold and leased
- Enable the use of appropriate mechanisms for the release of unallocated water, including competitive or market based approaches.

In principle, Western Australia supports flexible tools for temporary trade of water. For example, in the Warren Donnelly, local irrigators and the Department of Water have been undertaking a trial in the Upper Lefroy to help farm businesses access (capture and store) additional water during high rainfall years. This trial proposes a two-tier annual water entitlement. The first tier sees water licensed under a high reliability allocation limit, while the 'general reliability' second tier begins when dams are full and flows are above a minimum threshold. Farm businesses will be able to capture 'general reliability' water in a wet year, and may choose to use it that year or bank it and drought proof their business for any future dry year

The Western Australian Government emphasises development of the LaGrange, Fitzroy Valley and Pilbara Water are opportunities with significant agricultural potential. Other regional areas that could be considered by the Australian Government are the Mid West and South West regions of Western Australia, which would include the desalinisation of the Wellington Dam.

Policy idea 19—Natural resource management initiatives: Environmental legislation provides important protections for our natural assets. However, regulation needs to appropriately recognise the interests of rural landowners. Ideas included:

a. amending the *Environmental Protection and Biodiversity Conservation (EPBC) Act 1999* to remove onerous on-farm conditions and provide right of way to national transport and infrastructure goals; and
b. promoting more targeted approaches to pest and disease management and control.

A more targeted approach to pest and disease management is supported. There is limited funding for biosecurity and this should be applied in line with the "invasion curve". Ie most funds should be spent at preventing incursions and surveillance, and responding to incursions as soon as detected.

In WA, we allow for this model through the Recognised Biosecurity Groups and Industry Management Committees. The IMC's funding is entirely from industry – no government funding – so they can choose to fund as they wish. RGBs receive matching government dollars for approved programmes and these should be targeted towards the "front" of the invasion curve.

This Policy idea links closely to the concepts discussed under Policy idea 23. There is a need for more biosecurity R&D to build knowledge of pests and the most cost-effective ways to prevent or manage pest intrusion. There is also need for more investment in surveillance to gather data on the distribution of pests. Investment in: surveillance and diagnosis; the surveillance hardware and software required to collect, analyse, store and sharing of data (as outlined under policy 23 below) would improve the management of pests. Support to maintain systems put in place earlier, rather than creation of new systems on each occasion, would save resources.

10: Research, development and extension

Policy idea 20—Strengthening the RD&E system: Collaboration, cross-sector and transformational research and extension have been identified as current gaps in Australia's RD&E system. The Government is interested in ways to promote better rural RD&E coordination, reduce duplication, and facilitate the development of private markets in extension services. Options include:

a. updating the rural RD&E priorities to better align with community needs;
b. establishing a new body, or tasking existing research bodies, to coordinate cross-sector research;
c. enhancing access to the R&D Tax Incentive;
d. promoting the development of extension services;
e. decentralising Government agricultural research functions (such as RDCs and agencies of the Department of Agriculture) to regional areas, as appropriate; and
f. regular five-yearly assessments of the RD&E system.

Western Australia has been a strong supporter of the National RD&E Framework. In a time of declining government funding for rural RD&E it is important to maximise the use of the funds that are available and avoid duplication wherever possible.
An example of strong utilisation of the Framework was the setting up of AEGIC in conjunction with the GRDC (see PI24).

The UK Technology Strategy Board (now Innovate UK) has demonstrated the merits of inclusive planning processes for achieving focus and effective prioritisation of R&D investments. The Australian Agrifood sector together with its government and R&D Corporation stakeholders could adopt similar mechanisms (widely referred to as strategic roadmapping) to promote identification and prioritisation of innovation investments. Strategic roadmapping is a tool that has found increasing favour amongst government and industry associations around the world to promote focus and collaboration

The Grains Industry National RD&E Strategy has outlined its priority areas for grains RD&E that state and Commonwealth agencies, CSIRO and universities plan to maintain capability, along with their participation in national centres, national programs and regional networks. Agencies self-nominated their future R&D 'major' interests and indicated where they planned a 'support' or 'link' role. This has been updated by agencies in 2014 and forms the basis for their commitment to human resources and physical infrastructure in RD&E over the next five or more years.

The Western Australian government would not support the formation of a new body in a co-ordination or regulatory role. We would argue for more focused planning with long-term objectives and the building of capabilities where this will achieve economic impact. Resources should be provided to research which are commensurate with the capacity to achieve outcomes.

There is a number of reviews active at this time of MLA and cattle industry structures (including the role of Cattle Council) around transparency and accountability for levies collected and spent. It is expected that these reviews will lead to some structural improvement.

Rural RD&E priorities do need to be updated and reviewed on a regular basis, provided this doesn't then end up with large changes in research priorities that make it difficult to build in some degree of continuity. Suggest that RDCs need to be given some direction on what proportion of their budget is for applied vs basic/transformational R&D. This should build in capability to support some long-term programs which allows succession planning etc.

Some areas of cross-sector research are currently being managed via the Research and Innovation Framework, although to varying degrees of success. Rather than establish another body to manage this process, it would be preferable to give responsibility to an existing RDC and jurisdiction.

Some industries use the tax incentives very well, whereas others probably not at all. In some cases the value to tax payers is doubtful, given that the results of that research are not widely available, and the standard of research is often questionable.

Focus should be on adoption, rather than extension. Private industry has relied heavily on government to provide trained consultants - this could continue if it was done on a partnership basis.

There is little value in having a formal policy of decentralising research functions such as RDCs to rural areas. Such matters should ultimately be decided on the location where the most efficient and effective research service can be delivered.

A five-yearly assessment of the RD&E system is considered too short a time-frame and a review period closer to every 8-10 years is considered more appropriate and efficient.

The suggestion for increasing the flexibility of levy arrangements is unclear. While funding arrangements should certainly be reviewed and alternatives canvasses, a system where income from levies fluctuated wildly from year to year would make it difficult to budget and plan an outcome focused R&D program.

Policy idea 21—Improving the rural RDCs: RD&E funding to RDCs should drive tangible outcomes for farmers to improve farm profits by targeting priority areas and minimising research overheads. Options include:

a. administrative changes to the RDC model to increase transparency and reduce costs, including giving RDCs a targeted set of objectives; and
b. increasing the flexibility of levy arrangements.

As a general principle, the Western Australian government is supportive of moves to achieve continuous improvement in rural RDCs. Outcomes will not be immediate but will be only be determined over a longer period of time. Of greater concern is how objectives would be set under a different model such as that canvassed in the Green Paper.

The Western Australian Government supports the rapid transition of GRDC to an industry owned corporation as soon as practical. This will allow industry (levy payers) to determine how their contributions are spent, while government can direct how the taxpayer contributions are to be spent.

There seems little prospect for ‘business as usual’ for GRDC under the changing Australian Government accountability requirements proposed in the *Rural Research and Development Legislation Amendment Bill 2013* and, already in place, through the *Public Governance, Performance and Accountability Act 2013*. These changes may result in a number of regulatory, operational and accountability risks and may constrain GRDC in areas of business development and strategic partnering (such as the development of subsidiary entities). There is a risk that these changes will effectively move operations of GRDC away from the levy payers (growers), which is the opposite of what DAFWA understands the WA grains industry wants.

11: Biosecurity

Policy idea 22—Improving legislation: The biosecurity legislative framework should be clear, transparent and simple. The proposed Biosecurity Bill 2014 will go some way to achieving this, but the Government could also update other parts of the biosecurity legislative framework—such as the *Export Control Act 1982* and the *Australian Meat and Live-stock Industry Act 1997.*

WA has provided comment on the proposed Bill. In particular, the need to keep the right for WA to have its own regulations in place for certain pests and diseases to ensure regional freedom which is essential to our market access. The Western Australian government would support moves to update the biosecurity legislative framework to reflect changes in the requirements and expectations of our major customers and the need to maintain international competitiveness through our export supply chain.

Policy idea 23— Improving the biosecurity system: Australia’s biosecurity system protects our native flora and fauna and underpins our agricultural exports. To ensure that it remains robust and resilient to new and emerging pests and diseases, stakeholders suggested the need for:

a. improved information and intelligence gathering tools, supported by increased investment in high-risk areas and priority pests and diseases;
b. enhanced onshore monitoring, including by developing reporting tools and establishing a public Biosecurity Information System to share information; and
c. collaborating with industry associations to extend traceability systems to better facilitate responses to outbreaks and expand market access.

These suggestions are supported. Working more closely with industry is essential as there are limited Government funds to spend in this area. The National Biosecurity Committee (consisting of all jurisdictions) has a policy framework that it is working towards completing that covers many of these areas. The Australian government should continue to support the NBC and make sure that its work is focussed on identified priorities.

The capability to undertake the risk assessment necessary is lacking. Increased effort to upskill existing resources is required immediately. In addition, without real data which is experimentally collected in the field to add into current models or risk assessment framework confirmation as to whether or not the investment is sound cannot be improved. Each region would require further data input to support improvements regarding the general risk frameworks currently in place.

There are a variety of apps currently available for reporting surveillance information that are more user inclusive than PestPoint. These should be tested with the community of users and researches to develop the most appropriate systems for transferring information to end points such as PHA and ALA.

In March 2012, there was a forum on the Western Australian Grains Industry Biosecurity Preparedness. The forum participants identified the following problems with WA grains industry biosecurity:

- Surveillance and diagnosis is inadequate to maintain data sets for trade purposes and new market access submissions.
- There is a need to improve the capacity of the WA grains industry to respond and mitigate harm to the industry from an incursion of an exotic pest.
- There is an inadequate understanding of the possible impacts of current and emerging grains pests on the WA grains industry.

In other words, there is a need for investment in: surveillance and diagnosis; the surveillance hardware and software required to collect, analyse, store and share the data; human capacity to respond to an incursion of an exotic pest; and biosecurity R&D to build knowledge of grains pests. As noted above under policy idea 19, there is also need for investment in prevention-focused biosecurity activities.
The National Plant Biosecurity RD&E Strategy should have an important role in driving the allocation of investment in biosecurity RD&E to reduce replication and ensure the most gain in knowledge from the investment.

Resource capacity at priority times to prevent mid to high level risk events from occurring continues to be a concern to Western Australia. The scope for preventative biosecurity across Australia should be a high level focus for future competitiveness policy development.

12: Accessing international markets

Policy idea 24—Strengthening Australia's overseas market efforts:
Maintaining international competitiveness requires an understanding of, and engagement with, our overseas customers and competitors. Stakeholders have called for improvements to the Government's capacity to assist farmers to access international markets through:

a. undertaking further trade research;
b. improving exporter services and our understanding of overseas markets;
c. providing more exporter readiness training;
d. accelerating the development of technical market access and commodity strategies to prioritise market access efforts;
e. developing national promotion efforts (such as through a national brand);
f. increasing Australian Government positions and considering options for industry-funded positions, on the ground in foreign missions, to underpin increased focus on agricultural market access; and
g. increasing engagement in bilateral and multilateral forums to promote use of international standards in food regulation.

The State Government has a number of initiatives to promote Western Australian agricultural produce into markets in which they compete with other exporting countries. Royalties for Regions funds will be devoted to the development of new and higher value markets for a range of agricultural products. The WA Trade and Investment Offices are promoting an increased presence for Western Australian products in China and the Middle East, and are being strengthened by targeted employment of additional staff focused on agriculture and food.

The State will also continue to capitalise on its outstanding biosecurity status to secure preferential access to premium markets, and sustain production and product integrity advantages through maintenance of clear, effective and scientifically defensible biosecurity measures.

Western Australia, through its Department of Agriculture and Food and overseas Western Australian Trade and Investment Offices, is increasingly focused on:

- Targeted market and trade development strategies where step-change improvement is needed and considered to be achievable (eg. live cattle to China, live sheep to Saudi Arabia, lupins to Indonesia, fresh and extended shelf-life milk to Asia)
- Cooperation with industry and government partners to coordinate strategies and minimise market-place confusion and inefficiency (eg. WA-NT-QLD- Meat and Livestock Australia and Western Australian Livestock Exporters Association/Australian Livestock Exporters Council cooperation for Indonesian live cattle market re-development).

The Australian Export Grain Innovation Centre (AEGIC) is a not-for-profit company limited by guarantee with two members: the Western Australian Agriculture Authority (WAAA) and GRDC. It is the Western Australian government's flagship contribution to the Primary Industries National Research, Development and Extension (RD & E) Framework and is recognised under the Grains Industry National RD&E Strategy.

DAFWA and GRDC will each contribute $20 million over five years to fund research and development programs at the Centre from 2012. Other research organisations including CSIRO, Curtin, ECU and others may contribute throughout the five-year period.

AEGIC supports the use of Australian Grains in premium markets through cutting-edge research on grain quality, processing technologies and markets. AEGIC also has a role in grain economic and value chain analysis, and industry and customer information services and training.

Research and development efforts will focus on strategic issues that will make a real and significant difference to the profitability and value of Australian grain in the face of changing climatic, economic and market conditions.

AEGIC has a key role in this area, and to improve this, the Federal Government should consider putting direct funding into AEGIC on a “fee for service” basis to carry out any of the functions outlined in this section of the Green Paper that the Federal government believes warrant government funding.

AEGIC will be comprised of purpose-built research and networking infrastructure of international standard to support the eight AEGIC programs. State-of-the-art facilities will include grain quality assessment, processing and product development laboratories. Conference and networking facilities will be supported by web-accessible tools to connect researchers, agribusiness and users of Australian grain.

Free trade agreements or multinational trade negotiations continue to be a priority for an export-oriented state such as Western Australia. The Australian Government is encouraged to pursue the inclusion of substantial early gains for agriculture in these agreements with immediate application, rather than under a long term, phased approach. The Australian Government should also re-assess its approach to full cost-recovery for export inspection and certification to both re-establish some funding support and improve efficiency of operations. It is arguable that assisting exporters through reducing Australian Government charges would provide greater assistance to Australian farmers than some current assistance measures directly targeting farmers.

The Australian Government should also encourage increased collaboration amongst industry representative bodies to consolidate effort in marketing endeavours and to reduce areas of potential conflict which could be damaging in markets for Australian produce. Note that while the Federal Government has jurisdiction over animal health and welfare export protocols, the States and Territories have a role in trade development. The best outcome is a well planned and executed strategy that recognises trade as a full value chain continuum and draws on cohesive development investment and expertise spread across both State and Federal governments.

The work undertaken for the New Zealand Food and Beverage Information Project demonstrates that there is a significant gap between the tactical market research performed by businesses for individual product lines and the data used to describe global trade flows by national governments and NGOs such as the UN and FAO.

This layer of “strategic market intelligence” is typically too general to be commissioned by individual businesses although it creates exceptional value for them. What it guides is decisions on targeting new markets and rapid growth opportunities. It is seen as commensurately just important by investors who have made significant use of the information to guide their own decision making on where to allocate capital.

The Australian Government would make a very significant contribution to the agrifood sector if it commissioned a similar body of work for Australia.

Policy idea 25—Improving Australia’s export and import systems: The Department of Agriculture provides a range of export and import certification systems and databases that enable exporters to comply with different countries’ import requirements, and domestic importers to comply with Australia’s biosecurity requirements. A review of these systems with a view to improving functionality and reducing compliance costs is seen as crucial by many stakeholders to their own cost competitiveness. These systems could also be improved by ensuring the Government’s review of biosecurity cost recovery arrangements explicitly considers export certification systems. Improving these systems with enhanced functionality through new ICT investments would enable existing exporters, as well as potential exporters exploring overseas requirements, to improve understanding of different countries’ import requirements, helping them with their access to international markets.

The Western Australian government would support measures to make the export of agricultural produce more cost effective and timely. In particular smaller and new exporters can find the existing system overwhelming from both a time and cost perspective.

Australia’s international competitiveness for both boxed beef and livestock exports is impacted negatively by high regulatory costs on-shore. There have been large swings in compliance costs in recent years with co-funded cost recovery arrangements being terminated and the need for the costly Exporter Supply Chain Assurance System (ESCAS). WA industry supports any moves to further enable co-regulatory systems to reduce compliance costs in Australian abattoirs, and the implementation of outcomes based systems that include mutual recognition of importing country regulatory systems for live exports.

GOVERNMENT OF WESTERN AUSTRALIA

Department of
Agriculture and **Food**

The **Department of Agriculture and Food Western Australia** had primary responsibility for preparation of this submission.

Input to the document was also received from the following Agencies:

- Department of Premier and Cabinet.
- Department of Mines and Petroleum.
- Department of Regional Development.
- Department of Planning.
- Department of Transport.
- Pilbara Development Commission.