

# **Bold leadership needed on AWB morass**

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John Howard must stand up to the Nationals

Does this ring any bells?

1. Government grants temporary monopoly to private company.
2. Monopolist and its mates use political influence to perpetuate "temporary" monopoly.
3. Government fails to regulate.
4. Resultant arrogant behaviour lands monopolist in deep doo-doo.
5. Mates force government to bail out monopolist.

Yes, it does describe AWB – and Earth's most despised company: the East India Company (EIC).

The British government had some excuse for establishing such daft governance arrangements – no historical evidence demonstrating the daftness. Four centuries later, our government had no excuse. Its avoidable mistake galvanised the same toxic political forces that thwarted British attempts to rid themselves of their Frankenstein. Only bold, decisive leadership can wrench us from our morass.

The British government legislated the EIC's temporary (21-year) monopoly over all Asia-Pacific trade in 1600. However, by cultivating and exercising political influence, the EIC maintained various monopolies for 234 years. When privatised in 1999, our government gave AWB a five-year (only) monopoly – political influence has worked a treat.

The EIC exerted legendary influence. Historian Nick Robins wrote: "So powerful was the company's grip on British politics that attempts to control its affairs could bring down governments."

In the 1780s, 10 per cent of British parliamentarians were "nabobs" (from the Indian "nawab", meaning powerful influencer), the EIC's unquestioning mates. Our modern-day nabobs (Nationals) about match the parliamentary sway their British counterparts once enjoyed.

A 1783 Whig government attempt to regulate the EIC was crushed. Nabobs lobbied intensely. The monopolist convinced the king to sack the government and bankrolled the subsequent election, securing parliamentary deference.

In the late 1990s, the Grains Council of Australia, then AWB's close mate, threatened a marginal seats campaign unless our government granted AWB International veto over bulk exports and the GCA power to nominate directors of the Wheat Export Authority, (WEA) the supposed regulator.

The EIC's sins included abuse of market power, corporate greed, corruption and bribery. Exposure of its behaviour sent its share price plummeting on fears it might lose its monopoly. Ring any bells?

Nabobs heaved the government to levy duties on colonial tea exports to save the monopolist. In the present day, Agriculture Minister Peter McGauran recently imposed duties on exports by two temporary licencees.

The EIC appointed insiders as monopoly agents in colonial ports. McGauran's licences went to Australian bulk wheat insiders.

The EIC financed its Chinese tea trade through opium smuggling, causing mass addiction. When China tried to enforce its opium ban, the British government sent in gunboats. When Iraq banned AWBI, we sent in Mark Vaile.

Monopolists don't change their spots unless forced to. Politicians can do that – but they're a big part of the problem. An Australian monopoly (even a grower-owned co-operative) won't refrain from fleecing growers simply because it's Australian. Government-mandated monopolies create toxic political forces that perpetuate entrenched vested interests, at great cost. Unless our government deregulate in the midst of Australia's worst trade crisis, we'll die waiting.

To paraphrase Marx, the single desk religion is our nabobs' opiate of the grower. Nabob ranks include agri-politicians too. Last Friday, NSW Farmers Association newspaper advertisements advocated the "current single-desk arrangement and its management by AWBI" – a position supported by the WA Farmers Federation.

AWB's former best mate, the GCA, lambasted both bodies as controlled by a "minority [with] strong links to AWB". The Nationals' insistence on returning the veto to AWBI is astounding. Barnaby Joyce's claim that AWB is "widely supported by growers" makes one wonder what planet he's on. Leaving McGauran with the veto is ridiculous. A National and avowed single-desk supporter cannot independently rule on bulk licence applications. Many of his 72 applications since mid-December went against WEA recommendations.

Rejected Australian applicant OzEpulse proposed paying growers \$28 a tonne above AWB's estimated pool return. It requested reasons from McGauran.

Having rejected WEA's recommendations within three days, he took 74 days to respond to OzEpulse request (five days after receiving a legal letter of demand). His response ignored critical WEA findings (in its 2006 Grower Report), of which he was aware at the time of his decisions.

The WEA found "evidence that non-AWBI exporters gain better prices" for bag/container exports (the only non-AWBI exports then allowed) and did "not undermine the national pool". It also found that AWBI realised tiny price premiums on bulk exports of OzEpulse's proposed grades (80¢ to \$1.50 a tonne) – tiny compared to OzEpulse's proposed premium. OzEpulse has launched legal action against McGauran.

No independent reader of the WEA report (and subsequent addendum) can fail to conclude that maintaining a single desk (particularly with AWB as its holder) is ridiculous. The WEA found that non-AWBI bag/container exporters earned a huge \$23.65 a tonne average price premium. With bulk export competition, if it generated a similar premium growers would have been \$325 million better off in 2004–05. The WEA also criticised AWB for rising supply-chain costs, lack of grain-handling savings, exorbitant chartering fees and various dodgy behaviours.

The WEA is the only sensible veto-holder for now. Abolishing the veto and letting competition reign is even better, but that won't happen. A WEA veto will work with certain safeguards that can be instituted quickly: clear, transparent decision criteria, replacement of GCA-nominated directors with independent fresh blood and protection from political influence.

Nationals MP Warren Truss claims that legislation "would take several months". Nonsense! The veto's temporary transfer to McGauran was legislated within a week of John Howard announcing it. Joyce's other stall tactic (any alternative must "go back to growers") won't fly, given Howard's December statement that "in the end the government will make a decision. We don't delegate decision-making to any group of people".

It's time Howard showed his mettle.

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<sup>[1]</sup> This article was published in the Australian Financial Review on 17/4/07