



Speech by

Hon. KEN HAYWARD

MEMBER FOR KALLANGUR

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SUGAR INDUSTRY BILL

Hon. K. W. HAYWARD (Kallangur—ALP) (4.50 p.m.): I rise to support the Bill and to address one of its key achievements. That achievement, which was acknowledged by the member for Crows Nest and the shadow Minister, is that the Sugar Industry Bill retains the single desk marketing of Queensland raw sugar. This implements the recommendation of the Sugar Industry Review Working Party. Single desk selling is an important part of the success of the sugar industry, and it must be maintained. Economic rationalists, of course, in the National Competition Council tell us that having a single desk infringes competition. Certainly, the current arrangements do interfere with a totally free market.

The Queensland Sugar Corporation acquires the sugar as soon as it is produced, preventing direct sales by the mill owner to customers. This situation also applies to mill owners who refine the raw sugar that they originally produced before processing it into refined sugar, even if milling and refining occur at the same location. Mill owners do not retain property rights in the sugar that they produce and, therefore, cannot compete against each other. Since all Queensland raw sugar is sold by one entity, namely, the Queensland Sugar Corporation, the level of competition in the domestic and export raw sugar markets is lower than it would be if the mill owners were able to sell their sugar independently in those markets. However, what the public benefit test conducted for the working party showed was that the benefits of retaining the single desk for the industry as a whole outweighed the costs of restricting a perfectly free market in sugar.

Single desk marketing arrangements for exporting raw sugar have a long history of success in Queensland since 1915. Under this system, the Queensland industry has become internationally competitive, with marketing structures and industry infrastructure regarded as operating at world's best practice. Single desk selling for exporting compels common action in the export market. A central benefit of that structure compared with the complete deregulation is that it enables the Queensland raw sugar industry to exercise some market power.

The absence of market power is a key problem in a number of primary industry sectors, but in sugar there is a way of addressing that problem to some extent. The single desk enables the industry to exercise market power in three ways. It enables the Queensland industry to build close customer relationships—relationships that are extremely important in the industry—based on the ability to differentiate between Queensland raw sugar and sugar from other origins. Access to markets and control of the supply chain to end users represent a long-term strategic benefit to the Queensland sugar industry.

The benefits from single desk selling arise from the ability to coordinate production and marketing decisions. This ability has enabled the Queensland industry to develop close customer relationships and an international distribution network unmatched by other raw sugar exporters. The establishment of close, long-term customer relationships is central to the Queensland Sugar Corporation's ability to effectively manage the export supply of Queensland raw sugar. So in this sense, marketing relationships underpinned by coordinated production and marketing decisions are the source of the value flowing from the single desk selling of Queensland raw sugar.

The development of these relationships relies on the ability of the Queensland Sugar Corporation to differentiate between Queensland raw sugar and sugar from other origins. This is very important, I believe, because the longer term strategic advantage generated by the single desk

approach is the interdependence built between the Queensland industry, as a raw sugar supplier, and many of its refiner customers. In this relationship, the Queensland sugar industry has a responsibility for ensuring the quality of the product delivered and tailoring the product delivered to the requirements of individual customers. In its report, the working party considered this as the main benefit from the single desk.

Secondly, a single desk enables the Queensland industry to influence regional sugar premiums by managing the export supply of raw sugar. The size of this benefit was estimated by the economists engaged by the working party to be in the range of \$30m to \$60m per year. That is the sort of additional income which is generated in the industry because of that strategic influence that they are able to have over regional markets. Of course, this particularly affects our ability to obtain what is known as the Far East premium.

The third main way in which single desk selling gives us market power is that it enables the coordinated and integrated management of the industry's logistics. It has been estimated that the size of the cost savings flowing to the industry from this coordination—the coordination in terms of freight savings and other lower cost activities—is in the range of \$2m to \$3m per year. There are, however, a range of non-quantifiable strategic benefits gained by the industry from the current approach to building close customer relationships. These benefits are enhanced by the quantifiable benefits flowing to the industry from the industry's ability to influence regional values and to achieve cost savings in the management of infrastructure and logistics.

So in summary then, single desk selling both allows the Queensland industry to increase its exports and enables the industry to reduce its costs. In a world market where Thailand and Brazil are aggressively seeking new markets and where the world price is stuck at historically low levels, this is a tremendous gain for Queensland. The retention of the single desk is a major achievement of this Bill, and I commend the Bill to the House.
