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Philanthropy inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

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Productivity Commission Inquiry - Philanthropy

On behalf of Co-operative Bulk Handling Ltd (**CBH**) I thank you for the opportunity to provide feedback on the draft recommendations and findings of the Productivity Commission's Inquiry into Philanthropy.

CBH understands the purpose of the Inquiry is to examine the motivations for philanthropic giving in Australia and opportunities to grow it further. Our submission specifically relates to reference made to CBH in section **6.2 The proposed scope of the DGR system** (page 192) of the Future foundations for giving Draft Report in the context of a recommendation that charities with a purpose of 'advancing industry' be excluded from the Deductible Gift Recipient (DGR) system.

While CBH does not hold a view pertaining to this specific recommendation, or the DGR system in general, we would like to take this opportunity to respond to the reiteration of the previously held view of the Commission which is referred to in this section of the draft report - that CBH and other similar organisations have their charity status and associated tax concessions revoked.

Background

CBH is Australia's largest co-operative and is owned and controlled by around 3,500 Western Australian grain growers. CBH's core purpose is to create and return value to WA growers, both current and future by promoting and developing the Western Australian grains industry for the benefit of grain growers.

The co-operative has a long and proud history. CBH was formed in 1933 during The Great Depression by a group of farmers who realised that an efficient bulk handling system would reduce growers' costs and strengthen the struggling wheat industry. In the nine decades since, our purpose has steadfastly remained unchanged.

CBH's operations today extend along the value chain including grain storage and handling, marketing and trading, shipping, processing and fertiliser. We employ around 1,200 permanent employees, mostly from regional areas, and take on up to 2,000 additional staff during the busy harvest period from October to January.

CBH has innovated and evolved over time, seeking opportunities to grow and develop to build the Western Australian grain industry into what is now the largest agricultural sector in the State and fourth largest export industry overall. WA growers produce an average of 17 million tonnes of grain per annum – about 40 – 50 per cent of the entire Australian grain production - and contribute approximately \$6 billion to the WA economy and regional communities every year.

CBH's charity status and associated tax concessions

On the basis of its clear purpose and the benefits that CBH generates for Western Australian growers and the State's grain industry, CBH is endorsed as a charitable body, at both a Federal and State level.

This endorsement by the Australian Charities and Not-for-profits Commission (ACNC) occurred following a Full Federal Court decision that accepted that CBH was established for the charitable purpose of promoting the development of Australian agricultural resources and was not carried on for the profit or gain of its individual members. In reaching its decision, the Full Federal Court noted that as CBH is prohibited by law from directly or indirectly paying any income to its members by way of dividend, property or otherwise, CBH must apply any assets to the furtherance of CBH's purpose.

The Full Federal Court also determined that CBH was entitled to an income tax exemption as CBH is an association established for the purpose of promoting the development of an Australian agricultural resource. CBH's tax exempt status only relates to CBH's storage and handling operations. CBH's grain trading business, CBH Marketing and Trading (CBH Grain Pty Ltd), and other investments are tax paying entities.

Because CBH is prohibited by law from directly or indirectly paying any income to its members, where the CBH business generates a surplus, profits are reinvested back into the supply chain, supporting CBH's core purpose, a purpose which has not changed in 90 years.

Creating real value for the industry

CBH exists to promote the development of the Western Australian grain industry and facilitate the export of Western Australian grain. This is a public benefit which brings billions of dollars into the State economy, with a large portion flowing back to regional communities.

As a co-operative, rather than being motivated by profit and shareholder return, CBH seeks to operate the supply chain in a manner that keeps fees for growers and marketers as low as possible, while allowing for ongoing investment in maintaining and enhancing the collective infrastructure built by the growers of the co-operative. This protects the asset for future generations of WA growers and ensures the sustainability of their farm businesses, the State's grain industry and the ongoing vitality of regional communities in Western Australia.

The CBH, low-fee model, facilitates Western Australian growers to remain internationally competitive in the global market and helps them achieve the highest possible net farm gate return for their grain, in turn improving their profitability and individual taxable income.

The current model is working well, evidenced by the strong performance of the supply chain over the last two years of consecutive record harvests and exports.

Ongoing investment into the supply chain

In 2022/2023, Western Australia growers produced their largest ever crop of 26 million tonnes with an estimated value of \$9.5 billion to the economy. A record 19.7 million tonnes was shipped from CBH's four ports in 2023, an 18 per cent increase on the previous record, and a 48 per cent increase on the five-year average.

The average WA crop size is growing, and by 2033 it is forecast that it will increase from the current average of 17 million tonnes to an average of 22 million tonnes, with a peak crop of almost 30 million tonnes.

To optimise value for WA growers and attract a price premium, the supply chain needs to be able to maximise grain exports in the first-half of the calendar year, before grain harvested by competitors in the Northern hemisphere becomes available in our contestable international markets. Therefore, the most critical challenge for the industry currently is to significantly increase the amount of grain able to be transported and shipped in the first six months of the year from its current level.

As a result, CBH – as the supply chain operator and grower-owned co-operative – has put in place a strategy to increase its export capacity from 1.6 million tonnes per month currently to 3.0 million tonnes per month by 2033.

To deliver this strategy will require significant capital investment in the supply chain. CBH has therefore committed \$4 billion in expansion and sustaining capital to invest into the supply chain over the next 10 years to meet this requirement.

This investment will include a mix of port and up-country storage expansion, throughout upgrades to improve the speed of receipt, outloading and shipping rates, remediation and electrical replacement on aged fixed storages, rapid rail loading infrastructure, additional locomotives and wagons to increase the CBH rail fleet, plus smaller sustaining capital projects.

Draft Recommendation 7.2

In addition to our comments above, we wish to outline a concern with recommendation 7.2 relating to reforms to the *Australian Charities and Not-for-profits Commission Act 2012* (Cth). One of the proposed reforms states that the Act be amended to allow that the Commissioner of the ACNC be able to “publish details of recommendations given to a charity to address actual or potential non-compliance with the Act or the Regulations” (page 231).

The making public of information relating to **potential** non-compliance could cause significant reputational damage for charities which rely on brand and stakeholder relationships for their livelihood. We propose this recommendation be re-worded to allow those details of recommendations given to charities in the event of **actual** non-compliance be published rather than potential non-compliance.

Conclusion

The co-operative structure and CBH's status as a charity enables investment and support into the growth of the Western Australian grains industry, that without CBH's direct involvement would simply not occur.

It is important to avoid generalisations in assessing the appropriateness of organisations obtaining charity status and their associated tax concessions. Rather, each organisation must be assessed on individual merit and circumstance.

The opportunity to make a submission is greatly appreciated and we encourage you to contact our Manager of Government and Industry Relations, Kellie Todman,
if you require any further information.

Yours sincerely,

For: Co-operative Bulk Handling Limited

Ms Brianna Peake

CHIEF STAKEHOLDER RELATIONS, SUSTAINABILITY AND STRATEGY OFFICER