

MARKETING OF POTATOES ACT 1946, REVIEW

Statement by Minister for Agriculture, Forestry and Fisheries

HON KIM CHANCE (Agricultural - Minister for Agriculture, Forestry and Fisheries) [10.08 am]: I table a report on a review of the Marketing of Potatoes Act 1946.

[See paper No 2348.]

Hon KIM CHANCE: In August 2003, following a review of the Act for compliance with the national competition policy, Cabinet decided to retain regulation of the potato industry. However, Cabinet noted that changes would be required to the operation of the Potato Marketing Corporation, particularly in regard to export activities, to ensure compliance with the Trade Practices Act and the competitive neutrality principle. Following Cabinet's decision, an implementation advisory group was set up to complete the review of the Act required by section 44 of that Act and to make recommendations on the most appropriate reforms to the Act and changes to the operation of the corporation. I have accepted the recommendations made in the report and have now tabled a report of this review. As a result of the recommendations of the review, the corporation will immediately enter a transition period, which will end with the Act being amended.

Point of Order

Hon DERRICK TOMLINSON: I apologise to the Minister for Agriculture, Forestry and Fisheries for interrupting him. However, I find the derriere of the Minister for Local Government and Regional Development very off-putting. If he wants to conduct a discussion, I suggest that he do so elsewhere where his derriere might not be as offensive.

The PRESIDENT: There is no point of order but the point has been made.

Debate Resumed

Hon KIM CHANCE: As a result of the recommendations of the review, the corporation will immediately enter a transition period, which will end with the amendment of the Act and the complete separation of the regulatory and commercial activities of the existing corporation. It is proposed that the commercial functions of the Potato Marketing Corporation be transferred to a grower-owned entity, which will be established during the transition period. The grower-owned entity will provide growers with the opportunity for greater involvement in the marketing, promotion and exporting activities of the potato industry. The purely regulatory functions of the corporation will remain. The amendments to the Act that will formalise the end of the transition period will be introduced into the Parliament at a suitable time next year.

The report includes proposed reforms to the Act that will improve the efficiency and effectiveness of the operation of the Potato Marketing Corporation of Western Australia in its future regulatory role. These will be further considered during the transition period prior to finalising amendments to the Act. The Potato Marketing Corporation of Western Australia will continue to serve the principal purposes of regulating domestic supply and the growers' price to ensure stability of supply to consumers and returns to growers. Continuation of statutory marketing for potatoes will maintain industry stability in regional areas of the State and provide reliable supplies of potatoes to Western Australian consumers.

The new board with a revised balance of skills and competencies will be appointed during the transition period to manage the substantially altered operations of the corporation. I have sought the advice of the existing board about when it would be appropriate for the new board to be appointed and I expect that this would be no later than 30 September 2004. The recommended changes to the operation of the corporation can be summarised as follows -

- The corporation's activities in relation to marketing, advertising, promotion and research and development can be undertaken by the potato producers' committee established under the Agricultural Produce Commission Act 1988.
- The existing individual grower payment for grades will be extended by the corporation by a payment grid to allow price differences for varieties to encourage the production of new varieties.
- Pooling of costs and returns from surplus potatoes will continue but only against the allocated domestic market entitlement.
- The specification of potato quality standards by the Potato Marketing Corporation of Western Australia has been developed to provide a simplified and more market-orientated system and is expected to result in higher standards of ware potatoes for the domestic market.
- The corporation will revise the terms and conditions applying to all merchants currently operating as agents of the corporation, with the intention of providing greater transparency through the

distribution system. I will advise the board to implement a policy that maintains the current number of merchants, with the inclusion of the grower-owned entity in due course.

- The Potato Marketing Corporation will get out of the business of exporting potatoes as soon as practicable, prior to the passage of amendments that will remove the corporation's capacity to compete in the export market. The future corporation will be regulatory only and will not conduct any business in its own right.
- Growers' production entitlement will be progressively changed from a licensed area basis to one of quantity alone. Regulation of ware potato supplies in tonnage using the domestic market entitlement provisions in section 28 of the Act will be used by the corporation in place of delivery intent conditions of area licences. This will reduce domestic surpluses that have been diverted to export markets and will remove inappropriate incentives for growers to oversupply the domestic ware requirements.
- The existing area licence provisions in section 22 of the Act, which requires all commercially grown potatoes to be grown on licensed areas, will remain in place to support the monitoring and compliance role of the regulator, but will not serve a supply control purpose.
- The current requirement for ministerial approval will be removed for routine decisions, such as approval of the minimum price to be paid to growers and the determination of quantities to be supplied to the domestic market for each pool period.

I will be seeking advice from the current board of the corporation on the most effective approach to implement the advisory committee's recommendations on the proposed transfer of activities to a grower-owned entity and, in particular, on improving supply control through domestic market entitlements. These changes in particular will require further development and consultation with the Potato Growers Association and the washpackers over the next few months before they are implemented.

In conclusion, these changes are designed to improve the effectiveness of the Act without fundamentally altering the regulation of domestic potato supply. In doing so, the public benefit that derives from the orderly marketing arrangement is retained, while enhancing the capacity of the industry to provide consumers with a wider choice of potato varieties at nationally competitive prices.

Debate adjourned, on motion by Hon Bruce Donaldson.