



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

ESTIMATES

(Budget Estimates)

TUESDAY, 27 MAY 2008

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE STANDING COMMITTEE ON
RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

Tuesday, 27 May 2008

Members: Senator Sterle (*Chair*), Senator Siewert (*Deputy Chair*), Senators Heffernan, Hutchins, Hurley, McGauran, Nash and O'Brien

Participating members: Senators Abetz, Adams, Allison, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hogg, Humphries, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, Sandy Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, Murray, Nettle, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Stephens, Troeth, Trood, Watson, Webber and Wortley

Senators in attendance: Senators Abetz, Adams, Allison, Bushby, Colbeck, Fielding, Fisher, Heffernan, Hogg, Hurley, Hutchins, Ian Macdonald, McGauran, Milne, Moore, Nash, O'Brien, Parry, Payne, Scullion, Siewert, Stephens, Sterle and Webber

Committee met at 9.01 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 26 May 2008

In Attendance

Senator Sherry, Minister for Superannuation and Corporate Law

Department of Agriculture, Fisheries and Forestry

Executive

Dr Conall O'Connell, Secretary
Mr Daryl Quinlivan, Deputy Secretary
Mr Stephen Hunter, Deputy Secretary
Mr Craig Burns, Acting Deputy Secretary

Management Services

Mr Bill Pahl, Chief Operating Officer
Mr John Bridge, General Manager, Corporate Finance
Mr Steve Maxwell, General Manager, Levies, Contracts and Services
Mr Peter Moore, Acting General Manager, Budgets
Mr Greg Haughey, Manager, Budget Management Section

Corporate Policy

Ms Elizabeth Bie, General Manager, Parliamentary and Media
Mr Craig Penney, General Manager, Governance and Planning
Mr Travis Power, General Manager, Policy Development

Product Integrity, Animal (including aquatic animal) and Plant Health

Mr Tom Aldred, Executive Manager
Ms Lois Ransom, Chief Plant Protection Officer
Dr Bob Biddle, General Manager, Animal and Plant Health Policy
Ms Nicola Hinder, General Manager, Animal Welfare
Mr Bill Magee, General Manager, Product Safety and Integrity
Dr Graeme Garner, Acting Australian Chief Veterinary Officer

Australian Pesticides and Veterinary Medicines Authority

Dr Eva Bennet-Jenkins, Chief Executive Officer

Australian Wool Innovation

Dr Chris Abell, Director
Mr Craig Welsh, Chief Executive Officer
Mr Les Targ, Deputy Chief Executive Officer

Australian Quarantine and Inspection Service

Mr Greg Read, Executive Manager, Exports Division
Dr Mark Schipp, General Manager, Animal Products Market Access
Mr Colin Hunter, National Manager, Food Exports
Dr Narelle Clegg, National Manager, Animal and Plant Exports and Imported Food Safety
Ms Jenni Gordon, Executive Manager, Quarantine
Mr Peter Liehne, National Manager, Animal and Plant Quarantine
Mr Tim Chapman, National Manager, Cargo Management and Shipping
Dr Chris Parker, National Manager, Border
Ms Jenet Connell, Executive Manager, Business Strategy and Corporate Services
Mr Tim Carlton, General Manager, Strategic Directions Team
Mr Steve Prothero, General Manager, Information Services
Mr Wayne Terpstra, National Manager, Compliance and Investigations
Mr Peter Moore, Chief Financial Officer
Ms Cathy Cox, General Manager, Business Strategy

Biosecurity Australia

Mr John Cahill, Chief Executive
Dr Ann McDonald, General Manager, Biosecurity Development and Communications
Ms Louise van Meurs, General Manager, Plant Biosecurity
Dr Bill Roberts, Principal Scientist, Plant Biosecurity
Dr Robyn Martin, General Manager, Animal Biosecurity
Dr Mike Nunn, Principal Scientist, Animal Biosecurity

International Division

Mr Bruce Bowen, Acting Executive Manager
Mr Paul Morris, Executive Manager, Technical Market Access
Ms Sara Cowan, General Manager, Multilateral Trade
Mr Paul Ross, General Manager, Bilateral Trade (Americas, South East Asia, Subcontinent, NZ and the Pacific)
Ms Vanessa Findlay, General Manager, Bilateral Trade (North Asia, Europe and Middle East)

Food and Agriculture

Mr David Mortimer, Executive Manager
Mr Richard Souness, General Manager, Food Policy and Safety
Mr Simon Murnane, General Manager, Meat, Wool and Dairy
Mr Russell Phillips, General Manager, Wheat, Sugar
Mr John Power, Acting General Manager, Field Crops, Wine and Horticulture
Mr Mike Ryan, Acting General Manager, Wine Policy
Mr Andrew McDonald, Acting General Manager, Field Crops, Wine and Horticulture

Export Wheat Commission

Mr John Watson, Chair
Mr Peter Woods, Acting Chief Executive Officer

Grains Research and Development Corporation

Mr Keith Perrett, Chair
Mr Peter Reading, Managing Director

Meat and Livestock Australia

Mr David Palmer, Managing Director
Mr Scott Hansen, General Manager, Corporate Communications
Mr David Thomason, General Manager, Marketing

Australian Bureau of Agriculture and Resource Economics

Mr Phillip Glyde, Executive Director
Ms Karen Schneider, Deputy Executive Director
Mr Don Gunasekera, Chief Economist
Dr Jammie Penm, Acting General Manager, Agriculture, Trade and Data Resources Branch
Dr Terry Sheales, Chief Commodity Analyst

Bureau of Rural Sciences

Dr Colin Grant, Executive Director
Dr Kim Ritman, General Manager, Social, Biosecurity and Information Sciences
Dr James Findlay, General Manager, Fisheries, Land and Forestry Sciences
Mr Peter Ottesen, General Manager, Climate and Rural Water Sciences
Mr Mark McGovern, Manager, Business Strategy and Operations

Rural Policy and Innovation

Mr Ian Thompson, Executive Manager
Mr Matthew Dadswell, General Manager, Drought Policy Review
Dr Melanie O'Flynn, General Manager, Innovation and Rural Policy
Ms Jenny Cupit, General Manager, Drought and Climate Change Adjustment
Ms Glenda Kidman, Acting General Manager, Climate Change Training and Policy

Natural Resource Management

Mr Rod Shaw, Acting Executive Manager
Mr Mark Gibbs, General Manager, Climate Change
Mr Gerry Smith, General Manager, Australian Government NRM Team
Mr John Talbot, General Manager, Australian Government NRM Team
Mr Martin Walsh, Acting General Manager, Landcare and Sustainable Production

Land and Water Australia

Dr Michael Robinson, Executive Director

Fisheries and Forestry

Mr Allen Grant, Executive Manager

Dr John Kalish, General Manager, International Fisheries and Aquaculture

Mr Tony Bartlett, General Manager, Forest Industries

Mr Robert Murphy, General Manager, Fisheries and Marine Environment

Australian Fisheries Management Authority

Mr Glenn Hurry, Managing Director

Mr Paul Murphy, General Manager, Fisheries Operations

Dr Nick Rayns, Executive Manager, Fisheries

Mr Peter Venslovas, Senior Manager, Northern Compliance

Mr David Perrott, Chief Financial Officer

CHAIR (Senator Sterle)—Good morning. I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. The committee will continue its consideration of the 2008-09 budget estimates for the Department of Agriculture, Fisheries and Forestry. As agreed, I propose to call on the estimates according to the format adopted in the printed program. I remind the department that the committee is due to report to the Senate on 24 June 2008 and has fixed Friday 18 July 2008 as the date for the return of answers to questions taken on notice. We will take a break for morning tea at 10.30 am. Other breaks are listed in the program. Under standing order 26, the committee must take all evidence in public session.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness should state the grounds upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

I now welcome Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Agriculture, Fisheries and Forestry. I welcome Dr Conall O'Connell, secretary of the Department of Agriculture, Fisheries and Forestry, and officers of the department. Minister, do you or Dr O'Connell wish to make an opening statement.

Senator Sherry—No, thank you.

International Division

CHAIR—We are now with the International Division.

Senator HEFFERNAN—I want to go to the implications of the US farm bill.

Senator McGAURAN—I certainly acknowledge the importance of raising the US farm bill, which we will examine together, Bill. However, last night we left off on—bar the minute on Chile—Taiwan. I know farmers always have concerns about the tariff levels and the access to other markets that they do not seem to get even though other countries seem to have greater access to Australian markets. But even over and above that normal concern farmers have, there is a growing concern that access is harder than ever and we are not breaking through. Taiwan is a perfect example. Mr Morris, you confessed to frustration in regard to Taiwan. And there are other markets—even the United States. It probably applies to every sector, but the citrus and fruit sectors particularly are facing the greatest frustrations because of the inability to break into new markets. That is over and above the normal almost inbuilt prejudices that the rural community has against tariff barriers. They are facing numerous high tariffs, levies and quotas from other questions that are not reciprocal. Australia does not place those restrictions on other countries, so it is bewildering to them that we cannot make breakthroughs. With that backdrop, can you explain to me the International Agricultural Cooperation Program budget allocation and detail its activities.

Mr Burns—I can do that. The International Agricultural Cooperation Program that we operate is aimed at building a relationship with many countries, particularly those in our immediate region, and working with them on improving their understanding in some cases of our systems. It also helps us to improve the way in which they manage their systems. Yesterday at one stage there was a discussion about what we were doing in the Asia-Pacific regarding improving the way in which they manage their quarantine systems. One of the things that we do under this International Agricultural Cooperation Program is to work with countries to teach them about how to certify their products. We have had programs, for example, training operators in China and India with regard to fumigation systems to ensure that any products that do come to Australia are fumigated correctly.

We have also worked with countries—for example, China—to improve the way in which they manage their dairy herds. On the one hand, it helps to improve the production of dairy products in China, but it also in the long run assists Australia because it expands demands for dairy products in China. As a major dairy exporter to China, we benefit from that. What the Chinese tend to do is focus on the fresh milk market, whereas we can export processed dairy products. Increasing the overall demand for dairy products in China helps us. So by spending money through this program to assist with agricultural production in countries in our region there is a long-term spin-off benefit for Australia.

Senator HEFFERNAN—In reference to the future of dairy, have you people put any thought into the impact of the carbon trading regime on dairy farming and the possible impact on production? As you may or may not be aware, most typical irrigated pasture Australian dairy farms—and dairy farming may well go downstream from ethanol or something—would at present become insolvent at \$17 a tonne if we impose that without any caveats.

Dr O'Connell—In terms of the climate change programs and issues, it is probably best to deal with those in the NRM programs. The International Division does not deal with modelling.

Senator HEFFERNAN—If we are thinking of future trade with them and encouraging their dairy farming, I wonder whether we are missing the point because they are going to have to face up to the carbon thing as well. Will the impact be equal across the globe? If some countries do not impose those sorts of restrictions, it could have a serious impact on our international trade—if their dairy farmers are given exclusion and ours are not.

Senator McGAURAN—Can I have a list of the programs that you are involved in in this particular area—international agricultural cooperation? What do you actually get up to? Sounds like AusAID to me.

Mr Burns—I will take that on notice and we can provide a list of the projects that we have carried out over the last year or so. Would you like the last two years? Three years?

Senator McGAURAN—Last year will do. What is the budget allocation?

Mr Burns—The budget allocation for the administered items for 2008-09 is \$666,000.

Senator McGAURAN—And the year before?

Mr Burns—It was \$742,000. It was higher last year because \$92,000 was carried over from 2006-07 because of delays in establishing some of the projects in one of the recipient countries.

Senator McGAURAN—This does not show that the government is giving the activities a priority, given the budget allocations have come down.

Mr Burns—The budget allocation has not come down; it is just that it is lower this year than it was last year because last year was higher because we had carried over some money from the year before. So it is roughly constant.

Senator McGAURAN—At what?

Mr Burns—A normal year is going to be \$666,000.

Dr O'Connell—The forward estimate is \$666,000 for 2008-09; \$681,000 for 2009-10; and \$695,000 for 2010-11. So it is being kept roughly at that level. The 2006-07 figure was \$650,000 in the end.

Senator McGAURAN—Is expenditure, for example, undertaken in Taiwan?

Mr Burns—It can happen in any country where we identify that there is a particular need. If there was a particular project that we think might be useful in Taiwan then yes we could spend that money there. We do a lot of projects under this program—for example, in Eritrea. When we talked about the live animal trade issue yesterday we mentioned Eritrea as a country that provides an emergency facility for us in the event of a shipment having to be redirected. In doing that, we maintain a strong relationship with the Eritrean agricultural department and provide some training activities in Eritrea. We can give you all of those details.

Senator McGAURAN—Details and countries, please, for the last 12 months. Given that you have given us the example of Eritrea, can you elaborate on that.

Mr Burns—Mr Morris has been dealing with those projects.

Mr Morris—In Eritrea as part of the MOU arrangements we agree to provide some technical cooperation and assistance to them over time, and that helps support the continued viability of the MOU we have with them. A lot of the projects in Eritrea are focused on building their agricultural capacity in that country, so we have had projects helping them to develop a new agricultural college, which is at Hamelmalo in Eritrea. We have also put work into helping them develop forage species for their livestock, and there has been an ongoing project there to look at a variety of species from Australia to see whether they will grow in the Eritrean environment. They have been the two main projects that we have invested in in Eritrea.

Senator McGAURAN—Who administers those programs?

Mr Morris—We, the International Division, administer the program but we hire consultants—experts—to do the work on the ground. There was one other project that I should have mentioned. We also had two people, volunteers, placed on the ground in Eritrea for 12 months. One was working in the research institute there and one working in the agricultural college. They were hired through one of the volunteer organisations in Australia.

Senator McGAURAN—It is an enormous amount of expenditure and there is a lack of detail. Where would I find the detail within the budget allocations?

Mr Burns—On page 27 you will find those figures of \$666,000 and \$742,000. It is under output 1.3.

Senator McGAURAN—And details of the projects that have been undertaken?

Mr Burns—The projects are not listed in the budget because we are looking at the forward expenditure. As I said, we can provide you with the details of the projects that have been undertaken. I just add that this is a program that gets a lot of support from our industries. In fact, we often find that some of our industries are asking for us to be doing more of this activity.

Senator McGAURAN—I am sure. When you say ‘support’, do you mean moral support or financial?

Mr Burns—Both. There are examples of industry undertaking these sorts of activities themselves and working in partnership with the department.

Senator McGAURAN—Where the industry has worked in partnership with the department could you also give me the details.

Mr Morris—Some of the projects in Eritrea are funded under our other international cooperation program, which is a live animal trade program. Some of the projects we have mentioned were funded under the one you were talking about—the International Agricultural Cooperation Program—and some were funded under the Live Animal Trade Program, which is the other source of funding we have for those cooperation projects.

Senator McGAURAN—What of the Food and Agricultural Organisation of the UN? Can you provide specific details of our involvement with this group?

Mr Burns—We will be spending approximately—this is an estimate—\$9.745 million in contribution to the FAO in 2008-09. That is an estimate because it depends on the exchange rate movements once we get the final bill in from the FAO. Last year that figure was \$8.5 million. The increase is the result of an overall 13 per cent increase in the FAO's budget and an adjustment on Australia's percentage contribution to that overall budget. The FAO is a United Nations organisation. Operating under the FAO umbrella are organisations such as the Codex Alimentarius Commission, which administers a lot of the international food standards work, and the International Plant Protection Commission, which does lot of important work on illegal fishing, a lot of forestry work and, coming up in the next couple of weeks, is running a major conference on the current situation in world food prices. The FAO is certainly the peak international body when it comes to food and agricultural issues, and the department administers the government's activities in and contribution to those areas. That figure, if you like, comes into the department and we pay it as a one-off payment to the FAO; they are not funding activities that happen within the department.

Senator McGAURAN—It is like a membership?

Mr Burns—It is a membership fee.

Senator McGAURAN—Why has it gone up?

Mr Burns—There was a decision taken at its ministerial conference last November to increase the budget. There had been several years in which the budget of the FAO had not increased, and it had got to a point where it was considered necessary by the majority of members to increase the budget.

Senator IAN MACDONALD—I have a couple of questions about the FAO. Having recently been there, I congratulate Fiona Bartlett on the great work she does at the FAO for Australia and for the department. In asking this question, of course, I may say that these are certainly no discussions that I had while I was recently there. What sort of oversight does Australia exercise over the budget of the FAO, to which Australia contributes reasonably substantially?

Mr Burns—It is a good question. As you would know, because you have been there a couple of times, it is a fairly large and typical UN organisation in that there are many members who might have views that are different to ours on how the organisation should run. What Australia does—because we have just one vote when it comes to the overall issues about budget—is to ensure that we get ourselves onto either the Program Committee or the Budget Committee of the FAO, which is a much smaller group, in both cases, that makes decisions on how the organisation is run. We have been on both committees over the years. In that way, we position ourselves to have a more direct influence on the direction of the organisation and the programs that it runs. I should add that, at the moment, we play the role of representing all of the South-West Pacific countries in the FAO, because they do not all have the capacity to have people representing them in Rome, and so we operate on their behalf in a lot of the committees and speak on their behalf. That is a good way for us to ensure that the interests of the South-West Pacific are represented, because there are plenty of people pushing for the interests of Africa et cetera.

Senator IAN MACDONALD—What ability is there for Australia to make direct grants for worthwhile projects around the world rather than sending the money through the FAO bureaucracy—a bureaucracy which, I might say, makes the Australian bureaucracy look superefficient? It is superefficient, but it looks even better compared to the FAO bureaucracy.

Mr Burns—We have, from time to time, made specific grants for activities that operated under the FAO. I cannot think of too many recent examples but, for example, we have made one-off payments to help with particular activities that the Codex Alimentarius Commission and IPCC have been operating. On a lot of the work that has been done on the seedbanks—I forget the exact name of it now, but it is the international seedbank activity—we have made some specific grants. If there is an area of work under the FAO that we think needs particular attention and it is not getting the attention that it, perhaps, needs from the other members, there is a capacity for us to make a specific grant. That said, we are already contributing over \$9 million in the coming year, and that is already a significant contribution from Australia. So our capacity to add one-off grants on top of that is fairly limited.

Senator IAN MACDONALD—Are issues such as the election of the secretary-general decisions of government, of the department or of Foreign Affairs?

Mr Burns—The votes for director-general, I think it is, are taken at ministerial conferences. There is a ministerial conference every two years and I think you may have attended one of those.

Senator IAN MACDONALD—Yes.

Mr Burns—The directors-general's term is normally six years. Every six years we would have a vote for a director-general. The current director-general is in his third term. The previous director-general had been there for 18 years. So they are not positions that turn over too frequently.

Senator IAN MACDONALD—Perhaps I should ask the minister, although it is not the relevant minister—I hear on the grapevine that the director-general may not be recontesting the position. Is there anything official about that?

Mr Burns—I am not sure whether there was an official decision, but I think there is an understanding that he will not contest again, which was a bit of a trade-off for having his last term extended by two years. We would not be encouraging him to stay on.

Senator IAN MACDONALD—So that process must be starting soon, if not already?

Mr Burns—There would be a vote at the ministerial conference which is to be held in November next year.

Senator IAN MACDONALD—Would you know—and perhaps Senator Sherry might take it on notice if nobody does—if it is intended that Australia will be represented by the relevant minister at the conference?

Mr Burns—Normally we would have a minister attend, but if you are going to the issue of whether or not there might be an Australian candidate, or if we know of any other candidates, the answer to that one is that nobody has put their hand up as a potential candidate as yet.

Senator IAN MACDONALD—Is there an application form!

Mr Burns—I was directly involved the last time there was an Australian candidate so if you need some assistance I will give you some tips!

Senator IAN MACDONALD—Not a bad idea! It might be more interesting than the Senate, although I doubt it, for the next three years! I have some other questions about the FAO in relation to fisheries, which I will raise later on.

Senator McGAURAN—Could you please give me the status report in regard to the discussions with Japan on the free trade agreement, particularly in the light of the feeling, if you like, in leaving agriculture out of the proposed agreement.

Mr Burns—Agriculture is not out of the agreement. We are still negotiating. It is fair to say that the Japanese preference is for certain sensitive items not to be negotiated, but that is not Australia's position. At each of the negotiating sessions to date we have discussed those sensitive items. Our objection is that they will be included in the final outcome. We are discussing them in the negotiations and that position was reinforced by Minister Burke when he visited Japan at the beginning of April.

Senator HEFFERNAN—What are the sensitive issues?

Mr Burns—They just so happen to be all the things that we are good at producing: wheat, beef, dairy, sugar and rice.

Senator HEFFERNAN—Doesn't that just make a farce of the thing if you do not—

Senator McGAURAN—Beef?

Mr Burns—Yes, beef.

Senator McGAURAN—What sort of free trade agreement is that?

Mr Burns—The negotiations have not concluded. We are still negotiating on the basis that they will be included.

Senator HEFFERNAN—But if they are not you would nearly have to walk away wouldn't you?

Mr Burns—That would not be my judgement call.

Senator McGAURAN—The minister?

Mr Burns—That is a decision for the government.

Senator HEFFERNAN—We do not want to interfere with the negotiations, but—

Senator McGAURAN—Yes we do.

Senator HEFFERNAN—we farmers would be mightily—I am not allowed to use the word 'off'—annoyed if we thought the government would negotiate away what we do well.

Mr Burns—That is why we are pushing hard for those items to be included.

Senator HEFFERNAN—What, for them, is the logic behind their noninclusion?

Mr Burns—Japanese agriculture is vastly different from ours in scale—

Senator HEFFERNAN—It sure is.

Mr Burns—and their farmers are small and heavily subsidised. They see Australia as a threat to their agricultural systems. We argue of course that it is not—

Senator HEFFERNAN—So if that was the case, when it comes to the reverse argument for Australians with cars, we could be just as pigheaded as they.

Mr Burns—Well they—

Senator HEFFERNAN—Or things they are good at—cameras or TVs; I do not know what they are good at these days.

Senator Sherry—That is a matter of judgement for the government and the ministers. This is not car estimates or camera estimates.

Senator HEFFERNAN—No, but, with respect, it would be an insult to Australia's farmers.

Senator Sherry—I understand the point you are making.

Senator McGAURAN—Is this correct: it has been reported that the Japanese parliament, or Diet I believe it is called, or something of that nature, has moved a resolution or legislation—I am not sure how they do it over there—distinctly excluding agriculture from this free trade agreement. What are you all talking about when the parliament has already laid it down? Their negotiators are bound by that resolution. Is that true? And if it is true, would it have to be reversed by the parliament naturally?

Mr Burns—That is not a decision that has been taken at a whole government level in Japan. The resolution that I think you are referring to is from a group that I guess you could equate with this committee.

Senator McGAURAN—Right, so it is not the government at all. It is just like one of our parliamentary resolutions or notices of motion, is it?

Senator HEFFERNAN—We must meet this committee; it could be fun!

Senator Sherry—I think it is a bit difficult for the officer to make an observation about whether the Japanese Diet has binding resolutions depending on the nature of the resolution et cetera. I do not know whether he has that level of knowledge of the Japanese political system.

Senator McGAURAN—I would hope that at least one of our negotiators would have that knowledge, because when they walk into that room they have to know what they are up against. If they are up against the Japanese Diet, which has already said 'No go', then what is the point?

Senator Sherry—I am sure they do, and I am sure the Japanese cast their eye over resolutions that go through our parliament, in the House of Reps and the Senate, that you and others speak on, and they know the particular insignificance of those sorts of statements that occur from time to time.

Senator McGAURAN—Perhaps we could get the status of that resolution.

Senator Sherry—We can take that on notice.

Senator McGAURAN—Whether it is binding or not on the government, and therefore the negotiators. Let us go through the process of the negotiations. Who is negotiating

particularly? Are we also sending over private agricultural representatives, from the cattle councils for example, other than the department? What are the next steps and stages?

Mr Burns—The negotiations are coordinated and led on Australia's side by the Department of Foreign Affairs and Trade. They have a task force which is dedicated to the FTA. At each of the negotiating sessions, DFAT takes the lead and DAFF is represented. I have probably been to most of them, but not all of them. Similarly, there is attendance from all of the other relevant departments of the Commonwealth, and so it is a fairly large negotiating team. On the Japanese side, it is led by their Ministry of Foreign Affairs and their ministry of agriculture participates as well. Regarding the involvement of industry, because they are government-to-government negotiations, industry is not directly involved in the negotiations. However, many of our industries have met with the Japanese negotiators to put their point of view, both in Japan and in Australia, when the negotiators have visited Australia. We have had a range of advocacy visits by Australian industry to meet with Japanese officials and Japanese industry to argue the case for a good outcome on agriculture for the FTA.

Senator McGAURAN—What are the planned processes in 2008-09?

Mr Burns—The next round of the negotiations is being held in late June, I think. I am not exactly sure of that, but I can check on that for you.

Senator McGAURAN—In Japan?

Mr Burns—I can check on that. The Japanese do have an election later this year. We do not know the date of that yet; that has not been announced. The number of negotiating sessions and the progress of those will depend very much on the timing of that election.

Senator McGAURAN—Does Japan have a free trade agreement with any other country?

Mr Burns—I cannot remember them all off the top of my head. Japan does not refer to them as free trade agreements. They refer to them as EPAs, or economic partnership agreements. What they are characterised by is a lot of exceptions. If you are talking about agriculture exporting countries, for example, Japan has an EPA with Chile and Mexico. They have a lot of carve outs or exceptions on agriculture. They have been trying to negotiate an agreement with Korea for a long time and it has got nowhere because of sensitivities on both sides when it comes to agriculture. Japan has been quite active in negotiating these agreements but, as I said, they do not call them free trade agreements. In their parlance, they call them economic partnership agreements.

Senator McGAURAN—So the Japanese way is to carve out the agricultural sector in these economic agreements.

Mr Burns—That has been their objective in many of their negotiations.

Senator McGAURAN—Can we have an assurance from the government that agriculture will not be excluded in part or in whole from the—

Mr Burns—Perhaps what we can do is pass on to you the speech that was delivered by Minister Burke to the Japanese Press Club in Tokyo, in which he made that point very clearly.

Senator McGAURAN—Excellent. Talking about free trade agreements, in regard to China, how can it be that little old New Zealand beat us to the punch? They have signed a free trade agreement ahead of Australia.

Mr Burns—They have a much narrower band of interests to negotiate on than we do. They do not have the manufacturing or textile industries that we have that would be sensitive for us. Our agreement is far more complex. We are going for a much more comprehensive outcome. We are making sure—in the words of the previous government—that we are getting a good outcome not a quick outcome.

Senator McGAURAN—But New Zealand are very competitive with Australia in a whole range of agricultural products, and they are going to steal a march.

Mr Burns—Our industries are very aware of the potential advantages for New Zealand of being in there. They are keeping the pressure on us to make sure that we get not only an outcome but a better outcome.

Senator McGAURAN—Could a case be made this time for carving off agriculture and making a separate agreement for that? Now that the Chinese have done it with New Zealand, it would be easy to follow the same model with Australia. That way, we could get up and running. Otherwise, New Zealand will have the market to themselves.

Mr Burns—Questions about the tactics that we use in the negotiations would be better put to the Department of Foreign Affairs and Trade. They coordinate the negotiating strategy.

Senator McGAURAN—Is it a tactic that is possible or is it that it has never been done?

Mr Burns—That is a question better left for DFAT.

Senator McGAURAN—What stages and processes are taking place in the upcoming year?

Mr Burns—There is another negotiating session to be held in Beijing the week beginning 16 June.

Senator McGAURAN—And? You do not take it session by session, do you? What else?

Mr Burns—We have not set down the plan for the rest of the year, as far as I know. The Prime Minister and the trade minister were in Beijing in April and met with their counterparts. They have agreed that we will use this next session to look at areas in which we can make some progress. I think that the decisions about how often and when we will meet after that will be taken following those negotiations. Again, the whole question of tactics is one that is best directed to DFAT.

Senator McGAURAN—So you have got one meeting in your diaries. It is hard enough for us to organise meetings so we do plan ahead as much as we can. You have got one meeting organised with regard to the China free trade agreement in June and no-one knows what is happening after that.

Mr Burns—My understanding would be that there are further negotiating sessions post that June meeting, but I do not have the details of the dates at the moment and the assessment of how we are progressing is one that is coordinated by DFAT. I reiterate that the question of tactics and how we negotiate is one that should be directed to DFAT.

Senator McGAURAN—Can you take on notice and get back to me about the diary dates for the negotiations with China?

Mr Burns—To the extent that we have those, I can take that on notice and pass them on.

Senator McGAURAN—My whole concern here goes back to the government, and this is a prime example. We know that these free trade agreements have suffered budget cuts and therefore their effectiveness will also be cut. But we have on the go negotiations with Japan, China, Chile, and we have bilateral agreements with Taiwan and we are frustrated by that. The whole emphasis, it strikes me, is going off bilateral agreements as a policy. The ball is being dropped in that area and we are just shifting back to the UN and to the World Trade Organisation to solve these sorts of policy issues. It is a policy shift. It is quite obvious. We are seeing policy shift to the detriment, I should add, of the agricultural sector. With regard to the World Trade Organisation, I bet you know your diary dates for that. What are the forthcoming meetings and representations with regard to the World Trade Organisation and the next Doha Round—or whatever strange place they hold it?

Mr Burns—It is actually held in Geneva.

CHAIR—That was a strange question, Senator McGauran.

Senator McGAURAN—It is held in Geneva at this point. They shift it around. Don't get cute. It is Geneva this time.

Mr Burns—It is referred to as the Doha Round negotiations because the meeting that launched the negotiations was held in Doha several years ago. But the negotiations actually take place in Geneva. In fact there are officials from DFAT and the department in Geneva this week trying to get a resolution on some issues and, hopefully, have a ministerial meeting before the northern summer. As to the point you made initially, Senator, about a change, I have not noticed a change. We are still quite busy with FTAs. We have not diminished our engagement on FTAs. But the question of strategy, again, is a government decision.

Senator Sherry—There is no change, Senator McGauran. Your evidence, such as it was, is just bland generalisation. It is suitable for press release—I accept that—but there has been no shift. These agreements are important and it is important to bring them to a successful conclusion.

Senator McGAURAN—Why have they suffered budget cuts?

Senator Sherry—We have discussed the outline of the negotiations and there does not appear to be any cut. That is your assertion.

Senator McGAURAN—I do assert—

Senator Sherry—A Senator McGauran assertion is not necessarily fact.

Senator McGAURAN—We will watch all this unravel over time.

Senator Sherry—We are six months in—

Senator HEFFERNAN—He is usually on the money!

Senator Sherry—He is when he switches from the National Party to the Liberal Party. He is definitely on the money there, I will give him that. It is the smartest decision he ever made. But there is no evidence to date—

Senator HEFFERNAN—He is fired up.

Senator McGAURAN—I know the Labor Party—

CHAIR—Order! I am enjoying the frivolity. Senator McGauran, ask your questions so that the minister can attempt to answer.

Senator McGAURAN—They have a philosophical slant regarding bilateral negotiations. It is always done via the organisations like the World Trade Organisation and the UN. Even their shift in foreign policy is going in that direction.

Senator Sherry—You say ‘it is always’. That is not correct. The officers have been outlining the process of negotiation and you have been questioning them—

Senator McGAURAN—We are not doing well in Japan—

Senator Sherry—and I do not accept your assertion of the abandonment of bilateral negotiations. The officer sitting next to me—

Senator McGAURAN—I am not saying abandonment—the diminution.

Senator Sherry—You said ‘abandonment’. You have got to remember what you say in estimates, Senator McGauran. You put a question and then assert something.

Senator McGAURAN—Then I will correct that: they have been diminished to the point—

Senator Sherry—You have changed your position. I do not accept that the evidence indicates that it is diminished—

Senator McGAURAN—The evidence is this: Japan is cornering us—

Senator Sherry—but I am very happy for you to continue your questions, but I do not agree with your claim.

Senator McGAURAN—Is it true or not true, Minister, that Japan is cornering us into dropping agriculture out of the free trade agreement? New Zealand has beaten us to the punch in the free trade agreement with China, which is detrimental to our agricultural sector. We have got frustrations with the US farm bill and we have got frustrations with little old Taiwan where we cannot even get our stone fruits in. There is a growing concern within the agricultural community regarding access to markets, and they have all faced budget cuts. That does not show a commitment. I will tell you what did get a budget increase and what you are very keen about, and that is the United Nations organisation and the International Agricultural Cooperation.

CHAIR—I am sure that there is a question coming, Senator McGauran, but there are other members of the committee who do want to ask questions and, I would ask you to direct your questions as directly as possible to the officers or the minister.

Senator McGAURAN—In the light of the fact that you have one known meeting with the Chinese over probably one of the most crucial free trade agreements since the United States agreement, Minister, don’t you think that shows a lack of interest by the new government?

Senator Sherry—No, I do not accept the contention, Senator McGauran. The circumstances of each of the negotiations have been well outlined by the officers.

Senator McGAURAN—They have outlined it well—well enough for me to make those conclusions. The Japanese negotiations seem like a bigger farce in the light of parliamentary resolutions and the other economic arrangements or free trade agreements Japan has made with other countries excluding agriculture. I cannot simply rely on this government to keep agriculture—

Senator Sherry—Is there a question in here somewhere? We have heard your assertions and claims, which we do not accept, but is there a question?

CHAIR—I would be happy if senators would start asking questions, for time is precious. Senator Milne has been waiting patiently with a bit of rambling.

Senator MILNE—I would like to ask a question in relation to the free trade agreement with China. Which agricultural products do you expect will benefit from a free trade agreement, and which ones have you identified will be worse off?

Mr Burns—That would depend of course on the outcome and I cannot predict the outcome. But logically, if we were to get free trade across all sectors and so we were going to zero tariffs, those products where we have a natural comparative advantage, which are the broadacre products of grains and beef et cetera—those that we are good at—we would stand to export a lot more to China. But there is a joint study which goes through the actual dollar benefits—and I do not have that with me—that are estimated for Australian agriculture if we do go to completely zero tariffs.

Senator MILNE—What about the impact on vegetable growers?

Mr Burns—In terms of exports or imports?

Senator MILNE—I am asking about net benefit to Australian farmers and particularly about vegetable growers. How would they be affected? The reason I am asking is that Tasmanian vegetable growers are being put out of business because of cheap imported frozen vegetables from China right now.

Simplot in Devonport, for example, puts out packets of mixed frozen vegetables with ‘Product of Australia’ written on them. Eight of the nine vegetables are frozen vegetables from China. The only content from Tasmania is cauliflower stalks—not even the florets—which are cut up and put in the packet, and that is good enough to make it a frozen vegetable product from Tasmania. Meanwhile, farmers at Sassafras, less than 10 kilometres from the factory, are feeding cauliflowers to animals. So tell me about how a free trade agreement with China is going to make life any better for vegetable growers in Tasmania.

Mr Burns—One point that I would make is that the maximum tariff we have on any agricultural product in Australia is five per cent; because China is a developing country that would be four per cent. If there were an outcome that saw us go to zero for imports, the difference between a four per cent tariff and a zero tariff could be wiped out by exchange rate differences fairly easily. I do not anticipate that the free trade agreement by itself is going to have a significant impact on the level of imports.

Senator MILNE—In terms of that negotiation, though, do you accept that a lot of agricultural product coming out of China, if not all, is subsidised by environmental degradation, low wages and, to an extent, human rights abuses? How do you incorporate that in a free trade agreement? Australian farmers will never compete with Chinese farmers on wages and on environment, because we have standards of environmental protection that they do not.

Senator HEFFERNAN—There is a 35 to one rural labour advantage to China and a 26 to one urban labour advantage.

Senator MILNE—So how is it going to overcome that? The concern is that there is a lot of modelling about what might be possible, but in the model what loading do you give environmental degradation, low wages—in fact, slave wages in some cases—and human rights abuses? Are they factored into the model of how you calculate benefit?

Mr Burns—The issues on which we negotiate are decisions taken by government, so we negotiate on the basis of a mandate that is given to us by government.

Senator MILNE—Does the mandate that you have to negotiate on from this government include the manner in which the product is produced—that is, the impact on the environment, the impact on human rights and the wages impact? That is a really significant loading, and that is the problem for all Australian primary producers.

Senator HEFFERNAN—It is good enough for us to be subject to this emotional debate and perversion in the market on wool. There is a 135 per cent tariff on fertiliser out of China now. These blokes are playing you fellas on a break. What do you do about a 135 per cent tariff, for God's sake? Have you said to them, 'Hang on, what's all that about?'

Mr Burns—In response to the comments from Senator Milne, I get back to the response that I gave to Senator McGauran. The question of negotiating tactics is best directed to DFAT. The negotiating mandate is given to us by government. On the fertiliser issue that Senator Heffernan raised, the export taxes that have been imposed by China on fertiliser just recently range between 100 per cent and 135 per cent depending on the product. They are in place until September; they are not in place permanently. They were put in place in only the last few weeks and they are there until September.

Senator MILNE—I just want to finish—

Senator HEFFERNAN—I cannot go into that because there is a select committee.

Senator HUTCHINS—Senator Milne is asking questions. You have intervened again, Bill. You have had plenty of opportunities and plenty of press, so let someone else have a go.

Senator HEFFERNAN—I was just trying to put the committee on notice.

Senator HUTCHINS—It is not your bloody go.

Senator HEFFERNAN—It is—

Senator HUTCHINS—No, it is not. Let the senator finish her question.

CHAIR—In all fairness—thank you, Senator Hutchins and Senator Heffernan—

Senator HEFFERNAN—Yesterday, I learnt a lesson in another committee—

Senator HUTCHINS—It is none of your bloody business.

Senator HEFFERNAN—Yesterday—with your indulgence, Mr Chairman—I learnt a lesson in another committee by raising an issue that was before a select committee, which I should not have raised, so we want to be aware as a committee that there is a select inquiry into fertiliser.

CHAIR—There is a point taken there, Senator Heffernan, but in all fairness Senator Milne was asking questions. If Senator Milne did not object to you adding some comment, that is fine. Senator Milne, you have the call.

Senator MILNE—Thank you. Whilst I accept what you are saying, that government gives you a mandate, what I am asking you is: does that mandate include environment, human rights abuses and the wage argument, in terms of your negotiations with China? If it does not, the free trade agreement will be detrimental to Australian farmers.

Dr O'Connell—That is a question you will need to refer to the Department of Foreign Affairs and Trade—matters of the overall structure of the negotiations, including issues such as human rights. I am not properly addressed to this.

Senator MILNE—This just does not make sense to me. I understand negotiating tactics. Tactics are an entirely different matter to the substance of what I am asking. As the department of agriculture, surely you are feeding into DFAT your concerns about the percentage difference with a different regime on environmental protection, human rights and labour standards and controls, and how that will impact on Australian agriculture. That is not a tactical question; that is something that is a fact of the matter and should be in the negotiations. What I am trying to establish is: is it in there?

Mr Burns—Our engagement is to work with DFAT on the agriculture elements of the negotiations. To that extent, we seek the views of our industries on their priorities for the negotiations and we work with DFAT to ensure that those priorities are reflected in our negotiating position.

Senator MILNE—Okay. So what are the priorities that the industry has been reflecting to you that you are passing on to DFAT?

Mr Burns—To maximise the gains that we get from the agreement, in terms of improved access arrangements into China.

Senator MILNE—So it is purely about access to China and not about detrimental impacts in the reverse?

Mr Burns—Some industries have raised issues about the potential impact in terms of imports, but I get back to the point I made before: they recognise the fact that we have already low tariffs, so the net benefit is seen as being one of increased opportunities in China.

Senator HEFFERNAN—You could not table for this committee any documentation to support the input of the various industries that Senator Milne is talking about, could you? It is all right to verbally say that. It could be quite meaningless. I am sure the vegetable growers that Senator Milne represents in Tasmania would have some serious concerns. I just wonder whether they had been asked, in the wisdom of the department, about what they think.

Mr Burns—The submissions that come into the negotiations are submitted to DFAT by the industry organisations in most cases—in some cases by individual producers—but they remain the property of the groups that have provided the submissions. So we would have to, in the first instance, talk to DFAT and, in the second instance, I suspect seek the permission of the—

Senator HEFFERNAN—So could you do that? Could you write to the various people and ask them, in reflection of their interests, whether they could provide those submissions to this committee?

Mr Burns—We could follow up on that—yes, Senator.

Senator HEFFERNAN—Thanks very much.

Senator MILNE—I would really like to make sure that that includes those industry groups that expressed concern about what is going on.

Senator Sherry—We will take it on notice and will follow up with all of the industry groups that have lodged a submission. Whether they approve it is up to them, but we will follow through with all the industry groups, Senator Milne.

Senator MILNE—Thank you.

Senator O'BRIEN—I would be surprised if the wine industry were not very keen for the Chinese market to open up, given the restraints on marketing, distribution and labelling—de facto barriers to trade in that market. Have they made any contact with the department?

Mr Burns—The wine industry is very optimistic about the potential in China. In fact, we have been working with them to improve some of those issues that you raise, including the labelling issue. We have actually already got some wins outside the FTA context in terms of the labelling arrangements. The wine industry—you are correct—does see a lot of potential in China, and we have been working closely with them.

Senator O'BRIEN—It is a very small market at the moment, but I would expect the potential to be absolutely enormous for the bulk wines that we export to the world.

Mr Burns—Correct. I do not have the figures here, but the exports fluctuated depending on whether, in some years, China wanted more bulk wine rather than high-end bottled wine. Generally the trend was positive.

Senator O'BRIEN—They put it in their own bottles.

Senator HUTCHINS—As Senator Milne was commencing her series of questions in relation to who was vulnerable and who may not be vulnerable in these discussions with China, you referred to a paper.

Mr Burns—Before we commenced the negotiations there was a joint feasibility study undertaken with China and there was a modelling exercise done with that which was attached to the report of the feasibility study. I probably tabled that study several estimates committees ago but we can provide another one.

Senator HUTCHINS—Thank you. Was that study done by your department and other departments?

Mr Burns—No, it was jointly done between Chinese modellers and the group at Monash University.

Senator HUTCHINS—Would it be right to conclude that that identified vulnerable and less vulnerable products?

Mr Burns—It did not identify down to individual details; it did broad sectors. It did identify those areas where we would get benefits and, in some cases, where we might see some increase in imports from China.

Senator HEFFERNAN—To continue on the Chinese question, I know it is a great potential market and I suppose you could say that India is 25 years behind China. China has to face their own domestic problems. If their population continues to grow to the nine billion mark, with the development of the great northern aquifer in China, 400 million people will be displaced. It is quite obvious from Senator Milne's questions that the farmers in Australia—or the vegetable growers in that particular instance—do not need all this bureaucratic blowhard language; they talk in simple language. Coles and Woolies could not give a damn—and the wine industry learnt this to their great detriment with winemaking and consolidated retailing, and there are plenty of instances of that in Tasmania, even with potatoes. Coles and Woolies do not give a rats about where they get the stuff from as long as it is cheap. They are not to know whether it is grown in an environmental sewer over there or whether it is grown in a pristine farm. As we have learnt, a lot of the prawns are rejected that go into Japan from China because they are grown in sewage conditions and they are alive with antibiotics.

I would have thought that there ought to be a wake-up call to the government—all governments need a wake-up call occasionally—that there are some pretty big traps in taking on a country that has a 35 to one labour advantage over us. It can, with the stroke of the pen, stick 135 per cent tariff on fertiliser coming back the other way—but that is a matter for another day. Could I just blow this over into the US arrangements where there was much hoo-ha when we signed the US agreement. I just wonder, with the imposition of the new US farm bill, whether there are some renegotiations required with the basic understanding of the trade agreement with the United States, given that there is \$330 billion or \$340 billion involved.

As part of the department's thinking, using the collective brains of the bureaucrats, with the increase in global prices for grain et cetera—and with converting grain into energy, which I think is a dopey strategy, because of the long-term impact, given the 50-year prediction for the planet that 1.6 billion people will be displaced and a billion people unable to feed themselves—have you blokes figured out the impact of the US farm bill on their trade arrangements with us? And, because of the increasing market awareness in food, will there be land coming back into production that has been subsidised, sit-down country in the US farming regions?

Mr Burns—There were a lot of issues covered in that question, Senator.

Senator HEFFERNAN—There were.

Mr Burns—But essentially what you are talking about are the domestic subsidies that are covered by the US farm bill.

Senator HEFFERNAN—We cannot compete with that, by the way.

Mr Burns—Our FTA is a trade agreement which is all about tariffs, and the situation—

Senator HEFFERNAN—You do not think subsidies are a form of tariff?

Mr Burns—The situation with the subsidies is not covered in the farm bill agreements.

Senator HEFFERNAN—Wouldn't that be a flaw? Who is kidding who if you do not think a farm-gate subsidy is not a tariff by another name?

Mr Burns—The forum where we discuss subsidies and are seeking to end subsidies is the WTO and, as I said little while ago, there are actually negotiations carrying on this week.

Senator HEFFERNAN—I understand that, but isn't that flawed—to disconnect one from the other? That's baloney, in very polite language.

Senator McGAURAN—It is baloney.

Senator HEFFERNAN—That is rubbish.

Senator Sherry—You are entitled to your description, but you posed a very long question—

Senator HEFFERNAN—Because, with great respect, Minister—

Senator Sherry—which the officer is trying to respond to, and he has got one sentence through—

Senator HEFFERNAN—Yes, yes—

Senator Sherry—and there was a mobile phone call interruption. I think he should be given a bit of a go to respond. And Senator McGauran is jacking in as well.

Senator McGAURAN—It is called enthusiasm, Minister.

Senator Sherry—Well, amateurish enthusiasm, could I say, Senator McGauran. After 18 years—

Senator HEFFERNAN—Are you accusing me of amateurish enthusiasm?

Senator IAN MACDONALD—Senator McGauran has forgotten more about agriculture than you ever knew!

Senator Sherry—I am not—

CHAIR—I call the committee to order. Senator Macdonald, I can understand you being cranky after the way you were dealt with—

Senator Sherry—I am being gratuitous about—

Senator IAN MACDONALD—The chair will insist on you—

CHAIR—I call for order. Order! I am asking for order. This does not need interjections coming from every senator that is sitting on that side of the table. Mr Burns was halfway through an answer. Mr Burns, do you want to continue with your answer?

Mr Burns—Yes.

CHAIR—Or would you rather Senator Heffernan asked the question again, more simply? Mr Burns.

Mr Burns—Thank you, Chair. I would just reiterate the point that the FTA negotiation is largely around tariffs; it does not cover domestic subsidies. However, we are working very hard in the WTO to try and address those US domestic subsidies. Indeed, I think, Senator, if you read the response by President Bush to the proposed farm bill, you will see even he criticised it as having some detrimental effect to their negotiating position in the WTO.

Senator HEFFERNAN—He's dead!

Senator Sherry—He's what?

Senator HEFFERNAN—He is coming to the end of his trail. The young bucks in the Republican Party over there—I know, having been over there—are not going to cop that. Isn't it a flawed model? We cannot compete with the European Union treasury or the US Treasury. Our domestic demand will not support that sort of stuff. I would have thought it was as plain as the nose on your face that it is a flawed model.

Senator Sherry—Senator Heffernan, the government sets down the policy parameters for negotiation—

Senator HEFFERNAN—Yes.

Senator Sherry—and the public servant is here to respond to questions. The question you are putting to him is an issue for government to government policy—for your government when you were in power and for our government now. It is not for the officer to make judgements about the operations of the American political system or—

Senator HEFFERNAN—It is a great opportunity for us to send a message to the government.

Senator Sherry—You can ask the officer about matters of fact, about the levels of subsidies they pay in the US versus the levels of subsidies in Australia, which are non-existent.

Senator HEFFERNAN—What subsidies in Australia?

Senator Sherry—I said 'the levels of subsidies in Australia, which are non-existent'. You can draw out factual issues, but it is not fair to ask the officer about political observations.

Senator HEFFERNAN—Yes, but hopefully back in someone's office they are listening to the fact that it is a flawed model. It is completely unreasonable for Australia's farmers to cop it at both ends.

Senator Sherry—You have made your point; is there a question?

Senator O'BRIEN—I am saying that the US will count a number of things as subsidies in our system, such as diesel fuel rebate and farm managed deposits tax arrangements.

Senator HEFFERNAN—Excuse me, do you want to have a debate about that?

Senator O'BRIEN—You want to go and talk to the Americans about what they say will be subsidies.

CHAIR—Maybe Senator O'Brien and Senator Heffernan will have a private meeting out there.

Senator HEFFERNAN—That is because no-one is really sticking—

CHAIR—Can you direct your questions to the public servants, please. We will be sitting here until 11 o'clock tonight.

Senator HEFFERNAN—No, we will not.

CHAIR—Let us get our act together and get moving.

Senator HEFFERNAN—In view of the reinvigorated farm program, does the International Division of the department think there will be more productive land brought into production?

Mr Burns—Our initial analysis—

Senator HEFFERNAN—Sit-down land, I mean.

Mr Burns—is that one of the unfortunate elements of the bill is that it does not discourage the movement of land into ethanol production, for example, which is one of the issues that you have touched on before, and it does not discourage the use of more land for conservation purposes. How it will play out is something that we are yet to see but, on first glance, it is not a farm bill that we would see as decreasing the level of production in the US.

Senator HEFFERNAN—Can I just say that the subject for a future inquiry of the Senate will be a look at how we produce, which is tied up exactly with what you have just said. It does not discourage sit-down country. That is what you have just said. How do we produce food that is affordable to the consumer, sustainable to the environment and viable to the farmer? That is at the bottom of all this and, as a cool as a cucumber, we come to estimates and are told: 'Tough about the wealth of the US Treasury and its generosity to the farm subsidy program over there. You've just got to cop it because it's a separate set of arrangements because that's a subsidy and we're talking about tariffs.'

Senator Sherry—The officers have not said, 'Tough,' and, 'It's hard luck,' et cetera; they have not said that.

Senator HEFFERNAN—That is decoding bureaucratic speech, Minister, with great respect.

Senator Sherry—They are attempting to respond, when they can, to questions. You are making just a series of statements with the occasional question.

Senator HEFFERNAN—Yes, but it makes it interesting, though.

CHAIR—I will tell you what it does: when I listen to all this nonsense, it makes it very, very tiring by the end of the night. I say this in all honesty.

Senator HEFFERNAN—This is not bloody nonsense, mate.

CHAIR—I do not think the officials need to be preached at at every opportunity a senator has to open their mouth, and senators do not speak for all members of the committee. Are there any other questions to the officials?

Senator HEFFERNAN—That is just pleading on behalf of the industry, with great respect, Mr Chairman.

CHAIR—With your history, your experience and your knowledge of the industry—

Senator HEFFERNAN—Don't overdo it, mate.

CHAIR—we really do appreciate your love of the farming community, which we have as well.

Senator HEFFERNAN—I will shut up now.

CHAIR—Are there any other questions by committee members of the officials?

Senator McGAURAN—Senator Nash also has some questions.

CHAIR—I am sure she will speak for herself. Do you have a question, Senator McGauran?

Senator McGAURAN—Yes, I have a question on the US farm bill. Just for the record, I have a statement here from the not-so-dead United States President, who says that he is going to veto the bill.

CHAIR—Is that a question?

Senator McGAURAN—It is a statement.

CHAIR—Does anyone have any questions of the officials? If you have, Senator McGauran, please put it to the officials; otherwise, we will move on to the next witnesses.

Senator McGAURAN—I do have a question, but the aggression from the chair is unwarranted.

CHAIR—You said you had a question.

Senator McGAURAN—Have you found Fiona, yet?

CHAIR—I ask you not to embarrass yourself in front of the officials any further. If you have a question put it to the officials or I will just call—

Senator Sherry—If Senator McGauran wants Senator Nash to ask a question—

Senator McGAURAN—What is with the aggression from the chair to rush through the questions? This is our time. I recall that when we were in government—

CHAIR—If you are just sitting here making statements and wasting time go to another committee but, if you are going to ask a question, please do it and we will move on. There are a host of questions that need to be asked of a number of the divisions of the department and senators are keen to ask their questions. But if you do not have a question, allow the officials to go and we will call the next witnesses in.

Senator McGauran—Well, I do have a question.

CHAIR—Well, ask it; you have the call. I am having a groundhog day; help me out.

Senator McGAURAN—Still on the US farm bill: what, if any, representation did Australia have when the bill was going through Capital Hill?

Mr Burns—We have made representations constantly. The previous minister for agriculture visited Washington mid last year and lobbied on behalf of getting a good outcome on the farm bill.

Senator McGAURAN—Regarding the aspect in the farm bill dealing with beef industry—although the President has said that he will veto the bill—are you able to outline the consequences to the Australian beef farmers?

Mr Burns—Which aspect is that, Senator?

Senator McGAURAN—I do not know. What aspects in the bill are there—increased subsidies to their own—

Mr Burns—There are several aspects that cover the beef industry, so I would just like to know which one you want to know about.

Senator McGAURAN—The lot.

Dr O’Connell—Senator, I think you need to ask a specific question in order for the officer to be able to answer.

Senator McGAURAN—Regarding beef cattle. What additional subsidies has the US farmer received in that industry from this farm bill?

Dr O’Connell—Are you talking about the labelling issue regarding beef?

Senator McGAURAN—To tell you the truth, I am not across the US farm bill. I am seeking information from you.

Mr Burns—I just did not know whether you were talking about subsidies for actual beef production or whether it was an issue to do with the labelling of beef.

Senator McGAURAN—Any additional farm-gate subsidy?

Mr Burns—Perhaps it is the labelling issue, because that is the one that got some media attention. I will ask my colleague to answer that.

Senator McGAURAN—Was there any direct form of subsidy to the US beef farmer that would place our own farmers at a disadvantage—a less competitive advantage?

Mr Bowen—In terms of the US farm bill, the President did veto the bill, but the Congress has now overruled that veto, so it will come into effect. There is a small technicality about one of the titles being missing, and that has to be sorted out, but the anticipation is that obviously the farm bill will come into effect. For the beef industry, the US does not provide direct subsidies to their farmers for beef. Most of the subsidies in the US provide for what are called program crops: wheat, barley, sugar, cotton and soybeans. In terms of the bill, as far as beef is concerned, the one issue that Australia was focusing on was country-of-origin labelling, as Senator Heffernan said. Regarding the outcome on country-of-origin labelling, our initial assessment is that it is better than what we might have got in the previous bill. It was included in the previous bill but not enacted, but it will have an impact on the labelling of ground beef which is sold in US supermarkets and will require some labelling arrangements. But our understanding is that some of the requirements, the record keeping, are not as onerous as would have been involved.

Senator HEFFERNAN—It will be disguised, as the Chinese veggies are in their labelling.

Mr Bowen—My understanding is that they have to label it saying which country of origin that beef came from.

Senator HEFFERNAN—But not if they mix it.

Mr Bowen—I believe they do have to say if they have mixed it and which countries it comes from needs to be on the label.

Senator HEFFERNAN—Labelling is the issue.

Mr Bowen—The feeling is that the outcome is better than what we were looking at under the previous proposed legislation, in the last farm bill, which never actually got enacted.

Senator McGAURAN—I want to go back to the United Nations Food and Agriculture Organisation, which pays a big price for how to identify where it goes. Mr Burns, you mentioned in passing the point that you will all soon be jetting off to a conference by that organisation with regard to the alleged world food crisis—is that correct?

Mr Burns—I do not think I used the term ‘jetting off to a conference’.

Senator HEFFERNAN—Yes, but you know what he meant. That is just a little bit of colour and movement.

Mr Burns—I referred to a conference as being held on 3 to 5 June which is looking at the world food security situation—yes.

Senator McGAURAN—What work within the department have you done on that particular rising issue?

Senator Sherry—Do you mean a jet or the food crisis? Can you be a bit more precise than ‘rising issue’?

Senator McGAURAN—The alleged world food crisis.

Mr Burns—There are a range of activities happening.

Senator McGAURAN—No doubt you have papers to present.

Mr Burns—Minister Smith has already announced an immediate humanitarian response to the issue of a contribution of an extra \$30 million to the World Food Program for emergency food aid. AusAID is coordinating a longer term strategy to address how countries in the region can enhance their food security systems. In terms of the analytical work, getting to the point of the question, ABARE is currently undertaking an analysis to produce a report on some of the drivers behind the current issue. Across the board, we have been participating in discussions in fora such as the OECD, the FAO and elsewhere where these issues are being discussed.

Senator McGAURAN—So there is an acceptance from the government as a policy matter that the ethanol industry is a part trigger of the world food crisis, as has been claimed.

Mr Burns—I do not think I said that at any stage.

Senator McGAURAN—I am asking the question.

Senator Sherry—No. You asserted something.

Senator McGAURAN—I am asking it.

Senator Sherry—Is it true that the ethanol subsidy is a factor in rising world food prices? Is that the sort of question you would ask, Senator McGauran?

Senator McGAURAN—That is right.

Senator Sherry—I will now put that to the official and he can respond, but I am not going to rephrase your questions to help you in future.

Mr Burns—There are several reports around at the moment that suggest that ethanol is a contributing factor but not the only factor. That is why ABARE is undertaking work at the moment to look at the contributing factors to the current situation.

Senator McGAURAN—Minister, is the world food crisis the reason why the government reduced its support for the ethanol industry in the budget?

Senator Sherry—The officer can explain what the level of support is for that program, but the officer has just indicated that there are preliminary analyses but no conclusions yet reached as to the contribution or otherwise of that form of subsidy to the increase in food prices.

Mr Burns—The ethanol subsidy, as you referred to it, is not an issue that is dealt with by this department. That is the first point. The second point is that the bulk of the debate about the contribution of ethanol to the current world food price situation focuses on production elsewhere. Australia is not, as I am sure you are aware, a significant producer of ethanol or of any biofuels at the moment. The debate is largely around the conversion of corn crops in the US rather than anything that Australia is doing on the biofuels issue.

Senator IAN MACDONALD—I wonder if we could get a general report of trade opportunities that Australia is exploring in eastern Europe, in the former Communist bloc countries and in the north. As I mentioned, I have just come back from that area and was surprised to see in Helsinki a whole wall of a wine shop full of Australian wine. That situation seems to be the same everywhere. Austrade are obviously doing a very good job. I wonder if we could get a general comment about Australia's actions, approaches and activities in expanding Australian trade in countries which normally have not been part of our focus.

Mr Burns—It is Austrade's prime responsibility to look for new market opportunities or to promote Australian products. Where DAFF can contribute is if it is identified that there might be an opportunity but there is a technical barrier in place. For example, with some of the countries that you mentioned there is a strong demand for offal. To negotiate access for those products, if it is not a tariff issue but if there are sanitary and phytosanitary issues, then we would get involved. We do that. We have an officer currently in or soon to be in Russia, for example, and they will look at some of the meat opportunities and some of the technical issues around meat access. We as a department are not engaged in the initial phase of identifying the opportunities or promotion activity. But if it is identified that there is a technical market access issue that we can help with then that is when we would get involved. But the overall strategy is one that is determined by the Department of Foreign Affairs and Trade, under which Austrade takes its instructions.

Senator IAN MACDONALD—Thank you very much.

Senator O'BRIEN—I understand from discussions with the new owners of AMH that in fact there is emerging a profitable trade in beef products with tariff into Europe and also into Russia. I am not sure about the tariff situation in Russia. The new operator sees a profitable destination in both of those regions through the synergies of their company and through their understanding of the markets. There is also a suggestion that perhaps MLA is overvaluing the Japanese market for our products at the current time. What can you tell us about that view?

Mr Burns—I would not want to comment on part of the industry's views on MLA. I have not been party to any of those sorts of discussions. But I can confirm that there are definitely opportunities in both Europe and Russia. If we are talking about that part of Europe that is part of the European Union then tariffs are definitely an issue, along with quota access. That is something that we are trying to negotiate the WTO because we obviously do not have an FTA negotiation with Europe. We get a lot of pressure from industry to get better outcomes on meat access generally into the European Union. For those parts of Eastern Europe that are not members of the European Union, some of those technical market access issues that I was talking about continue to be issues. You are correct: we have seen an increase in exports of meat to Russia. Kangaroo meat is very popular there, and so is offal. Those technical market access issues do present us with some challenges, but over time we can make some pretty good progress there.

Senator O'BRIEN—Would the department be in contact with companies that are having success to learn from them and share the knowledge that makes them successful?

Mr Burns—We have something called the red meat market access committee, which met probably about six weeks ago. Some of the players that you mentioned—in fact, all the players that you mentioned—were present. They talked about some of their priorities for Eastern Europe and Russia and gave us some priorities for us to follow up on regarding those technical market access issues. We have been in contact with them and we are aware of their priorities.

Senator McGAURAN—I wanted to clarify a point regarding World Trade Organisation meetings—the Doha rounds. Where have they met over the last several years? Only in Geneva?

Mr Burns—The official-level meetings always take place in Geneva, but ministerial meetings are held in various locations. If we track back in time, the last one was held in Hong Kong. Two years before that, there was one in Cancun. So in terms of the period that the Doha Round negotiations have been happening—

Senator McGAURAN—That is exactly what I was talking about before when you made the smart alec reply that they are only ever held in Geneva—backed up by the minister, I should add. That gave you great encouragement to make such a statement. But—Cancun, Hong Kong, Dubai—these Doha meetings are being held other than in Geneva.

CHAIR—Senator McGauran, you do not have to attack the officials with that sort of language.

Senator McGAURAN—I put that on the record. Mr Chair, that was a cheap comeback by the minister and the desk.

CHAIR—Senator McGauran, you are out of order, and I ask that you do not attack the officials with that sort of language.

Senator McGAURAN—I would have thought I could—

CHAIR—It is bad enough that they have to sit here all day and listen to some of the stuff coming out—

Dr O'Connell—I will just clarify a point, if I may. I think Mr Burns was talking about the WTO negotiations, which occur in Geneva, as opposed to the ministerial meetings.

Senator McGAURAN—No, we were talking about the Doha Round. He knew that. He knew what we were talking about.

CHAIR—Dr O'Connell, thank you very much. Mr Burns, you do not have to explain. It is now 10.30, and we will resume at 10.45.

Proceedings suspended from 10.30 am to 10.45 am

CHAIR—I welcome to the table officers from Food and Agriculture.

Senator O'BRIEN—When will the proposed legislation be debated in the parliament?

Mr Mortimer—That is an issue that the minister is currently finalising. It will be settled by the government business committee, which organises business for the House, very shortly but I cannot say anything more than that.

Senator O'BRIEN—Is it true that the bill needs to be passed by 30 June?

Mr Mortimer—The government's intention is that the bill will be passed by 30 June to provide certainty about the arrangements after 1 July. From 1 July the arrangements revert to something similar to where they were previously, with no power of bulk veto with the minister and with AWB with a clear monopoly to export wheat in its own right.

Senator O'BRIEN—As I understand it, if that were to occur, the Export Wheat Commission would be able to approve other applications for export permits without recourse to veto.

Mr Mortimer—I will get a piece of paper and check on that, if you do not mind, and I can give you a precise answer. I do not have the piece of paper with me, so I will have to check, but I do not think that the Export Wheat Commission would have the power to issue licences in its own right. I will confirm that for you though because I cannot find the actual document in my folder.

Senator O'BRIEN—My recollection is that the bill as it stands sees the ministerial veto power expire on 30 June.

Mr Mortimer—That is right.

Senator O'BRIEN—And that no other veto power remains after that date.

Mr Mortimer—That may well be right. I will confirm.

Senator O'BRIEN—And that the single desk controlling power is held by the commission.

Mr Mortimer—That is right, yes.

Senator O'BRIEN—And that they are able to entertain and grant permits for export beyond AWB Ltd or nominated company B without the possibility of a veto.

Mr Mortimer—You are quite right. The minister has been able to pass me the relevant piece, which says that after 1 July, if we were to revert to the previous arrangements, the Export Wheat Commission would be responsible for issuing export consents. AWI would

remain exempt from seeking consents, so it would have an unfettered right to export, and the minister's temporary power of veto would expire.

Senator O'BRIEN—Of course, in addition to the ever-growing level of containerised wheat exports we would see a multiple exporter circumstance, in all likelihood, under that scenario.

Mr Mortimer—Potentially, albeit the legislation as it stands still requires the Export Wheat Commission to have regard to the national pool and to developing markets which complement that. I think those arrangements are still in the current legislation.

Senator O'BRIEN—As I understand it, currently this season we are looking at over one million tonnes having been exported in containers.

Mr Mortimer—That was discussed with the EWC yesterday, and they certainly pointed to the great growth in container trade. I am not aware of any forecasts about what might be the period ahead. I will take that on notice and seek advice from the EWC, if you like, but I am not aware of any particular forecasts on that one.

Senator SCULLION—I wonder if you can answer some general questions with regard to the regional and rural research and development corporations. I know we have the Grains Research and Development Corporation coming up, but I want to ask specifically about the funding arrangements across all of the cotton, fisheries, grains, grape and wine, land and water, rural industries and sugar R&D. I understand from Budget Paper No. 4 that, if we make a comparison between the agency resourcing and the estimated actual, there is a net increase of about \$7 million. I understood that there is, in fact, an electoral commitment for \$15 million to the agricultural, regional and rural RDCs. I want to know if there is scope under which the seven which I have mentioned come and whether or not those calculations are, in fact, correct.

Dr O'Connell—I am not aware of any particular election commitment from the government to provide \$15 million to the R&D corporations.

Mr Burns—I think, Senator, that that might be related to climate change initiatives.

Senator SCULLION—It may be, but it was specifically directed to the agricultural research and development corporations—those particular development corporations—whether it was for climate change or whatever.

Dr O'Connell—I think that the program funding is probably best discussed under the NRM when we get to the climate change programs, because the \$15 million comes under that.

Senator SCULLION—I would have thought that these are principally involved—as you would be aware, Mr Secretary—with food production and agriculture, and I thought that under the heading 'Food and Agriculture' would be the area where we would be able to get that. Perhaps it is an opportunity for someone to find out.

Dr O'Connell—We will find out.

Senator SCULLION—We can perhaps have a discussion later. I am more than happy to accept that process. Mr Mortimer, who in your organisation is responsible for food security? Do you have a section or an agency? I notice that there is someone here responsible for food policy and safety but there is not a food security section.

Mr Mortimer—We do not have a food security section at the moment.

Mr Burns—Senator, I will ask you a question there. Different countries have different definitions of ‘food security’, so it might be useful for us to understand exactly what issues you are getting at. Some countries, for example, only refer to food security when it comes to the safety and security of the systems around how we grow and handle the food. Others talk about it more broadly in terms of volume of food, access to food et cetera. The current global food security debate, if you like, is one around volume and access to food, whereas perhaps you are getting more at the security and safety of the systems. I just wanted to clarify which area you were after.

Senator SCULLION—Thank you, Mr Burns. I am talking about it in the context of the current global discussion and global concerns about the access to and availability of food. It is an issue, and I note that throughout the budget papers there are quite a number of line items that specifically address the issue of climate change, particularly in agriculture and trade. There are a whole range of issues associated with that. This is in a very similar context. This is a very important global issue. If it does not come under food and agriculture, you may not have a particular section for it, but this is a fundamentally important issue for the globe. We are a world leader, much in the way we are with climate change. What we are doing about food security and about developing policies for food security in Australia?

Mr Burns—It is an issue that we look at across several areas of the department, if you like. I think I said during the morning session that, for example, ABARE are currently undertaking an analysis of the current drivers of the food situation or crisis; call it what you will. So we are doing it from an analytical point of view in ABARE. We have got the activity that is coordinated out the international area, which is immediately in response to this global situation, and we are feeding into the work that the FAO and the OECD are doing on the global situation. We also have people in our Corporate Policy Division who are looking at what we might be able to coordinate across the department and indeed across the government. You may even be aware of the report that came out of the 2020 Summit which had some recommendations along those lines. Indeed, the corporate policy people are looking at what might be options for the government arising out of the recommendations of the 2020 Summit.

So, whilst there may not be an immediate single area in the department that focuses on it, we have got several areas of the department focusing on it. Indeed, across all of government—AusAID, DFAT and the ACIAR, the Australian Centre for International Agricultural Research—we have agencies all very much involved in this. I attended an interdepartmental meeting where the defence department and many other agencies were represented, because it is an issue that the government is taking quite seriously.

Senator SCULLION—I do recall the \$30 million allocated to the World Food Program through FAO. I think you mentioned that this morning. I understand from the long discussions we had with the international section this morning with regard to the OECD what we are

doing in that particular field, and I know we will be speaking to ABARE shortly. But I am looking more at generic governance arrangements and at what sort of focus this government is actually placing on food security. You talked about the corporate area, and I will come to the 2020 Summit outcomes in just a moment. Whilst I know I will have the opportunity to talk to ABARE in a moment, all I am looking for is a bit of a thumbprint: what sort of work are ABARE actually doing? Is this in an international context that follows on from the FAO or is it actually in the Australian context?

Mr Burns—No. The work that we have asked ABARE to do specifically is on the current global situation. But in a sense you could say that a lot of the programs that have been put in place this year are looking at food security in Australia as much as globally. When we come into the NRM area we will be talking about the climate change adaptation programs, for example, and water—which no doubt we will talk about when we get to that area. These are all issues that we are trying to bring together and talk about with respect to future food security or future food production Australia, if you like. So, from the way a lot of our things are coming together, whilst they may not have been given the title ‘food security initiatives’, in a sense that is what they are about.

Senator SCULLION—If I needed to point to a minister who was responsible for food security, would it in fact be your minister?

Mr Burns—To the extent that our minister is the minister for agriculture, yes.

Senator SCULLION—So that is the lead agency. When you talked about the corporate area where you have had quite a large number of agencies from a number of areas come in, was that again under Mr Burke’s direction?

Mr Burns—That was an interdepartmental committee that was set up initially to look at that immediate response to the \$30 million and the request from the World Food Program. It was chaired by AusAID because they were looking at what their longer term strategy might be in an aid context in relation to the food situation.

Senator SCULLION—So most of your responses, with respect, have been concerned—not that I am not interested in it but you seem to be dealing with that fairly well—with the international situation. But in terms of Australia’s capacity and formulating that to ensure our policies encourage good management—production increases and those sorts of things that go to the heart of food security—have there been some meetings that discuss the activities and policies with regard to food security in Australia?

Mr Burns—I think the answer to that is that the government is bringing together all of its policies—be it climate change, water, research and development activities—and they are all aimed at food security and, whilst we have not titled it a food security initiative, the objective of all of those programs when they come together is enhancing Australia’s capacity as a food supplier into the future.

Senator SCULLION—Are you saying, Mr Burns, that it is unlikely to see food security having its own space? You are saying that food security will be a consequence of three other main policy streams, and a tributary of those, if you like, is going to be a side issue, a consequence of those three things looking after food security?

Dr O'Connell—It might be worth emphasising that one of our key drivers currently in the portfolio is to help position the agricultural sectors to improve their productivity and we have been seeing that as one of the big drivers. That of course has a direct impact on the issues you are dealing with and that of course then relates to climate change in the long run as well.

Senator SCULLION—You can understand my concern though. Mr Burns has just told me that in the water philosophy, for example, we take into consideration all of those things. So when we are actually buying back water and taking water away from farmers it is well documented that that is going to cause a downturn in production. That has obviously been taken into consideration under food security. I have to tell you, mate, from where I am sitting, the food security team looks pretty small and, as all of these things are rolling out, it seems to be completely absent as a fundamental policy block for this government. I respect that this is often the case where governments say, 'We are going to take a multiplicity of policies to deal with the issue,' but I would have thought that this is an issue particularly within Australia that needs to have a higher profile, rather than being the consequence of a whole bunch of other departments that have mainstream funding. For example, the budget item in establishing a policy for food security is pretty much absent from the budget. In fact the words are not even used in there. Do you have any plans in the future for giving this very important area a higher profile in policy development in government?

Dr O'Connell—In terms of how we are organising the department over the next financial year and beyond, we are certainly putting in place an agricultural productivity division in order to precisely address the range of productivity improvements that the agricultural sectors are going to need to maintain their competitiveness in a world with climate change occurring. That obviously is quite directly related to the supply of commodities to the world. We export about 70 per cent of our product and in a competitive world market we need to ensure that that productivity increases accordingly, and that is a major focus of the portfolio. So I think that the wording may be an issue, whether or not the wording 'food security or not', but absolutely and centrally we are looking at agricultural productivity being one of our key objectives. And that goes to our programs in the food area, to our climate change responses and to the relationship with research and development corporations. It is the central driver for us.

Senator SCULLION—Quite obviously, if the minister says something or I say something, the wider community and the public are a little cynical because we definitely have a vested interest—we are either in government or in opposition. You can pick up just about any paper today—and I had one here a moment ago—and, while I will not go into the details of it, in the *Australian* it says 'Farmers feel brunt of Rudd Government razor gang'. Since the budget wherever you look people are saying that the Prime Minister said to them, 'Listen guys, a couple of Australians are going to have to take a bit more pain than the others. Just take one for Australia.' Out in regional and rural Australia it seems like that is where all the pain is being felt. When we are talking about all the other philosophies and policies, if we had a department that was responsible for food security and could stand up for those people, then I suspect that some of the budget cuts that we have had across regional and rural Australia would not have been quite as sharp. We must have some leadership from the government that particularly identifies food security in Australia so that that organisation within government

can fight for sufficient resources to ensure food security for Australians and can ensure Australian production will be maintained.

Senator Sherry—You are making a speech. You are not putting a question.

Senator SCULLION—I am asking for a response, Minister.

Senator Sherry—I will give you the response. You are making a political speech and statement. You are not putting questions to the officers and it is not appropriate and fair—

Senator SCULLION—That is not the case.

Senator Sherry—Can I respond? You have had your go and I am now responding. You put a political polemic, and it is perfectly right to do so, but the officers are not required to respond, nor should they respond, to that sort of critique, which is a critique of the government which I do not believe is justified. On the point you make about food security, as the officers have outlined, the theme of food security, as you term it, is deeply embedded across all the activities of the department. You do not necessarily need a particular unit entitled ‘food security’ to ensure that the department and all the officers have a focus on what you term food security.

Beyond that, I do not agree with your political observation that the so-called cuts or reductions in funding have been weighted against rural and regional industries. I just do not agree with that. The analysis does not bear that out. You have only got to look at the evidence that has been put on the table as a result of the questions you and others have posed yesterday and today. The evidence just does not support the contention that you have just made.

Senator SCULLION—I do not want to use this forum to become argumentative, but I think that you would be the only one listening to this that would maintain that view. Perhaps by way of explanation, Minister, I was not badgering the departmental officials here. In terms of the government’s arrangement, it is really important. We have talked about water security. We have an entire department that deals with water security because it is a real issue facing us at the moment and we all talk about a water crisis. But when you look around, any observer of what is happening in the world today and across Australia will see that the term ‘food security’ is often used and there is very good reason to use it. It is not something that we continue to take for granted. I think that it is quite a legitimate line of questioning to ask in terms of the government’s arrangements: why is it that food security has not been given the prominence that it has in many other parts of the world?

Senator Sherry—What I was responding to—and I know that I did not use the word ‘badgering’—was your political critique. There were no questions in your latter contribution; it was a political critique, and it is for me to respond to that. I do not accept it for the reasons that I have outlined.

Senator MILNE—On this issue of food security, I welcome the fact that there are interdepartmental discussions happening. I note the secretary’s statement that the aim of the exercise is to increase productivity. How many hectares have been taken out of food production as a result of the managed investment schemes for forestry?

Mr Mortimer—We will have to take that on notice. In all honesty, I am not sure that there has been any measurement of that done. Possibly the best way that it could be measured

would be by the obverse calculation; namely, the amount of land put into production under managed investment schemes. But then there is an issue as to whether that went into forest, which might not be considered agriculture, as opposed to other products. A lot of funding from managed investment schemes goes into things like almonds and other products. If you like, we will take that on notice and see what we can find.

Senator MILNE—It is particularly important because there are perverse measures that are counterproductive to increasing productivity. As you would be aware, I am talking specifically about managed investment schemes that give incentives to take land out of food production and into pulp production, essentially. I would like to know how many hectares have been taken out. I would also like to know whether there has been any discussion in this interdepartmental committee about managed investment schemes undermining the objective of increased productivity. Has there been any discussion of that?

Mr Burns—The interdepartmental committee that I referred to earlier is one focused specifically on the international issues. It is not focused at all on the domestic response. In terms of your question, that committee did not look at that issue.

Senator MILNE—Is anyone in the Department of Agriculture, Fisheries and Forestry looking at the issue of the impact on these schemes in terms of them taking food producing land out of food production? I am talking about forestry, not almonds and olives and things, obviously.

Mr Burns—At one stage, we were looking at that issue. But I have not got the details. We will take that one on notice.

Senator MILNE—In addition to that, there is legislation before the parliament right now to give 100 per cent tax deductibility to energy companies to plant plantations and deduct them over 14 years, which is, coincidentally, one rotation. I have asked, and I ask again, how many more hectares of food production land will that take out of production? Also, who is looking at the water ramifications? There is not much point in paying to take water out of irrigation and putting it back into the rivers if you are then giving a tax incentive for energy companies to go and plant plantations which will take it out again. Is anyone talking to the tax department or to the climate department about this tax matter that is before the parliament? It will totally undermine your increased productivity in agriculture objective.

Dr O'Connell—We can address that issue under the Fisheries and Forestry division. MISs can be discussed with them.

Senator MILNE—But it is a food production issue. That is why I am raising it here.

Dr O'Connell—But the issue that you are looking at is the forestry related component.

Senator MILNE—I am looking at the fact that you say that your objective is increased productivity in agriculture. I am very pleased that that is the objective. You have set up a group to do that. But you cannot do that if (1) you have gotten rid of—sacked—everyone in CSIRO who was looking at natural systems, (2) you have tax incentives to take land out of production, (3) we have increased petrochemical fertiliser prices and (4) we have a water regime that does not take into account that plantations are very thirsty. Tell me how we are going to increase agricultural productivity unless you start engaging in a whole-of-

government approach to make sure one hand is not taking away from what the other hand is thinking it is doing.

Senator HEFFERNAN—And no counting of the forests. Thank God Senator Macdonald is not here. I would be in trouble.

Dr O'Connell—As I suggested, I think that we can handle those questions when we come to the Fisheries and Forestry division. They are looking at those.

Senator MILNE—I will give you notice now: I want to know how many hectares have been taken out of food production for plantations and how many hectares you project will be taken out by the incentive to the energy companies to plant more plantations. And I want that cross-referenced to the water ramifications. On the question in relation to CSIRO, did your department have any input into the decision for there to be no capacity in CSIRO to look at organics, biodynamics et cetera of natural systems—the building of resilience in soils, in other words?

Dr O'Connell—That is not a question that we can answer other than to say that they were made by those who have budgetary decisions in that portfolio.

Senator MILNE—Can you tell me how you are going to increase productivity in agriculture?

Mr Mortimer—Agricultural productivity relies in large part upon investments in R&D and also in policy frameworks that allow farmers every opportunity to produce, to be competitive for both domestic and international markets and to contribute the greatest output per the inputs they put into agriculture production in this country.

Senator HEFFERNAN—If that is the case, could I just add a little bit of colour to this? The 2,500 eminent scientists on the Intergovernmental Panel on Climate Change have put out a serious paper on food supply which backs up Senator Milne's proposition that there will be a billion people—if we grow at the population rate of 6.2 per cent to nine billion in 40 to 50 years—unable to feed themselves. At the present time there are 800 million people who are short of tucker and rely on a meal a day. At the same time there are a billion people, by the way, who gorge themselves and who are obese. They predict that 30 per cent of the productive land in Asia, where 60-odd per cent of the world's population lives, is going to go out of production; the food task is going to double; and 1.6 billion people could be displaced—this is at the top of their science prediction. In Australia, as Senator Scullion has just pointed out to me, a lot of our most fertile farming lands have been taken over by programs that are subsidised and whose viability exists on the generosity of the taxpayer. Ronald Reagan banned them, God bless him—I just thought he was a Hollywood actor but he must have had a good advisor in his time.

The Douglas Daly area is a classic example of what we are doing to destroy Australia's food potential. If you went up there you could talk to a bloke called Malcolm Bishop who went from the top end of South Australia four or five years ago. He paid \$95 an acre for country there. He bought 14,000 acres for \$1.3 million. Two years ago he was farming and grew two successful soybean crops. Two years ago he said it was worth \$300 an acre, totalling \$3 million or \$4 million. We rang him this year to see how he was going and he said, 'Bill, I feel like a traitor.' I said, 'What has happened?' He said, 'I have sold out.' I said, 'How

much did you get?' '\$13 million.' 'Who bought you?' 'The African mahogany mob.' They are completely destroying Australia's food production potential. Go to the Ord. I have just had a yarn to some people from Western Australia here and I will not embarrass them by naming them. We are absolutely destroying the food potential of these areas. There will be a question on this, Mr Chairman, in a minute.

CHAIR—I am sure there will be, Senator.

Senator HEFFERNAN—A third of the capacity of the Ord is about 100,000 hectares. There are 14,000 acres developed and there are 335 gigalitres being used, which has no value under their scheme. All the sugar country, which was not viable because they could not get to one million tonnes of production, is now turning into sandalwood. They are developing the west bank. If we do not have a government policy—with great respect to everyone that is listening to this program—we will destroy Australia's capacity to produce food. There are 2½ million hectares in the lower Gulf, a lot of which is turned over to spiny acacia, where you can do all the planting and all the offset growing in the world. Why are we allowing prime agricultural land to be converted to a scheme which is viable only by its tax deduction and in which all production does not rely on supply and demand and market forces but relies on management fees for the promoter? Why are we allowing that to happen in prime agricultural land when the Intergovernmental Panel on Climate Change are saying that the biggest problem the planet faces is the fact that we have been modelling energy for many, many years but not modelling food? We are destroying Australia's capacity to punch above its weight with the ridiculous situation where places like the Douglas Daly, the Ord and God knows where else—the sugar country up at Tully—

Senator MILNE—North-west Tasmania.

Senator HEFFERNAN—have been converted to the generosity of sharp operators in the managed investment scheme world. A lot of them come and say, 'Oh, Bill, but it's a river of gold.' Of course it is a river of gold! That is why they want to get into annual crops. Why the bloody hell are we allowing that to happen?

Senator Sherry—I will just make two quick points. Managed investment schemes are a tax matter, as you referred to. We have the ATO and the tax policy area of Treasury coming on. I am looking at the timetable. I am not sure when; I think it is later this week. To the extent that this department had any involvement in the design of those measures and measured the likely impact of those measures, the officers are welcome to respond.

Senator HEFFERNAN—Thank you. I appreciate that.

Senator Sherry—But it is primarily a tax matter.

Senator HEFFERNAN—I appreciate that. But, Minister, Senator Milne is right. It is possible that 30 per cent of the productive land of Asia is going to disappear, and we in Australia have not come to terms with what India is doing through the mining of their aquifers to the lower reaches of their rivers and the interconnectivity. Bear in mind also that the science that gives those global predictions says that in Australia—in the southern parts of Australia and the Murray-Darling Basin in particular—we are going to lose somewhere between 3,500 and 11,000 gigalitres of runoff to climate change, let alone the absolute inappropriateness of not having full accounting for interception by the 2020 vision forestry as

well as all the other things that have happened and the lack of understanding of the interconnectivity between the bloody groundwater and the rivers. Where the hell is a national strategy that defends the national family of Australia and the sovereignty of Australia for food? Why do we allow ourselves to export fertiliser and then buy it back with a 135 per cent tariff on it, for God's sake? Do not answer that, because that is the subject of another matter.

Senator Sherry—I have asked the officers—

Senator HEFFERNAN—Yes, righto. I will shut up.

Senator Sherry—to outline where they may be able to assist you in terms of the involvement, observations, estimates et cetera of management investment schemes.

CHAIR—Thank you, Minister. Senator Milne, you were halfway through your question.

Senator MILNE—I just want to hear from the department.

Dr O'Connell—Chair, perhaps I could help focus the discussion a little bit in terms of the agricultural productivity improvements, which I think are what Senator Milne was asking about, by asking Mr Glyde if he would explain ABARE's analysis of what we see as the productivity drivers.

Senator HEFFERNAN—Is this the mob that say oil is going to be \$46 a barrel?

Dr O'Connell—I think we will come to that later, Senator.

Mr Glyde—We have been for quite a number of years doing some work that looks at— from our farm survey data—what factors seem to distinguish a more productive farm from a less productive farm. In doing that work, we have found that there are a number of factors. They are things like farm size—the bigger the farm, the more efficient and productive they are—the level of education of the farm manager and operator; access to technologies; access to R&D, as Mr Mortimer mentioned earlier on; access to capital; and the efficiency with which they use water. They are all factors that drive productivity on the farm. We can give you, if you like, the detail of the work we have done on that. In addition to that, Senator—as you have been, I think, pointing out—the efficiency of markets on which the farm sector relies is also very critical to the productivity performance of Australian farms: the efficiency of the transport sector; the efficiency of the other infrastructure at getting product out of this country and overseas; the efficiency with which we allocate water in this country. All of those things will also help improve the productivity, if you like, and the level of production that comes out of Australia as Australian agriculture.

Senator MILNE—When you talk about measuring productivity of a farm, you are not distinguishing between food and plantation crops, are you? Or do you?

Mr Glyde—That information is based on our broadacre farm survey. It is looking at broadacre farming; it is not looking at forestry in terms of the drivers of productivity.

Senator HEFFERNAN—Every Australian farmer would not have to do a thesis to come up with what you have just said. It is obvious to a farmer that that is the problem—but I am pleased to see you have got it down.

Mr Glyde—Excellent. With respect, Senator, the issue that we are actually struggling with is: what is the relative contribution of all those factors? What are the things that the

government and the industry should be investing in to get the biggest bang for their buck in terms of productivity growth? The problems you have alluded to in terms of food security around the world are going to be solved through increasing the productivity of farmers around the world.

Senator HEFFERNAN—I will tell you what the answer is: a non-corrupted market. Obviously, if there are market opportunities, farmers will adapt as they have with zero tillage, which is a really good example—a 21-inch rainfall with zero tillage. You can now do at 21-inch rainfall what you did at 18-inch rainfall.

Mr Glyde—Exactly. That is where research and development and the transmission of the results of that transfer of technology—not just within but outside of Australia, to the developing world—is really quite a critical long-run part of solving problems to do with food shortages around the world.

Senator MILNE—I understand that. You can measure the productivity from your broadacre farms with a shrinking acreage or a shrinking hectareage of your broadacre farms. That is my point. I accept what you are saying about improved education, research and development, and so on, but if you have less and less productive land to be measuring it from then you are not really answering what I am talking about. I am talking about taking out of food production by artificially changing the economics of the viability of investing in plantations. That is what I am talking about. I have looked all across north-west Tasmania and that is what has occurred. I do not know about some of the areas that Senator Heffernan has talked about but, needless to say, it is the same. It is the artificial changing of the economics of it that bothers me, because no amount of your working on the productivity is going to alter that. The concern I have is that it is not just with the Managed Investment Schemes. We are about to introduce another scheme on top of that with unlimited capacity to take more land out of agriculture.

Also in relation to this: do you have any talks with people involved in urban planning, for example? As your cities sprawl, you get more and more land on the edges of the cities, which potentially could be food producing but are being taken out of the market because of high real estate prices. There is much higher potential for real estate than for food. Is there any discussion, anywhere, about limiting the growth of cities to maintain land for agriculture?

Mr Glyde—All I can really do is comment in terms of the work that ABARE has done in relation to this. We certainly have not been in discussion with any urban land managers, or state or local governments, in relation to that. I would observe a point that you will no doubt discuss when we come to oil prices: with higher world commodity prices, there is a stronger incentive for and ability for farmers to purchase land, to put in crops and to get the benefits of those higher prices. If we are entering a period where agricultural prices are going to be high—and over the last 30 or 40 years the trend has been for real agricultural prices, in our terms of trade, to fall—then we might be in a different circumstance at that stage. I am not seeking to dispute your point in relation to the incentives for the forestry sector. That is a matter of government policy and we really cannot comment on that. The fact that the government has chosen to encourage the development of plantation estates is a matter of policy.

Senator Sherry—Senator Milne, I can think of examples such as the wine industry, which in the past has had structured incentives, quite deliberately, to encourage the growth of that industry. You mentioned a number of others. It is not just forestry that has received encouragement via a range of mechanisms. There are other industries that have had not identical but similar assistance.

Senator MILNE—I am not disputing that. I am just talking about the food versus fibre—in this case—argument in terms of where we are going on food security. The point I am making is that, if you are going to have a climate adaptation division and do R and D on climate adaptation, you have this issue that it will be much cheaper for coal-fired power stations to invest in land and water rights for plantations to try and offset their emissions than it will be to capture those emissions at the power station and invest in CCS—if it ever works. So there is a huge incentive here to meet an emissions trading system requirement by taking land out of food production, and nobody anywhere seems to be looking at a whole-of-government approach that looks at a variety of issues. Yes, for those coal-fired companies that is one mechanism, but what is it going to do to the price of food and, in the long term, to ecosystems?

Mr Quinlivan—Senator, there are quite a few assumptions you are making there about policy decisions not yet made about the emissions trading scheme. The government has not yet decided on the inclusion of agriculture and forestry in that scheme or on the terms and conditions under which they might participate in a scheme. So it is not at all clear that the incentives for land use change that you are suggesting in the statement you have just made will turn out to be correct.

Senator MILNE—With respect, they will, because the coal-fired power stations will be captured by the scheme. We have legislation before the Senate next time we sit to give offsets for those companies. So it is not hypothetical; it is real.

Mr Quinlivan—No, I am sorry. It is hypothetical, because there have been no policy decisions that make those offsets available to those electricity generators. Those are decisions—

Senator MILNE—The legislation to do so is before the Senate.

Mr Quinlivan—The government has not made the policy decisions to do that yet. The legislation has not yet been drafted to implement the ETS, so you are forecasting policy decisions that have not been made.

Senator MILNE—Well, we will discuss it next year, after it has happened.

Mr Quinlivan—When the time comes. The conversation at the moment about those policy matters is really, as you know, for the Department of Climate Change in any case.

Senator MILNE—I urge a whole-of-government approach to this issue of maintaining a level playing field so that people producing food have a fair chance to maintain their food production.

Dr O'Connell—I should emphasise, Senator, that the development of the emissions trading scheme policy is absolutely happening on a whole-of-government basis. There is a

very clear whole-of-government approach, including a cabinet subcommittee working on the issue. So all the issues that are being raised are being considered in this issue.

Senator MILNE—So why are we proceeding with legislation to give those offsets to coal-fired power stations before we have had that other debate, then?

Dr O'Connell—I think that Mr Quinlivan has said that the design features of the emissions trading scheme still have not been settled, and what can count as offsets for that has not been settled yet.

Senator ADAMS—I would like to ask questions on the red meat stocktake program, so I need the meat person here.

Dr O'Connell—That is Meat and Livestock Australia, I think.

CHAIR—Before we call Meat and Livestock Australia, are there any other questions for the food and agriculture officers?

Senator McGAURAN—I want to get a handle on the horticultural budget. Is that in this section? I would like to see overall what cuts from established programs the horticultural industry has suffered.

Mr Mortimer—I do not think there have been any cuts in horticultural programs that I am aware of.

Senator McGAURAN—Good. The department and the industry work together to develop Vision 2020 and several other projects. They are all still in play?

Mr Mortimer—That is right. The Vision 2020 project continues. That is being run by Horticulture Australia Ltd, and it is looking to wrap up later this calendar year. There has been no cut to that funding.

Senator McGAURAN—I do not know whether this is in the 2020 project but there are seven projects identified in 'taking stock and setting directions'.

Mr Mortimer—I think you are talking about the work of the Australian Vegetable Industry Development Group. There has been no reduction in the funding for that set of activities. That program will wind up at the end of this financial year—by 30 June. It is expecting to complete its projects. As I said, it will be using its funding almost fully.

Senator McGAURAN—The department provides the secretariat for the Grocery Industry Code Administration Committee and funds the mediation services?

Mr Mortimer—Yes. There has been no reduction in the funding for that activity.

Senator McGAURAN—Just to be sure to tick the box: has the government continued the funding towards the summer fruit marketing development campaign?

Mr Mortimer—That was a specific project for which funding was available. The full amount of that funding was provided and there has not been any reduction in that. Essentially, the previous government settled the contract for the delivery of that project, and that will be finalised as per the contract.

Senator McGAURAN—That is good news. Where would I find the global budget for the horticultural sector?

Mr Mortimer—There is no global budget within the budget documentation. That is essentially because the budget documentation specifies the separate elements of that, and you have picked just about all of them out. For example, the work of the section in the department that deals with horticulture is embedded in broad departmental running costs. You mentioned funding for the grocery code. You have also mentioned specific project programs which are in train. Otherwise the key funding for horticulture is provided through the levies that are raised from industry with the matching for the appropriate R&D, which is provided to Horticulture Australia Ltd. That is a considerable amount and that in itself is probably the single greatest contribution of funding for horticultural industry issues.

Senator Sherry—And there have been no reductions in that?

Mr Mortimer—No.

Senator Sherry—I think we have established that your assertion is wrong, Senator McGauran. There are no cuts.

Senator McGAURAN—I do not think I made that assertion—for once.

Senator Sherry—Yes you did. You said, ‘let’s look for the cuts,’ I think.

Senator McGAURAN—We can go back to the *Hansard*.

Senator Sherry—Yes, we can go back to the *Hansard*. We have certainly established that there have been no cuts in horticulture.

Senator McGAURAN—I actually entered this particular discussion—whatever I am accused of prior to this—with an open mind, and goodwill for that matter. Now you are claiming that I immediately assume that there were cuts. You can’t blame me if I did; I mean, every other agricultural department has been slashed, and the care that this government does happen to give the agricultural sector both in its trade arrangements and its line-by-line funding—

Senator Sherry—Do you have any more questions for horticulture?

Senator McGAURAN—However, as I say, in the horticultural area I entered the debate with an open mind. And what do you know? I find that previous programs have been maintained. For this, I congratulate the government.

Senator Sherry—Thank you very much. I am glad I got that on the record.

Senator McGAURAN—What about the horticultural code of conduct? Is this an area we should open discussion on?

Mr Mortimer—The horticultural code of conduct still remains in place but you would be aware that it is being reviewed as part of the government’s review of grocery prices.

Senator McGAURAN—Has the industry approached you with regard to changes to the horticultural code of conduct?

Mr Mortimer—Not at this stage but they may well have made submissions to the ACCC as part of its inquiry into the operation of the code.

Senator McGAURAN—Is the government undertaking a review of the horticultural code of conduct?

Mr Mortimer—Yes, the government has set up a broad review of grocery pricing and one of the terms of reference of that was a specific inquiry into the operation and effectiveness of the horticultural code of conduct.

Senator HEFFERNAN—Keep Woollies and Coles in—

Senator McGAURAN—While we are on that, what was the reason Woolworths and Coles were not included initially?

Mr Mortimer—It was a decision of the government at the time.

Senator McGAURAN—That's it?

Mr Mortimer—I cannot say any more; government made a decision.

Senator McGAURAN—There was good reason; we can perhaps have that discussion in the party room.

Senator Sherry—That was the previous government.

Senator McGAURAN—Yes. It was a rhetorical question. I know why; it was for good reason.

Senator Sherry—Why ask then?

Senator McGAURAN—I was trying to get it on the record from the department.

Senator HEFFERNAN—The only way you get everything done is to have democracy work.

Senator McGAURAN—There has not been much time between the last estimates and this time, but Senator O'Brien asked for a chart on the number of complaints per state at the last estimates.

Mr Mortimer—Yes.

Senator McGAURAN—Can I have an update on that?

Mr Mortimer—Yes, I am happy to do that.

Senator McGAURAN—It probably will not vary much. That is all. Thank you.

CHAIR—As there are no more questions for food and agriculture, I thank the officers. I call the Grains Research and Development Corporation.

[11.42 am]

Grains Research and Development Corporation

CHAIR—I welcome the officers from the Grains Research and Development Corporation.

Senator ADAMS—Firstly, I would like to discuss the issues involved with the Wheat Industry Expert Group's recommendation to the minister. Would you comment on those as far as your agency is concerned, seeing that the industry good fell on your shoulders.

Mr Reading—As you know, the Wheat Industry Expert Group has just recently released its report. There were a number of relevant matters to the GRDC. The first was relating to research and development, and we were very pleased with the comments they made in terms of the contributions that research and development have made to the Australian grains

industry over many years, in partnership with industry and government. We were obviously pleased with that comment. They certainly suggested that that arrangement continue into the future. The second comment was in relation to the wheat classification. As you know, wheat classification was one of the functions performed by AWBI as part of their operations. The recommendation is that GRDC should assume that function going forward. We have been in previous discussions with AWBI about a transition and we are just awaiting directions from the minister in terms of that report, and then we will put those positions in place. The plan is that for the remainder of this year we will keep the exact arrangements as they are. We will take over the funding from 1 July. In the time between June and December we will put arrangements in place so the process can be done effectively over the next couple of years.

Senator ADAMS—So you will be able to continue from 1 July?

Mr Reading—Correct. The existing arrangements will be in place until December and then we will have new arrangements in place for the following year.

Senator ADAMS—The other issue is on the levy that the growers pay. Who actually sets the levy?

Mr Perrett—The levy is set by the minister. It is recommended to the minister by the Grains Council of Australia. They go through a consultative process with the Grains Research and Development Corporation, and hopefully they would accept our recommendations generally. It goes through a consultative process where they will question where the levy needs to be, and then they will make that recommendation to the minister.

Senator ADAMS—Is it set every year? When would it be reviewed?

Mr Perrett—A recommendation should have gone to the minister, or will be going to the minister very shortly, from the Grains Council.

Senator ADAMS—It is reviewed each year, then—annually?

Mr Perrett—Yes.

Senator ADAMS—I note, just looking at the budget papers, that you have had quite a considerable increase, of \$16.8 million over the 2007-08 budget for 2008-09. As far as that goes—with your other duties that may come your way—does that suffice or will you require more funding?

Mr Perrett—That will suffice. What the Grains Research and Development Corporation has done over the last couple of years, when the corporation's income has been quite severely impacted by the drought, is to eat into the reserves that the Grains Research and Development Corporation has put away in the better times, and that has enabled us to maintain a level of research and development funding which maintains the capacity that has been built up, predominantly within Australia, in that research and development capacity. Last season, with the winter crop just gone, we were fortunate that at the end of the year prices rallied very strongly, which had a favourable impact on the income that we will receive, and also the production turned out to be a little bit better than some of the worst and most pessimistic forecasts around that November period. We crept up, probably, about a million tonnes on the estimation at that stage, and that has been a help. We also had, in northern New South Wales and Queensland—which are summer grain-growing areas—a very substantial dryland

summer crop this year, which was predominantly sorghum. It was a record crop, and that has also been a big help.

Senator ADAMS—With the forecast for this coming season, hopefully it will continue to rain in Western Australia.

Mr Perrett—Yes.

Senator ADAMS—I have had constituents coming to me who are concerned about the cost of the levy—and the fact that things are looking really good for your agency—as to whether it may be reduced.

Mr Perrett—At this stage, our belief is that a one per cent levy—which is where it has been for quite some time—is sufficient but certainly not excessive. What we have seen in the past is the ability, when we have had some better times, for those reserves to go upwards to a level which, at one stage, was questioned by many. But we have seen through the two years of drought that it was very prudent to have that level of reserves, because what happens in research and development is that you build up a level of capacity amongst the scientific community and other service providers. If you start to pull your funds and move that level up and down, you can impact on the capacity that is out there. So the reserves policy has served the industry very well.

At this stage, our forecasts are based on a 26 million tonne wheat crop this coming year. If that is achieved, then our reserves will come back up to a satisfactory level but one within the range that the corporation has set to be a relevant level of reserves. That is set between 40 and 70—

Mr Reading—Forty and 70 per cent of the following year's commitments. Most of our commitments are a roll at three years, so we try to maintain the reserves at between 40 and 70 per cent of the next year's commitments.

Senator ADAMS—The reason that my constituents were asking, of course, is due to the fact of the increased costs of fertiliser and chemicals. They have just gone through the roof. The levy still stays the same, and yet their actual margins have markedly decreased.

Mr Perrett—As a farmer I can understand their viewpoint, especially where we saw that very high lift in prices last year. You would think you were paying a lot of levies. But I know that there are a lot of growers—certainly in central and southern New South Wales—who wish that they had been able to pay some levy last year, because their crops failed. That is the beauty of the system: if you do not get production then you are not contributing, but those who do gain from good levels of production do contribute. Thankfully there was some good production in Western Australia last year, and hopefully there will be significantly more this year, especially given that the start that I know the north-eastern wheat belt has had this year—for the first time for a couple of years—is very promising. We are certainly watching that. We will make recommendations each year based on our estimates of our expenditure and of what we believe a prudent level of those reserves is in case we get a downturn. Certainly this year, on the eastern coast at the moment, we may start to revise the level of production down—certainly of wheat—in the very near future if we do not get a break very soon, because it is quite disastrous in many areas of Queensland and New South Wales.

Senator ADAMS—It is just that, as I said, the costs are rising. Are the production costs taken into consideration? Do you take any of that into consideration with your research?

Mr Perrett—A lot of our research is based on lifting productivity but also minimising costs. There are some interesting projects that may be of assistance in that regard in the future. Certainly the work that has been done over the last 10 years in farming systems has led to a reduction in the costs faced by farmers in their farming systems. The classic examples are the no-tills. There has been a lot of work with farming groups, looking at better fertiliser use, better use of chemicals and so forth. So it is about trying to limit the costs. It is not just about productivity going up and up; it is about your total factor productivity and making sure that there is a reasonable balance there so that profitability is maintained so that you can continue that productivity into the future.

Senator ADAMS—Of course, with Western Australia being far more reliant on fertiliser than the eastern states, this is our problem: the margins are definitely diminished despite what they are actually going to produce.

Mr Reading—A lot of the work we are doing in Western Australia on precision agriculture and yield mapping is very much about maximising the inputs and minimising the costs. Certainly some of the leading work we are doing is in Western Australia in that area.

Senator NASH—Gentlemen, I will just take you to the PBS. It might make it a bit easier. One of your priorities for 2008-09 includes, under the climate change category, ‘developing more resilient grain varieties’. Can you just take us through what is happening with that, who is doing it and what processes are in place?

Mr Reading—Specifically, with grain varieties, we have a number of investments. We are spending probably about \$4 million in the area of looking at genetics and understanding abiotic stress—that is, water stress, salinity and frost. It is a very difficult one to crack—it is controlled by multiple genes and other things—but we have got together all the people involved in what we call ‘prebreeding’ around Australia. They are understanding the mechanisms, how they define ‘drought’ and what they should be targeting in terms of genes and traits. That is work at the genetic level locally. We are also doing a lot of work overseas. We have excellent relations with CIMMYT in Mexico and ICARDA in Syria. We are looking at bringing in access to germ plasm, where a lot of the varieties originated and where there is, hopefully, a lot of inherent drought tolerance. We are getting access to that germ plasm, bringing it in and working it into our own varieties. But the genetic side of it is longer term. Obviously we are doing a lot in terms of the production side and farming systems as well, looking at what makes up water use efficiency and making sure that we are getting those traits. Our drought-tolerant trait would be worth something like \$250 million, so there is a lot of research going on in that area at the moment.

Senator NASH—How do you come to that figure?

Mr Reading—What we have done—and this is one of the things that was of interest in the previous discussions on total factor productivity—is a lot of work on analysing what drives total factor productivity in the grains area.

Senator NASH—Did you get an answer?

Mr Reading—Sorry?

Senator NASH—Do not worry.

Mr Reading—The comments made by Phillip Glyde were in terms of those principal areas. You will see our objectives in the PBS. We say that we are going to target a one per cent per annum yield increase or whatever, or a percentage target increase in water use efficiency. You can then target that through what that would mean in terms of yield, what it would mean in terms of reduction of costs and what that is in value, and then take it up. We are doing a lot of work with ABARE at the moment to be able to take that up to total factor productivity, because we believe it is one of the key drivers.

Senator NASH—With this idea of getting plants that have greater water use efficiency, do you think you are getting somewhere?

Mr Reading—In the 1980s the water use efficiency of the plants was about 30 per cent. If we had had a similar drought to what we had in the 1980s in 2006, our total production in Australia would have been 3½ million tonnes. We produced 10½ million tonnes. Water use efficiency at the moment is currently running between 58 and 60 per cent. Ideally, we would like to get that target higher, and the way you do it is by a combination of genetics and farming systems.

Senator NASH—Are you attributing that change—from what it would have been to what it actually was—to research and development and things that had been done in farming systems as well as to looking at research into varieties?

Mr Reading—It is a combination of farming practices and genetics. Yes, it has. One of the biggest drivers has been the adoption of minimum tillage, which has really increased. For example, South Australia—where Senator Adams comes from—

Mr Perrett—It is Western Australia.

Mr Reading—Sorry, Senator Adams. I was getting ahead of myself.

Senator NASH—How could anyone not know that Senator Adams comes from Western Australia?

Mr Reading—I was being very conscious—

Senator NASH—Try to get it right.

Mr Reading—If we go back about 10 years, seven million tonnes was a good crop in Western Australia. Today a good crop, given rain, is 15 million tonnes. The biggest change to that is the adoption of minimum tillage, which enables growers to plant on the opening rain.

Senator NASH—Given what you are saying about minimum tillage, is it something that the government should be more aware of in developing, perhaps, assistance programs for those farmers who want to move to minimum tillage or better minimum tillage given the impact on the environment? Is what type of assistance could be given something that government should be looking very carefully into?

Mr Perrett—One of the things that we look at is why farmers are not adopting some of the practices. Obviously, one of those limiting factors is cost—the cost of moving across to different machinery requirements to be able to utilise those systems. Certainly, on the

knowledge base, we do as much as we can to build the capacity for the knowledge of the producers to make sure that they are aware of the systems that are in place. I think we spend about five per cent of our budget on communications now.

Mr Reading—It is higher than that—six per cent. Total validation and adoption is about 20 per cent. To add to that, the government, through its investment in GRDC, has been a major driver not only of the development of minimum tillage but in promulgating the adoption. You may have seen a report by Julian Cribb in the *Australian* several months ago. He was concerned about the frustration of the uptake of R&D, but he specifically mentioned GRDC as a notable exception which spends 20 per cent of its budget on validation and adoption.

Senator NASH—In all the work that you are doing, there is the issue that you guys—I do not mean you two particularly; I mean your organisation—can do all the work under the sun but, when you come up with an opportunity for something that is going to improve farming practices, it is not taken up by farmers purely for a financial reason, particularly at the end of six or seven years of drought. Is it something that government should be looking at more closely in terms of assisting with moving that information that you have managed to glean and gain into a practical sense so farmers can actually adopt these practices?

Mr Perrett—We would welcome anything which assists producers to utilise better technologies and innovate better.

Senator NASH—Is that a yes, Mr Perrett?

Mr Perrett—It depends on what the case would be.

Mr Reading—There are three things that drive a grower's adoption of technology. Firstly, they have to be aware that the technology exists. Secondly, they have to have the tools and capacity to be able to adopt that technology. Thirdly, they have to have the motivation.

Senator NASH—On all this work you are doing in greater water use efficiency, once you actually arrive at nirvana—or wherever we end up—and once you get results, make progress and have these findings, how do you actually translate those to farmers for their knowledge?

Mr Reading—There are a number of delivery channels that we take that through. Twenty years ago the principal delivery channel was big farmers and the department's agricultural extension officers. They are still very important, but now we have the whole different range of delivery channels that has developed—the development of private consultants, agribusiness and all of those. What we do—through adviser updates, our publications, *Ground Cover* et cetera—is to tell the deliverers, as well as the deliverees, what the information is and what the benefits are to them in terms of their farming practices, and to put it in ways and terms they can adopt. For example, farmers older than 50 prefer their information in the written form. Farmers under 35 want it on the internet. In between we have a mixture. It is two things. First, even when you start doing the bottom line research you are doing things and understanding what growers need to be aware of and what their tools are, so you start it at that end. Then it is packaging it and delivering it through those various delivery channels to the different levels of growers. You have the early adopters, the mid adopters, the late adopters and the laggards. You package those in various ways to get that message through.

Senator NASH—I had it raised with me a while ago that the state DPIs used to do a lot of research into plant varieties and that kind of thing. Their view was that that had obviously decreased and yet the GRDC has taken an increasing role in that plant variety type of research. Is that a correct assumption?

Mr Perrett—Well, yes. There has been a steady decline in the amount of direct funding that the state governments have put into research over a number of years. Some people would argue it is because we have been stepping up. I think we have been stepping up to the mark as a research and development corporation because we have seen a shortfall there. We are talking about quite a long time frame here—just little cuts all the time. So the private sector or the R&D corporation has stepped in and changed the way things are done. So we are hopeful that in the future, though, we will maintain that level of funding. Some very good work is being done—Peter is doing work—to make sure we get very efficient use of the funding which comes out of the states. I do not know whether Mr Reading wishes to go down that path further.

Mr Reading—I will pick up a point Senator Milne made earlier. One of the things that we believe is very critical going forward is to have a national approach to research and development. We are very close, along with a number of RDCs, to developing a national plan for RD&E that really breaks it down in terms of the roles the states play, GRDC plays, the universities play and CSIRO plays. That will involve total commitment and ongoing commitment in terms of funding and in terms of spending money outside jurisdictions—capacity and infrastructure investments. I think to really increase productivity, one of the key things we do is developing what we call the sectoral plans. In grains RD&E we are very close to it.

Senator NASH—Your role has increased, from what you were saying there. Do you think it has happened partly out of necessity because there has not been the state funding to the DPI?

Mr Perrett—It has happened out of necessity and people seeing the future and seeing what has to happen.

Senator NASH—That is why I only said ‘partly’. One of the things that is raised—I have raised it before with Mr Reading—is some of the concern people have about their levies going through to your joint ventures with private enterprise. They end up being hit with EPRs. There is a simplistic view, held rightly or wrongly, that is held out there. So people are kind of doing a bit of this comparison. The levies used to go to the DPI. They would do the work. It would come back and they would get the benefit. Now it is just all a little more convoluted for them. So I guess on that issue, on average, how much levy money goes into joint ventures with private enterprise as a percentage of the levy money that you get? Is that a fair question?

Mr Reading—Actually, I answered that question, I think, last time and I was a little incorrect. We have three or four joint ventures. I will just give you the details of those. By way of background, our strategy has four elements to it. Firstly, coordinate and facilitate a national approach to grains R&D. That is one of the key elements of a strategy for an RDC corporation. Secondly, make sure we are meeting Australian government priorities. Thirdly, make sure we have income leveraging expenditure so we get more bang for the buck. That

involves working with other government programs. It also works with private capital, where necessary. Fourthly, to make sure that all R&D is market driven.

We enter invest in private companies purely because we believe that by utilising mainly their expertise and their technology it provides an opportunity to bring that technology to our growers quicker. We have a joint venture with Limagrain out of France on developing high MLOs wheat for Australia. This is about market value adding. So we have one with them. We have also got one with Philom Bios out of Canada. Australia over many years has developed, I think, pseudomonas or actinomyces. They free up phosphate that is locked up in the soil. We had developed the bugs but we did not have the technology. We did a joint venture with them. They get a return on their investment. Rather than having the technology sitting on the shelf, we have something that will be available to farmers. One of the critical things they are facing is high fertiliser prices. If we can work out a mechanism to free up phosphate in the soil, that would be a benefit. So it is a win-win. That is what it is about. It is not about multinationals. It is about going into a strategic relationship that brings benefit.

Senator NASH—Absolutely. Thank you. I appreciate your gentle reminder that I probably asked that last time. I probably asked it the time before and I will probably ask it again next time, so thank you for bearing with me. In output group 2, one of the objectives is to develop a path to market for genetically modified crops. Which crops and what have you done previously? When you talk about develop a path to market, is this something new or is this work you have been doing already?

Mr Reading—A path to market is one of our core strategies for our varieties' lines of business. What we believe is that over time farmers will need to have access to GM technology. If we look at the adoption of GM around the world, I think there are 114 million-odd hectares grown. Over 10 million farmers are growing it. Its rate of growth is very substantial. We believe that growers in Australia will need to have access to that technology. So we believe there needs to be a path to market, because if there is no path to market, no-one is going to invest in the technology. We have been involved through the Single Vision process and through others in bringing industry together to try to have a common approach. We are very pleased that we did that. We have 29 signatures on a piece of paper saying that we are ready to handle GM canola. We believe we should do it in a very monitored way so that we make sure the segregation issues et cetera are handled.

Look at the traits that are now coming along through the GM—not so much in Australia because in Australia the initial traits are at the production end in Roundup Ready canola et cetera. Overseas now they are working on traits for water- use efficiency, nitrogen-use efficiency and double insecticide resistance. Picking up on Senator Scullion's comments about food security, if we are going to be able to produce productively in the world going forward, we are going to have access to it.

Senator NASH—I want to go back to the beginning. Have you done much work on this? Is this something you are planning on doing? Have you done a lot of work in terms of developing a path to market? I guess what I am asking is if you have already done some work, are you finding many closed doors or much pushback from some of those countries saying, 'No, actually, we don't want GM?'

Mr Reading—No. In terms of answering parts of that question, we spend about \$6 million a year on GM related issues, mainly around gene technologies et cetera. We were involved in that process—in the grains industry, getting people to agree on anything is a major advancement—by bringing people together in terms of the path to market for GM. We certainly will be surveying growers. We have surveyed growers before in terms of what their attitudes were and what their attitudes will be past that. We also talked to the markets in terms of what their views are on GM canola. Our biggest export market for canola is Japan. The biggest user of GM canola in the world is the Japanese market. It is interesting that Japan has just now started importing GM corn because of the price differential between non-GM and GM. So those discussions are going on.

Senator NASH—When you talk about the attitude of growers, what work have you done around that and what sort of percentages are you seeing? What sort of feedback are you getting?

Mr Reading—We survey our growers every two years. The last time we surveyed them two years ago—

Senator NASH—How many growers would you have?

Mr Reading—It is all done by statistical analysis. We survey about 1,201 growers, I think it is, or to that effect. I do not know where the extra one comes from, but that is in the process.

Senator NASH—Point five!

Mr Reading—When we surveyed them in 2006, we said, ‘What do you want us to be working on?’ The two biggest issues that moved up was GM related technologies and on-farm storage, which was probably related to the upcoming deregulation of wheat marketing. So they were telling us pretty strongly. They are getting a little more nervous as it is coming on the market now because obviously the anti-GMers are out there pretty heavily in force at the moment. But the growers want us to invest in it. That is what they tell us. We are doing things like having GM in our national variety trials this year so growers will be able to see how they perform. We are actually funding growers to come and visit from other states. Western Australia will help with funds for growers to come across and actually look at GM to see how it goes. We try to keep them updated through our *Ground Cover* and other publications on the technology—about the pros and the cons and how it can be handled through a segregation system. So it is just trying to be upfront with them.

Senator NASH—It is very interesting. Along with all of that, I assume you have discussions along these lines with the chemical companies as well?

Mr Reading—In relation to what?

Senator NASH—In relation to the use of herbicides and things on GM crops, getting that perspective in all of this. Do you discuss that with them at all?

Mr Reading—We have an action plan. Coming out of the Single Vision document, we have an action list, which everyone is using. Obviously a lot of the role of the chemical companies is in the accreditation courses. I forget how many growers have been through the accreditation course now that it is run by the companies. We have been involved in the development of processes and protocols for handling GM through the system. We are making

sure that every part is doing their part. Obviously if the companies have not done the training, that will put at risk the segregation. So we make sure they are doing their part. We have discussions with them, either through Agrifood Awareness or directly, to make sure they are doing their bit. The bit we do is to make sure the evaluation trials are in place and people can see how it goes. At the end of the year we are also going to survey growers who grew canola to get their viewpoint on how it went. So it is everyone. As I said, we have 29 signatures on a document saying that we can do this, and that is what we are trying to do.

Senator NASH—It is really very interesting. I have one more question on GM. I want to have a GM versus non-GM sort of discussion. Do you believe we can actually segregate? Do you believe we could actually have non-GM and GM in the country?

Mr Perrett—The industry believes we can.

Mr Reading—We are very happy to send a copy of the document to the committee. All the players came together, be they the bulk handling side, the marketing side or the processing side, and said, 'We think we can do it.' It was interesting reading a study out of Europe recently. You know what Europe is like on the whole area of GM.

Senator NASH—I am assuming you have included just the basic transport side in that?

Mr Reading—Correct. That is in it. Again, I am very happy to send a copy to the committee which goes through all the protocols and processes for each stage in the supply chain that needs to be addressed. But this study in Europe—Europe are pretty paranoid about GM, or have been—says that the biggest risk with canola in terms of segregation issues or cross-contamination issues is either pollen to pollen transfer or volunteers. They are the things you have to watch. A recent study in Europe suggested that you should not grow canola next to another canola field, door-by-door, or in the same field. That is normal segregation practice. Australia already segregates canola. We have juncea canola and we have low-erucic or high-erucic acid canola, which we segregate now through the chain. It says as long as the whole area is not more than 50 per cent of an area being grown, segregation can work through silos and good farming practices.

Senator NASH—That is before good farming practices because they are not guaranteed.

Mr Reading—That is right. This year, less than one per cent of GM canola will be planted. In three years, say, when it is up to 20 per cent, if GM canola is working, segregation will become less of an issue. On the other hand, if it is not working, it will not be an issue because growers will not use it. So we think we can handle it.

Senator NASH—That is good. Thanks, gentlemen. It might be easy to suggest a briefing to the committee from GRDC at some point. I think that would be very useful in terms of the bigger issue of food security and all the things they have touched on today with research. I think it would be very interesting.

ACTING CHAIR (Senator Siewert)—I agree with you. The secretariat can note that we can talk about the timing of that at our next private meeting. Senator Nash, have you finished?

Senator NASH—Yes, I have.

Senator ADAMS—Have you done any research on the cost and availability of GM canola seed?

Mr Perrett—For GM canola seed, there is limited availability. Only one company has put seed forward this year. We believe a second company will have seed available next year. It was very limited. That was probably an advantage to the industry. It gave us an opportunity to manage a smaller area of GM canola this year and have a look at it and see how it works and make sure the supply chain works before we have an expansion.

Senator ADAMS—As far as trials go, what states are actually having trials this year?

Mr Perrett—New South Wales and Victoria. Queensland is not a canola growing area, so it was available there. The two states involved are the only two states which have lifted their moratorium, so that enabled those full-scale commercial plantings to go ahead.

Senator ADAMS—Thank you.

Mr Reading—I will add to that. There were actually three types of farming and only one gene, though, which is the Roundup Ready gene. In terms of trials, I am just trying to find the exact number here. I think we have five trials in New South Wales and three trials in Victoria. They will have the Roundup Ready ones next to TT canola, the IMI-resistant canola and the conventional canola.

Senator ADAMS—And how wide apart are they? What have you done with them?

Mr Reading—We have, I think, 560 national variety trials across Australia, but that is right across other crops. They are done by a statistical program. But they will be well-represented—I am not sure where the exact areas are—in the Victorian area and the New South Wales area. So you will be able to get a different genetic by geographical type of split.

Senator ADAMS—The most contentious issue is just how far apart these trials and the normal canola is as far as trying to prove that nothing can get between them.

Mr Reading—All the analysts that do the biometrics—how you set these up, where you set them up—have advised that that should give us a pretty good spread of the performance relative to the other varieties.

Senator ADAMS—Coming from a state, of course, that has got just about World War III going on with GM, it is quite interesting. So I will certainly be interested in the results.

Mr Perrett—Yes.

Senator O'BRIEN—In terms of the work GRDC is doing in the context of exceptionally high fertiliser prices—and, of course, there is your comment about unlocking phosphorus in the soil—this committee has recently taken some evidence about organic fertiliser options. What work is GRDC doing with regard to alternatives to the chemical fertiliser options for Australian growers?

Mr Reading—I will just have to take the question on notice on the specific amount, if I can do that. We have always looked at various options in terms of what can be utilised. Some of it has been in terms of organic carbon and the levels going back into the soil. We are also doing work on split applications of fertilisers. In terms of the organic number, I will take that on notice, if that is possible.

Senator O'BRIEN—I encourage you to look at the *Hansard* of the recent—

Mr Reading—I will do that.

Senator O'BRIEN—inquiry into fertiliser because the evidence we received indicated that the proponent had great difficulty in getting finance and support. On the face of it, it seemed an eminently fundable proposition. In the context of a suggestion in evidence that the price of that alternative was about one-sixth of current levels of certain chemical fertilisers, at least a blend, it seemed to have massive potential for investment to benefit Australian growers and, indeed, internationally. I am also interested in your—

ACTING CHAIR—I have just been reminded that we are not supposed to ask questions in estimates that relate to a Senate select committee. Senator Heffernan was reminded about that in the Senate Standing Committee on Legal and Constitutional Affairs yesterday. In due fairness, I should remind you that we cannot do that.

Senator O'BRIEN—Thanks for the reminder.

ACTING CHAIR—I suggest that we ask the select committee to call GRDC.

Senator O'BRIEN—You certainly can. I thought I was framing the questions all around it without being right on it. I was referring the witnesses to evidence that was taken in that inquiry. In terms of agricultural productivity—clearly your evidence today again emphasises the dramatic improvement in productivity with grains that has been achieved through research by GRDC—and the discussion of genetically modified crops and opportunities there, can you give us some idea of how those developments in productivity and the genetically modified options will assist in expanding profitability options for growers in those more marginal parts of the country, such as the northern part of Western Australia's wheat belt, for example?

Mr Reading—Yes. When we look at the factors that contribute to total factor productivity, there are about five or six of them that are the key drivers from the grains perspective. Phillip Glyde touched on some of them. There are certainly the farming practices. There are improved crop varieties. There is the use of farm chemicals. There is farm machinery, farm size and growers' knowledge. They are the major factors that drive total productivity. We have various agro-ecological areas, of which the wheat belt in Western Australia is one. We understand what the drivers are there that impact. We are actually doing some work with ABARE and the Department of Agriculture and Food in Western Australia. We are doing specific regional studies on what are the major factors that contribute to it in that particular area. A lot of the work in Western Australia is on the very broadacre hostile soils, precision agriculture, minimising the inputs, better work on climate forecasting—because it is so dependent on when the rain comes—and building up more or less agro-ecological productivity zones, and understanding what the key drivers are there. So certainly a lot of the work in terms of what we call the hostile soils, very broadacre, is in Western Australia, whereas in some of the other intensive areas they are different contributors. Each of them contributes differently.

So I guess the answer is trying to understand in those agro-ecological zones what are the key factors and how you can influence them, be they, for example, subsoil constraints or whatever, building up a case and then targeting the R&D to deliver that in those areas. So I guess it is breaking it down into the agro-ecological zones, working out the key drivers in each of those zones and then targeting the R&D for that, particularly the D&E. The R is much more national, but the D&E is local.

Senator O'BRIEN—And in terms of GM in those contexts?

Mr Reading—Well, we believe going forward that GM is going to be one of the answers. It is a solution. I refer to a comment Tony Burke made; it is one of the solutions. Certainly from the initial work on GM the first traits that are coming through are the production ones. That is the herbicide tolerant ones. We are hoping there is work being done now on some of the others—certainly nitrogen use efficiency, water use efficiencies, drought tolerance and, a big issue in some areas of Western Australia, saline tolerance. That is why we are saying it is a key part of our strategy. We have to have a path to market for GM technology because to deny growers access to that technology puts us behind if we are going to maintain being a global leader in grains.

Mr Perrett—We were over in the north-eastern wheat belt of Western Australia a couple of months ago. Probably the number one priority that growers asked us for was a GM lupin to be able to manage some of the weed resistance problems they have there. Weed problems are a major limiting factor in their farming systems at the moment. So that is something that we certainly have to look at. But for them to grow that, there has to be a market for that product as well. There has to be legislation in the state which allows them to grow those crops as well. But it was the No. 1 issue.

Senator O'BRIEN—I have been given to understand that the regimen, for example, for GM canola would allow a better use of the moisture profile if the crop can be put in upon the rains and then sprayed after the crop occurs. That seemed to me to be the logical response to the climate challenges that are being faced in those regions.

Mr Reading—Correct, yes. Absolutely.

Senator O'BRIEN—In terms of the involvement of GRDC with chemical and agriculture companies, how does GRDC's funding model work in that regard? In other words, is GRDC involved in joint research or research funded by bodies connected with those sectors?

Mr Reading—As I mentioned in response to Senator Nash's question, we have four strategies: coordinating and facilitating a national approach, Australian government priorities, leveraging and market driven R&D. Potential investment with private capital comes into those last two. As I mentioned, we do it when we believe that having a co-investment will bring that technology to Australian growers more quickly or better than we could by ourselves. For example, I mentioned Philom Bios, where we had developed the bugs. We did not have the carrier, so we came into a relationship. Our driver was that the technology be available to the growers. That is what we do it for. It is just like working with another body. It is just saying: what are the reasons you go into this for? What is the understanding? Our aim out of it is to get the access to the technology more quickly or more efficiently than we could otherwise.

Senator O'BRIEN—Of course, there is the potential that you become partially captured to the commercial purposes of the funder.

Mr Reading—We get that criticism quite often. But if your strategy is right when you go into it and everyone understands what the expectation is, you can avoid that. You are there for a clearly defined reason, a clearly defined benefit for the party. That is what you stick to and

that is how it ends. It does not mean you get trapped into more and more of those investments. It is purely strategically where it makes sense.

Senator O'BRIEN—So being involved with a fertiliser company would not inhibit you dealing with an alternative fertiliser option?

Mr Reading—It would not limit us at all.

Senator O'BRIEN—I look forward to discussing that further with you at another inquiry.

Mr Reading—It was brought to my attention when we were asked a question on the nutrient side. We are at the moment doing a whole study with all the players—the scientists, the fertiliser companies and grower groups—and really going through and looking at all the information that has been developed over the many years on fertilisers and nutrients to see if there is stuff we have not done right or we could do better and more effectively. But having a whole of industry approach again I think helps solve the total problem. I do not think it can be done in isolation. If you do it together, you have a better chance of delivering an outcome. That is what we all want at the end of the day.

Senator O'BRIEN—I look forward to further discussions.

CHAIR—Are there any other questions to the GRDC?

Senator McGAURAN—You mentioned in your discussions with the farmers the two priorities and that they relate to you. One of them was on-farm storage pending new wheat marketing arrangements. What does that entail you to carry out?

Mr Reading—There are a number work functions we do. On-farm storage is, firstly, evaluating some of the newer tools. For example, we now have silo bags. They look like big sausages that farmers have. We have helped some of the development work on that and are working with the companies et cetera. That is one element. Obviously, as farmers do on-farm storage, insect control becomes a much bigger problem in terms of how they handle it. Grain contamination is a major issue, so we are doing work there and working with companies in terms of the on-farm use of chemicals. Phosphene has been a big player. It is a great aid to Australian industry, but we now have resistance to phosphene so we have to manage that very carefully.

Senator McGAURAN—How does that relate to on-farm storage?

Mr Reading—You cannot have on-farm storage if you have insect pests that are eating it. So it is giving them the technology to enable them to use on-farm storage.

Senator McGAURAN—Okay. And those sausage bags, excuse my ignorance, but is that another Australian first?

Mr Reading—No. It was brought in from overseas.

Mr Perrett—I think Canada, or it might have even been South America. An Australian company has done a lot of work further developing that storage technology. They have been a leader in improving that technology.

Senator McGAURAN—With regard to supporting trials and new varieties, have you been involved in the new hybrid wheat import from the US that is being planted? I am reading

from an article. It is planted at Cowra, west of Sydney, or will be planted there. It is a new miracle variety.

Mr Perrett—That is not the perennial wheat, is it?

Mr Reading—No. There is a hybrid wheat coming. There is perennial and there are hybrids.

Senator McGAURAN—Perennial.

Mr Reading—We are not directly involved in that, no.

Senator McGAURAN—Who is?

Mr Reading—I think it is being done by one of the private breeding companies.

Senator McGAURAN—Do you know anything about it? Is it a new miracle strain that will solve all our problems?

Mr Perrett—I do not think it has been in our variety trials as yet.

Mr Reading—I do not think so. There has been a lot of discussion for many years about hybrid wheat. A lot of work was done in Tamworth trying to develop hybrid wheats for Australia. They have not been all that successful. But obviously if there is a technology that someone is cracking, we should be trying to get access to it. So we will watch with interest the outcome.

Senator McGAURAN—That is all.

Senator HEFFERNAN—I want to ask a question about where we, the Commonwealth, and you, the agency, are up to promoting the possibility of GM production in northern Australia? Obviously the Western Australian government had an electoral commitment to no GM prior to the election. The Northern Territory government basically has a ban on farming, not just cotton. Everyone is sick of hearing me talk about the food task force. If we cannot get on with that, where are we up to in terms of you fellas trying to influence these governments and the electorate at large about the benefits in certainly those more typical areas where it just will not work without GM? What are we doing about it?

Mr Reading—Well, the crops we are involved with at the moment are temperate crops. We are keen to see GM canola be the first one to get a path to market. We believe that once we have a path to market for GM canola, that will encourage path to market for some which could be suitable for the northern area. Obviously corn would be an example. But the work we are doing at the moment is primarily in the winter cereals and canola.

We are hopeful that if we can get canola on to the market in a way that meets the sanitary requirements et cetera and get market acceptance for that, that will then open the path to market for work such as on GM corn, which would be more suitable for the northern areas. GM cotton is a crop that would be ultimately suitable for the north. What killed cotton before was the—

Senator HEFFERNAN—Obviously, as Mr Perrett would know, 7,000 hectares these days with the benefit of GM technology is a viable area for a gin. There are lots of areas up there that would be suited to a mosaic development type application. Senator Milne heard me talk earlier this morning about taking bloody land out of production for some junketed tax bloody

deduction. With regard to the influence of GM, have you blokes looked at the link in the business plan of people like Monsanto to the chemical regime? This is all about not only tying up the chemical but global market power. I accept that the GM canola thing has been a difficult path. I accept that I am a critic of the reverse legal onus on the non-GM grower in the event of a contamination event. I think that is bloody stupid.

ACTING CHAIR—Very silly.

Senator HEFFERNAN—Yes, very silly. I wonder whether you are familiar with the glyphosate problem associated with Roundup Ready crops that are GM. Are you aware that these crops are not tolerant to generic glyphosate?

Mr Perrett—They utilise a different compound in the Roundup Ready cotton. I am well aware of that.

Senator HEFFERNAN—This will be a little adventure. I technically should not go down this path. It will be a great revelation to all Australians in due course through the select committee.

Mr Perrett—We will look forward to it. Thank you.

ACTING CHAIR—Have you been doing work on weeds developing tolerance under the GE cropping scenario?

Mr Reading—We are doing a lot of work on weed tolerance in general. Firstly, I think we spend about \$4 million a year on weeds and weeds related research. Western Australia is one of the lead areas here in terms of herbicide resistance. There is herbicide resistance to a wide variety of chemicals in most of the groups. Glyphosate is certainly one of them. But if you look at, for example, why, it is understanding each of the areas and where the resistance is an issue. The big issue at the moment, for example, in canola in Western Australia is radish. The only way around radish in the short term would be a GM canola. It might give you a three—

Senator HEFFERNAN—Kill the lot?

Mr Reading—No. It will not kill the canola. It will kill all the radish. That does not take away from the problem that there is resistance coming to glyphosate now. What we are trying to do with all the herbicide groups, be they the phenoxy or dinitroanilines or all of those, is to try and make sure we can manage the resistance. There are no new miracle chemicals coming out, so it is trying to understand and use those chemicals in a way. Now certainly you have to be aware of it. We certainly track part of the overall herbicide resistance. A big worry is that we now have glyphosate resistance in barnyard grass in northern New South Wales. That is a worry.

Senator HEFFERNAN—So should this be associated with the instruction of farmers and the education of farmers through the requirement of a chemical users ticket before you use the stuff?

Mr Reading—We are involved in a lot of those farmers education programs. We are doing a lot of work with weeds in terms of the number of booklets we put out on herbicides—how to use them and how to use them effectively. It is almost catch-up where the insecticides were 20-odd years ago. No-one ever thought that a herbicide would be resistant, but they are. So it is about good farm practice. It is rotation of your crops. Rotation of crops plays a big factor.

You can manage out some of the herbicide resistant weeds. So it is an overall farming systems approach. That is what we are pushing very strongly. We are also working with chemical companies on getting off-label registration and changing registrations that were not there now with new weeds et cetera. So it is an overall farming systems approach. You never beat it because nature will always get on top of you. But you try to work with it and understand it.

ACTING CHAIR—Can you tell me if you are actually doing specific work focused on GE crops versus non-GE crops in terms of herbicide resistance?

Mr Reading—Let me take that on notice. I am just trying to remember what the integrated wheat package does and whether it has GM in it. Certainly we will be evaluating that in the national variety trials in terms of how they perform. But I do not know if they will be sprayed with glyphosate or not. I do not know.

ACTING CHAIR—Because that is an issue that has been reported from overseas—increasing herbicide resistance under GE crops is escalating. If you could provide us with information on that—what work you are doing, if any, to evaluate the difference between GE and non-GE crops—it would be appreciated.

Mr Perrett—A lot of our resistance built up before we had GE crops. Our first one is canola.

ACTING CHAIR—I appreciate that. It is an issue that is there and I want to know whether it has actually been examined.

Mr Perrett—We will look into it.

ACTING CHAIR—While claims are made that herbicide use is reduced under GE crops, there is also evidence from overseas that in fact that is not the case with some crops. I have just heard Senator Heffernan make an interjection, which I will ignore. Could you provide us with any work that you have done on that.

Senator HEFFERNAN—What I mean is you were right.

ACTING CHAIR—He is implying I was right, which is a change. If you could provide us with any work, that would be appreciated too. Has anybody else got any other questions for GRDC? Get away while the going is good!

[12.37 pm]

Meat and Livestock Australia

Senator ADAMS—My question is with regard to the decision not to fund the red meat stocktake program. Who do I speak to about that?

Mr Murnane—I might take that one. My understanding is that that was a funding application submitted under the previous government's Agriculture Advancing Australia program. The project had not been contracted on the change of government. The decision of the incoming government was that projects that had not been contracted would not be proceeded with because that suite of programs had been earmarked to not continue. So the funds would be freed up for new initiatives.

Senator ADAMS—So it is very like Regional Partnerships—the same principle: if the contract was not signed, despite the fact it had been approved, it did not go on?

Mr Murnane—That is correct. That was the principle.

Senator HEFFERNAN—Do you think there will be any—

ACTING CHAIR—Wait your turn!

Senator O'BRIEN—You can reach him, Madam Chair. You deal with him.

Senator ADAMS—Given the increasing production costs, including fertiliser and diesel, this means that beef and sheep producers in Australia are rapidly becoming unable to sustain their farmlands. In Western Australia, we have an \$877 million slaughter industry. Is this decision going to be reviewed or the funding reinstated for a like program?

Mr Murnane—There are new funding programs to assist farmers to deal with the broad question of climate change. They would probably be best pursued with Natural Resource Management Division.

Senator ADAMS—So they would cover what I have asked?

Mr Mortimer—Essentially, I think it is fair to say this particular program has come to an end so that project application is no longer on the table. I would not expect that it would be reviewed in its current form. If the industry were to develop a similar proposal that might be eligible for funding from another program, that is another matter. But I really cannot comment on it.

Senator ADAMS—So there are other programs available at the moment, not in two years?

Mr Palmer—We continue to hear about all sorts of supply chain impediments in Western Australia. We continue to hear about all sorts of disruptions to the marketing of products—meat and livestock—blockages in abattoirs and other such things. We understand the status that the stocktake proposal now enjoys. We have actually approached one of our directors in Western Australia who is now working with the WA meat authority in devising the terms of reference that really go to the heart of a very objective study into the supply chain impediments, real or imagined, in Western Australia. If they come up with a proposition and some funds from the west, we are going to prepare to look at it in Meat and Livestock Australia because we think it is a study that needs to be done. The issue of all the implied or inferred impediments in Western Australia does not seem to go away. So the stocktake proposal, as previously identified, in our view, has merit. If Western Australia can stump up with some money, we will help on our side.

Senator ADAMS—Thank you.

Senator SCULLION—I have one short question. I will ask Meat and Livestock to comment. Mr Mortimer, in response to a question on food security I had a little while ago, you said in the context of food security, 'The answer lies largely in our investment in R&D.' While we have MLA here, CSIRO decided to shut their tropical beef research centre in Rockhampton. With 27 people and a huge corporate history in the area, what sort of impact do you think that will have on our capacity to increase beef production and use the very best animal husbandry practices and cutting edge research? What impact do you think that will actually have on the beef industry?

Mr Mortimer—In terms of that particular facility, I am not in a situation to give any advice. I do not know what the focus of its R&D activities were and whether they were being—

Senator SCULLION—It was tropical beef.

Mr Mortimer—I think it is best if I do not proffer any advice on that.

Senator SCULLION—Perhaps MLA might be able to talk about it.

Dr O'Connell—I think, again, MLA will be able to assist.

Mr Palmer—What I can say is that the budget announcement is a little early for us to understand the full effects. CSIRO's head of livestock industry is actually going to meet with us on Thursday this week. We hope to be able to quantify what the full effects of it all mean. So I am happy to take the question on, but we really will not know the answers until Thursday at the earliest.

Senator SCULLION—Perhaps you could just focus your question on them. Has CSIRO done any assessment of what will be the consequences of closing a research centre?

Mr Palmer—I agree. I understand.

Senator SCULLION—Thank you.

Senator IAN MACDONALD—Madam Acting Chair, can I just go back to Mr Phillips?

ACTING CHAIR—You actually want to go back? Have we still got those officers here?

Senator IAN MACDONALD—Mr Phillips.

Mr Mortimer—No. Mr Phillips is responsible for wheat and sugar industry issues. I am happy to take those questions to the best of my ability, if you like.

Senator IAN MACDONALD—They are related to sugar.

ACTING CHAIR—We will go back to that after we have answered Senator McGauran's questions.

Senator McGAURAN—I am quite aware that rural politics would even make Canberra politics blush most of the time, not from time to time. Nevertheless, a group called the Australian Beef Association has been critical of the MLA. They make the broad statement that the MLA was of more use to the supermarkets than the producers. Putting that aside, they do make one interesting seemingly good point that the MLA did not think to make a submission to the ACCC's inquiry into supermarket prices. Why was that?

Mr Palmer—I might ask one of my colleagues to add to this. I preface by saying that supplying submissions to inquiries is not necessarily the be-all and end-all to the inquiry. MLA has actually provided an enormous amount of factual data on prices received and prices paid, retail prices and trends and movements over a number of months and years. That has all been furnished to other advocates—the National Farmers Federation, to mention one—and others, who have used our data. I notice that some of the inquiries coming out previously on this matter have made liberal reference to MLA data. So we saw ourselves in this area as a provider of raw factual data which advocates, both agri-political and otherwise, could use to furnish in their own submissions.

Senator McGAURAN—But you are an advocate too, aren't you?

Mr Palmer—We are not a lobby group. A part of our charter is to work collaboratively and cooperatively alongside all members of the supply chain and, in this case, the retail chain. We work very hard alongside major supermarkets and all retailers of meat to be new and innovative and do new ways of retailing and to make the product as exciting and dynamic as we think it is.

Senator McGAURAN—I would have thought your mission statement, if we went to your annual report, would say that you are primarily, if not solely, the representative of the producer.

Mr Palmer—We are a producer funded company.

Senator McGAURAN—Indeed.

Mr Palmer—Our mission is to work in partnership with industry and government. But, yes, our levy base is funded primarily by producer levies.

Senator McGAURAN—So your work is for the producers, not for every person along the chain. It is for the producer.

Mr Palmer—Yes, it is for the producer. But in order to effect the best price for producers, we need to work collaboratively and constructively with all players of the supply and retail chain.

Senator McGAURAN—But you are an advocate for the producer. You are not a lobby group, if you want to put it in those terms. You are certainly an advocate for the producer funded by the producer. So your conclusions should be of worth to the producer.

Mr Palmer—I understand the question. But I am trying to make a distinction between a lobby group and an advocacy. We are an advocate for the producer. We are an advocate for industry returns and profitability. But we are not a lobby group.

Mr Hansen—We certainly have foremost at our heart the livestock producers who pay our levies and, in particular, the 45,000 members we have that are registered with us and pay their levies. I guess our premise in this area of marketing is that value for those producers starts at the consumer level with consumer expenditure on their products, with consumers buying their products on a more regular basis and for higher prices. That is where value flows in this supply chain, and the dollar value flows back down. In terms of how that share of consumer dollars is spread across that supply chain, not only have we got the current ACCC inquiry in place, which you have been referencing, but you would also be well aware that the previous government and the previous agricultural minister asked the ACCC to look at the retail pricing of beef both at the supermarket level and at the farm gate level. That report was completed early in 2007 by the ACCC. That was a report in which we furnished considerable information that we collect weekly and daily at saleyards across the country, at wholesale markets and across butcher shops around the country. It formed a large component of the evidence used in their assessments in their 2007 report.

We took the view that this latest ACCC inquiry was one in which they were looking for commercial operators involved in the supply chains they were investigating to come forward. We obviously do not sell or buy any livestock or meat. Hence, we provided that same

empirical data to the industry lobby groups for them to take forward in their submissions. But it primarily relied on the commercial operators in those supply chains in their presentation of evidence to the ACCC.

Senator McGAURAN—Well, you have made your judgement. But on first blush, prima facie, I would say you have made the wrong judgement. I know this government is going to exhaust everyone with their inquiries, commissions, summits and committees and whatever else. But that does not mean you have to be inquired out. Every time it comes up, you have to be there to represent the producer, whether it is repetitive or not. You are quite right: the last government issued a meat specific inquiry just on this particular matter and came to its conclusions. But that does not mean you should not be there for this one either. I think that that is a bad judgement. You are only playing into the hands of the so-called rebel group. Mr Palmer's opening statement was that you are there for everyone. But now we have established you are not. You are there for the producer. So I point that out, that your answer to my question about why you have not put a submission is not convincing. The question is then: with all that material that you have got, all those figures and statistics, what is your conclusion to them? What is the conclusion?

Mr Hansen—I think we would rely on the conclusion that came from the ACCC's interrogation of that data that is less than a year old at this point in time. That concludes that there is enough competition at both the farm gate and at the retail counter to encourage competition in this marketplace. Having said that, though, all we are doing is providing the empirical evidence to the government's watchdog in this area and relying on their investigation and their conclusions that they put forward in mid-2007.

Senator McGAURAN—Is that probably why you did not put up your own submission—because that is your conclusion?

Mr Hansen—More broadly, I think this inquiry was looking for those commercial operators involved in the financial trade and engagement with the major retailers. We have heard numerous times in the media debate from the ACCC that they are encouraging those commercial operators involved in the trade to come forward to the inquiry and make submissions. We felt that that was the appropriate level of player that should be coming forward to the table to provide evidence. Instead, we provided the evidence, which was an update of that which had been provided less than six months prior to the ACCC for their specific meat inquiry, to the industry lobby groups for them to form a whole-of-agriculture approach under the NFF.

Senator McGAURAN—Has anyone got any more questions on that particular point?

Senator HUTCHINS—I have.

Senator McGAURAN—I want to come back on another point.

Senator HUTCHINS—We have a number of inquiries being set up by the Senate. They are committee inquiries. You have put in a submission to the meat substitution inquiry. Is that correct?

Mr Hansen—The meat marketing inquiry, yes.

Senator HUTCHINS—I thought you may have. I do not know if you have this information available, but what amount of your producers' stock goes through the supermarket chains? Do you have that available?

Mr Thomason—Yes, we do. Of total red meat consumption in Australia, about 30 per cent of it would be through food service. Of the remaining 70 per cent that goes through retail, about 30 per cent of it goes through retail butchers and the remaining 70 per cent goes through supermarkets, both the two majors as well as independents. So about half of the beef consumed in Australia passes through the supermarkets.

Senator HUTCHINS—I have only just joined this committee. What type of meat do your producers pay a levy on? Goat?

Mr Thomason—It is beef, lamb, sheep, goat, veal, mutton.

Mr Hansen—Just about everything.

Mr Thomason—A transaction levy on the sale of cattle, sheep and lamb.

Senator HUTCHINS—And you no doubt have a percentage of people who pay the levies—what group they are in. Is it 85 per cent beef or 70 per cent beef?

Mr Thomason—The total levy income is about 70 per cent from beef producers and 30 per cent from sheep producers. Goat is a very small proportion.

Senator HUTCHINS—And do you have figures, not necessarily now, for the amount of, say, beef that goes through the supermarket chains as opposed to lamb as opposed to veal as opposed to mutton?

Mr Thomason—Yes, we do.

Senator HUTCHINS—If you could supply them to me or the committee, that would be appreciated.

Mr Thomason—We can do that.

Senator IAN MACDONALD—Talking about goats brings it to mind. How is the goat industry going? They had a bit of a rough patch, didn't they?

Mr Palmer—Firstly, I think goats are Australia's best kept secret. We produce a modest 20,000 tonnes a year. We are exporting about 18,000 of that. Australia pretty much owns the US import market. We are the world's largest exporter by a factor of four. If we were a little more structured at this end, I think we would perhaps take some of the bumps out of the supply and, therefore, pricing. But there are some exciting prospects in North America and Taiwan and elsewhere. The industry at the moment appears to be a combination of hunter gatherers and small boutique operations.

Senator IAN MACDONALD—I am very familiar with the operation at Charleville. They were having trouble getting workers out there. When we tried to help them, we were blocked by the then opposition. Are you able to answer how they are off for workers at the moment?

Mr Palmer—I am only familiar, as we all are, with what I have heard in the press. Charleville is no different from a number of meat plants around Australia which have struggled with adequate labour. All sorts of measures through government and other sources

have kicked in and helped with that overall labour shortage. I understand Charleville is a recipient of those measures.

Senator IAN MACDONALD—You mentioned sorting it out or improving it at this end. What did you mean by this end?

Mr Palmer—I just think the supply of goat meat is a bit sporadic. It tends to come in waves. I just think from a supply and demand situation that if we could smooth out supply a little, we might have less volatility in some of the pricing that I get to hear about.

Senator IAN MACDONALD—It rings a bell that they were having trouble apart from the labour shortages. Had prices nosedived or something, or were the transport costs a problem? Does that ring a bell?

Mr Palmer—No. I cannot give you specific pricing. I know it got down to about \$1.40 a kilo. Of course, transport is a huge issue because they come vast distances. We have works at Charleville and Wodonga and another at Geraldton; they are the main ones. I think there might be a chain at Wallangarra. But they do come vast distances, and transport is going to be a huge matter currently. I think prices have come off a bit, but I just cannot quote you today what they are.

Senator IAN MACDONALD—And the fuel prices certainly would not be helping from Charleville to the ports. And you are right; they tell me they can sell everything they can produce at reasonable prices in America. Are there ways we should be looking at trying to build the industry for not only the good of those involved but for the good of Australia as well? Does MLA have views on that or plans?

Mr Palmer—Yes. Early last year we produced and launched a large manual called *Going into goats*, which has been hugely successful. It was very popular. That is sort of a layman's guide to the goat industry. It just presents a lot of opportunity if you are in the right country and have a view to branching into goats. I am not able to tell you what the take-up has been. But the seminars that have been held in this area have been enormously popular. I know the manual has been distributed far and wide. So I think people are looking at it as just another adjunct they might consider in their enterprise.

Senator IAN MACDONALD—It is an exciting industry. If you ever run short of feedstock, you could recommend that they come to Canberra.

CHAIR—Senator Macdonald, it is one o'clock. Do you have any further questions?

Senator IAN MACDONALD—Not on that. I want to ask a couple of short questions about sugar.

CHAIR—It is one o'clock. Are we finished with Meat and Livestock Australia? Does anyone have any other questions? We will bring you back after lunch rather than impose on the staff's lunch break.

Senator NASH—I want to make a very short statement just before we go to lunch while the departmental people are here. I appreciate it was late when we were discussing the Chile FTA last night. Obviously it is not up on *Hansard* yet so we cannot actually look at the comments made by the department. Today the minister has announced the free trade agreement with Chile. I appreciate that you could not pre-empt what the minister was going to

do today. It would have been a bit more helpful if you could have given an indication last night that things were a bit more imminent.

Dr O'Connell—We are not able to pre-empt a ministerial statement, I am afraid, even on timing. We do not have a time limit on that.

CHAIR—It has gone past one o'clock. We will all be back after lunch at two o'clock on the dot. Thank you.

Proceedings suspended from 1.01 pm to 2.00 pm

CHAIR—Questions to Meat and Livestock Australia. Senator McGauran?

Senator McGAURAN—Can you outline the budgetary outlay and the program for your domestic marketing/advertising program?

Mr Thomason—Our domestic marketing program is of the order of \$28 million to \$29 million in the current year and it covers off addressing what we call the five drivers of consumer demand for red meat. The most important is enjoyment. 'We are food. People eat us because we taste good,' and therefore quality improvement is an ongoing challenge for us, and a task. But so too is reminding people just how enjoyable a beef meal or a lamb meal can be. Campaigns such as our Sam Kekovich promotion around Australia—

Senator McGAURAN—A very good one, may I say.

Mr Thomason—Our 'Kids love beef' promotion.

Senator McGAURAN—Which one is that?

Mr Thomason—Kids love beef. They are examples of how we are helping to just remind people of the enjoyment of a beef meal. The second driver of demand is nutrition, because it is a staple in the diet. Red meat is a very important contributor of key nutrients as part of a balanced diet. We invest funds in human nutrition research with universities and other research institutes, such as the CSIRO and Women's and Children's Hospital in Adelaide, et cetera, undertaking research studies to better understand the role that red meat plays in a healthy diet. We then take the results of that work and communicate that with health professions, including GPs, dieticians and nutritionists, and also take those messages to the consumer through again our advertising campaigns. Our singing butchers campaign of several years ago was an example of that. Our current campaign is based around the story of evolution featuring Sam Neill. You may be familiar with that.

Senator McGAURAN—The story of evolution?

Mr Thomason—The role that red meat has played in the development of mankind over three million years.

Senator McGAURAN—I have not seen it. Have you seen it?

Senator SCULLION—No. But I get the theme anyway.

Senator McGAURAN—When did it commence?

Mr Thomason—That commenced in 2006. I am certainly happy to send a copy of the campaign to you.

Senator McGAURAN—We will look out for it. We all know the Sam Kekovich. Are you keeping the Sam Kekovich on with the new marketing ventures?

Mr Thomason—It has been a very successful phase in our lamb campaign. I might say it is only one part of our lamb campaign that we just focus on Australia Day. There is a lot of other important, in fact possibly more important, lamb work that we do, particularly in spring. Our current commercial there is ‘Falling in Lamb’, where we parody the launch of a new movie, a love story, and of course it is all around the love of lamb, which has proven again very effective in the community.

Senator HEFFERNAN—Is there some sort of danger as Mr Hansen just went through in Sydney?

Mr Thomason—We do achieve a certain impact with our campaigns.

Senator McGAURAN—Indeed.

Mr Thomason—They are the public faces of what we do. Equally important, though, is the work that we do behind the scenes. Another driver is one that we call convenience; helping make red meat easy to buy and easy to prepare. This is a lot of the work that we then do with retailers, both supermarkets and independent butchers and food service operators. We have a Raising Standards program where we seek to support those retailers that are wanting to lift their standards in terms of the quality of the product that they are selling, the way that they are trimming and presenting and packaging the product, the way that they are merchandising and promoting the product, and particularly for retail butchers the levels of service that they are providing their customers. I think that has been one of the proudest components of the work that we have done to date.

Our fourth driver is integrity. Consumers need to be reassured that the meat they are purchasing has been produced in safe, responsible and sustainable ways. Therefore, we need communication around building an understanding of how meat is produced. The majority of people in our cities have not ever been on to a working farm and, therefore, they are vulnerable to misinformation or misguided information about how that food is produced. We see a significant role in helping people understand that. Farm Day, just this weekend, is an example of where we want to get city people and city families out on to working farms. Around 500 families got out on to farms this weekend that would not otherwise have done that.

Senator McGAURAN—Across Australia?

Mr Thomason—Yes.

Senator HEFFERNAN—Will you explain to them when you do that that lamb at the present time is worth about \$3.40 to \$3.80 a kilo on the hook, and when you go into the butcher’s shop and it is \$59.99 a kilo for a rack of lamb at Double Bay, that is not the farmer’s fault? I do not know what we are going to do about it and I do not know what you can do about it.

CHAIR—When do you shop in Double Bay?

Senator HEFFERNAN—I will tell you what it is. It is \$59.99 at Double Bay. It is \$49.99 at D-J's Food Hall. It is \$39.99 at the Westfield Bondi Junction. It is \$29.99 in Burwood Road. And it is about \$21.00 in Wagga, \$21 to \$28. It is \$3.40 hanging on the hook.

Mr Thomason—We are not involved in the commercial operations of the meat industry, but we are aware that the ACCC inquiry into competition and pricing in the meat industry of February of last year found that there was effective competition at all levels in the chain and that prices were reasonable. There will always be disparities between movements in livestock prices and movements in retail prices, but I think over time you find that it generally evens out.

Senator HEFFERNAN—Are you trying to pull my leg?

Mr Thomason—No. I am certainly not.

Senator HEFFERNAN—It never evens out. Every year it gets worse.

CHAIR—In all fairness, Senator Heffernan—

Senator HEFFERNAN—It might be a bit out of your territory.

CHAIR—In all fairness to MLA, I think that is beyond this round of Senate estimates.

Senator HEFFERNAN—With your indulgence, I applaud the lamb campaign; I think it is fantastic. I would never argue with Sam Kekovich about lamb. As you know, we have alerted you fellows to a couple of other issues subject to another inquiry, but there is this growing problem for Australia's farmers. As I have said many times, we are sick of getting it up the back. All of the costs go backwards; all the profits go forward. A couple of weeks ago CBH gave evidence that 2,500 farmers out of its 7,500 members could go out of business because of increase in fertiliser and chemical costs.

CHAIR—I do not think that anyone would argue with you there, but for the purposes of today's estimates hearing I think it is beyond MLA.

Senator HEFFERNAN—Is it?

CHAIR—I really think it is. Senator Heffernan, I do not think you are going to find much argument there. In fact, you will probably get a lot more support than you realise. But in terms of questions to the officials from the MLA, can we just link it directly to today's program.

Senator McGAURAN—I will get back to my initial advertising promotion questions, but I want to pick up on a point that Senator Heffernan made. He was not present for a discussion we did have, and I think it would be worth repeating to him. Senator Heffernan is saying that the price they are getting at the farm gate is ridiculously low compared to when it reaches the supermarket shelf. Senator Heffernan would be interested to know MLA's conclusion is that it is all fair and square. Could you explain to Senator Heffernan what you explained to me from your own research? This will amaze Senator Heffernan.

Senator HEFFERNAN—No, it will not.

Senator McGAURAN—They are representatives of the producer. This is the amazing thing.

Senator HEFFERNAN—I know. I could be very succinct about this, but because there is another inquiry and because what we are inquiring into has been going on for many years and everyone has been ignoring it—

Senator McGAURAN—I am agreeing with you. I want to get Senator Heffernan in on this.

CHAIR—While we are all in agreement, there are other inquiries. This will be addressed at other times and not today, and not here.

Senator HEFFERNAN—That is why I promised myself I would be quiet.

Senator McGAURAN—So it's not a Senate inquiry?

CHAIR—I am not going to get into a blue with you about a Senate inquiry. There are certain inquiries going on and I would ask you to direct your questions to the MLA while they are here. We will not talk about other inquiries that are on the go.

Senator McGAURAN—I recommend Senator Heffernan read the *Hansard*. It will surprise you.

Senator Sherry—We have been waiting for questions—patiently.

Mr Hansen—Senator McGauran, what we said earlier was that the findings handed down by the 2007 ACCC inquiry into meat prices—

Senator HEFFERNAN—The ACCC?

Mr Hansen—The ACCC inquiry into meat prices. We were asked what came out of that, and we reported on the findings that came out of that, as opposed to any views that MLA might hold.

Senator McGAURAN—No, no.

Senator HEFFERNAN—That is true. I have to say for the sake of the record that the ACCC is driven by all sorts of bureaucratic ineffectiveness; they have a statute of limitations in what they can do and what they can reflect upon. I am very pleased that the MLA has taken up the challenge of quality standard misrepresentation. Hopefully we will get to a point where we can take up the cause in a meaningful way at a government level on accurate labelling—dancing kangaroo, map of Australia, bottle of water, product of Australia that's actually bottled in China. The same goes for vegies in Tasmania. When you take your city people out to the farm, they need to understand the struggle that occurs to get the tucker onto the supermarket shelf and that the price that it is there at is as unexplainable as the price of fuel. I was just talking to a fuel producer about the price of fuel. He has his own oil field in Queensland and produces fuel. They need to understand that, despite all the pansy talk of the ACCC, there is a lot of market manipulation between the abattoir unloading dock and the supermarket shelf.

Mr Hansen—There are a lot of key messages they need to be informed of and hence our investment in this area. If you want to talk about animal welfare groups in this country, Australian farmers are the leading animal welfare group.

Senator HEFFERNAN—Hear, hear!

Mr Hansen—They are the ones that look after their livestock on a daily basis and take out extra mortgages. Also, we can talk about the custodians of land and environmental stewardship.

Senator HEFFERNAN—Mate, you are reading out of my bloody book.

CHAIR—You have read the *Hansard* well, Mr Hansen. Congratulations. You have probably heard it eight or nine times already, but I will just bring senators back to why we are here today. Senator McGauran?

Senator McGAURAN—Mr Hansen, just as a matter of clarification, did I not ask you before in relation to that ACCC inquiry, with all the data and research that you submitted to that inquiry and failed to submit to the present inquiry, what was MLA's conclusion, its own conclusion? I am not talking about the ACCC's conclusion but your own conclusion. I have the *Hansard* for me to re-read, if need be, but did I not hear that it was the MLA's conclusion that the chain was efficient and the supermarket mark-ups were—you did not put it in these words—fair? That the farmers are not—

Mr Hansen—No. What I intended to say before, and let me say it again to make sure it is clear, is that the ACCC passed judgement on the fairness and competition in the supply chain and marketplace. MLA provided empirical evidence to enable them to reach their conclusions. At no stage has MLA reached a conclusion or looked at and/or tried to make an assessment as to whether it is a fair and just spread of the consumer dollar through the supply chain.

Senator McGAURAN—I understand that you gave me a conclusion when I asked the question. *Hansard* could well show that, that MLA have their own conclusion.

Mr Hansen—No, I can only say again that MLA does not have a conclusion on that.

Dr O'Connell—My recollection was that Mr Hansen simply accepted that ACCC was the body that was making the assessment, and accepted that assessment.

Senator HEFFERNAN—Is that the same ACCC that thought it was a good idea to put Incitec and Pivot together?

CHAIR—Senator Heffernan.

Senator HEFFERNAN—Would that be the same mob?

CHAIR—You do not need to worry about answering that.

Dr O'Connell—That is a relief.

CHAIR—I think you have cleared the record for Senator McGauran's inquisition. Are there any other questions of MLA?

Senator McGAURAN—I have not finished.

CHAIR—Senator McGauran, you have the call.

Senator McGAURAN—It has not cleared the record, Mr Chairman. Maybe in your mind it cleared the record, but it certainly has not cleared the record in my mind.

CHAIR—Just put your questions to MLA. Senator McGauran, put your questions to MLA while they are here. You have the opportunity to get answers.

Senator McGAURAN—You have inspired us with your domestic marketing campaign. Of the same nature, could you outline the international campaign?

Mr Thomason—We have offices in our major export markets, those being Japan, Korea and the United States. We have offices throughout South-East Asia, in Europe and in Brussels. We have recently opened offices in China and we now have people based in Russia. The nature of those activities ranges from early market development. This week a delegation of Australian producers and exporters is in Russia, and they are being introduced to market players within that market. It ranges from that early market development stage right through more mature markets, such as Japan, where we have had a very long and successful campaign. Australian beef is now equal with Japanese beef as the most consumed beef by Japanese consumers. Aussie Beef has become an iconic brand within that market.

The sorts of things that we do in the more mature markets are more focused on working with exporters and retailers in promotion of Australian beef and sheep meat, in running particularly significant numbers of in-store demonstrations, giving people a taste for Australian beef and convincing them to take home some to try it that night for dinner, as well as issues management around market access, around any impediments to shipments, and general brand awareness and promotion of Australian beef and lamb.

Senator McGAURAN—What is the budget outlay?

Mr Thomason—The budget outlay there is of the order of \$40 million-odd.

Senator McGAURAN—Is that an increase or decrease from the previous year?

Mr Thomason—It has increased as a result of the beef levy increase of two years ago, but with the current drought conditions we are having to pull it back from current levels.

Mr Palmer—This year we will be reducing slightly but it will be more than compensated by the exchange rates.

Senator McGAURAN—Has Australian penetration in the US lamb market shown growth?

Mr Palmer—Yes. Australian lamb into the United States in the last 12 years has pretty much gone from zero to over 40,000 tonnes, worth something in excess of \$350 million-odd. North America has been a tremendous market. Unfortunately, Americans are stuck at one pound per head per person, but Australia continues to grow its share of the market.

Senator McGAURAN—What marketing arrangements do we have in America?

Mr Palmer—Primarily we have producer levies teamed up with exporter programs and importer programs where we might do a fifty-fifty in-store promotion in some of the leading supermarkets in the United States—obviously those who stock Australian lamb. In-store demonstrations have had terrific results in driving sales. That is the main part of it. Secondly, we take out a lot of space in trade magazines. But there is no classic consumer education like you might see here in the Australian market. The US is a \$1 trillion food business. We confine ourselves to trade publications and in-store cooking demonstrations.

Senator McGAURAN—And like the Japanese situation is it branded ‘Aussie beef’?

Mr Palmer—Yes. Lamb in America is pretty much entirely branded ‘Australian’. Whereas Japan is more around consumer marketing programs, in the United States it is more trade

based and in-store demonstrations. But it is branded 'Australian lamb'. Most of it, I might say, is all pre-packed and wrapped for retail display here in Australia and shipped accordingly.

Senator HEFFERNAN—What are the implications for our beef in Korea of the Americans getting back in there? I realise there is an opening market in Russia.

Mr Palmer—The Americans have been out of Korea now for 54 months. None of us dreamt it would take this long for some agreement to be reached. Even now that agreement appears to have been reached there is still a lot of community or consumer backlash, which is regrettable in a sense because it has a potentially collateral effect on all beef sales. But our view, and certainly my view, is that America will not return to Korea anything like as strong as they were when they left in 2003. Their herd in America is static at about 95 million head. Their human population growth is exploding. There are a lot of Hispanics, Central Americans, coming in, all of whom are big meat eaters. I think you will find, and we are finding, more and more of their production will be consumed domestically. But there is a strong market for boning short rib. The Korean market is the natural home for it from America. When stability does return we expect them to be strong in a cut or two. But we do not envisage from the Australian perspective having a significant loss in share, if there is a loss at all. In addition, beef consumption in Korea and in Japan has dropped in the last four to five years, so we need to win back that lost consumption.

Senator HEFFERNAN—I have to declare an interest; I have cattle. Why are fat cattle so cheap now in Australia? They are as cheap as they have been for ages.

Mr Palmer—This is a personal view, from having been to a number of sales and talked to people. There is not a lot of confidence at the store cattle and the feeder cattle level. They are purchasing purely on what they have in the paddock or what is in the hayshed or the silo. I think this is reverberating on into the prime market. Then when you add the effect of exchange rates and other such matters—I am as disappointed as anybody at the current state of the store market particularly.

Senator HEFFERNAN—If you look at the trading, there is no money in cattle at the moment.

Mr Palmer—Unfortunately, with the seasons the way they are and the numbers tipping up particularly out of the north at the moment. In the 2006—

Senator HEFFERNAN—The Barkley Tableland.

Mr Palmer—In the 2006 drought we had a lot of cattle swinging to the north and now the Barkley is coming the other way. The seasons are not working for us at all. As a result, people are buying on what they have got in the paddock, what they have got in the shed and are not prepared to take a punt on next spring or a soft winter.

Senator HEFFERNAN—Does the MLA have a view of our handling of the BSE thing?

Mr Palmer—I think Australia should be well proud of its standing and its category, and I think we should responsibly operate to that category. I think the measures we have taken here over the years, going way back to 1998, with banning meat and bonemeal, banning a whole lot of measures that have been proven in other parts of the world to be a causative transfer of this BSE, the steps we have taken since 1998, the category that we enjoy through the world

standing and our response to various market signals around the world I think is adequate and appropriate, and the market responds accordingly.

Senator HEFFERNAN—About 12 or 18 months ago, the United States attempted to get agreement with Australia to allow importation of beef from a country that has or has had BSE, which I figured at the time was an attempt to undermine us in Korea and Japan. Do you think that we have taken a strong enough position? I would not like to ever think that Australia would agree to that, because it would level our edge in the market for being, as you just said, proud farmers with a very clean record and very good protocols. People who do not have our status would love to even the playing field, would they not?

Mr Palmer—If I infer from that question that other producing nations would like to see us reduced to their standing, that has never been clear to me.

Senator HEFFERNAN—If we had agreed to the importation when they made that application, whenever it was—a while ago—that is what would virtually have happened, is it not? They could have gone to Korea and said, ‘Look, Australia, which is BSE free, is now taking our beef. Why aren’t you?’

Mr Palmer—I am quite certain that they would have used that in their discussions with the Koreans and the Japanese. However, we have to be mindful—and I do not want to incur your wrath here—that are signatories to some international agreements that necessitate us to reciprocate on various matters.

Senator HEFFERNAN—I realise it is double-edged sword, which is a real worry. I think I will shut up while I am in front.

Mr Palmer—There are 300 million rapacious Americans who consume 170,000 tonnes of beef every week, and I have not heard of one case of a new variant of CJD recorded in the United States.

Senator MILNE—I would like to ask how much embedded carbon there is in a leg of lamb landed into Brussels and how much embedded carbon there is in a kilogram steak landed into Tokyo.

Mr Palmer—I, for one, cannot give you the answer, but I would be more than happy to take it on board. Seriously, we actually take this—

Senator MILNE—I am very serious about this.

Mr Palmer—We additionally take this very seriously. We employed recently a very talented officer from the Queensland government to assist in this whole area. The livestock industries take very seriously their role in this whole matter of emissions. We are pleased to see some of the successes that have been achieved since the 1990 Kyoto years, where livestock industries have reduced emissions by about 12 per cent. The other part of your question I might answer slightly differently. I have seen some research work done by Massey University in New Zealand.

Senator MILNE—Lincoln.

Mr Palmer—Thank you. That shows how favourably New Zealand lamb stacks up against European lamb, and apples and butter. We could extrapolate some of that work to apply to

ourselves or do some stand-alone work. But can I take the question on notice? I am happy to come back with an answer.

Senator MILNE—It is a bigger question. It really is: why has the Australian meat and livestock industry not anticipated the whole argument about food miles and embedded carbon and recognised this as one of the biggest threats to your export markets that is looming on the horizon? Why is New Zealand now able to tell Tesco exactly how much embedded carbon is in a leg of lamb and yet we have not done any work on it? Why is that?

Mr Palmer—We do do work. I will furnish it. Because I cannot answer the question does not mean to say work has not been done. We will furnish you with the answers. The only other point I would make between Australia and New Zealand on this score is that New Zealand has an enormous lamb quota with Europe, which Australia does not enjoy. New Zealand therefore becomes considerably more exposed in a particular market that puts a higher importance perhaps in this area than some of the markets that Australia traditionally supplies. I think New Zealand is responding to market signals that they have taken directly out of Europe, whereas our principal trading nations have been North America and North Asia and those market signals have not been quite so pronounced.

Senator MILNE—Nevertheless, the proposed 2012 treaty and growing consumer awareness is going to see food miles used as an informal trade barrier, and we will be out in the cold unless we can justify the amount of carbon in what we do. Secondly, have you done any risk analysis on people changing their eating habits away from meat in view of the carbon emissions from livestock? There is a major international campaign on eating red meat and the amount of emissions. If we ever end up with individual carbon rations, people will think more carefully about this. It seems to me that Australia is way behind the eight ball in anticipating where consumer preference is going to go. Have you done any risk analysis on that?

Mr Thomason—There is a lot of information being circulated in the community that is either selective or piecemeal or inappropriate for the claims that are being made. I think perhaps the claims around water usage are a classic example of that. Our approach has been that we are here for the livestock industry for the long term and we want to make sure that we have the right information and the right science before we go out and make strong claims to the community about carbon embedded in product, particularly when a lot of those measures to this point just focus on emissions rather than seeing carbon as a cycle and therefore getting benefit for the carbon capture that also occurs through livestock production. I do not think we are in a position to be definitive on those sorts of issues at this point. They are a very, very high priority within the MLA. As Mr Palmer just said, we are recruiting some of Australia's best brains on this issue. When we have the right information we will be circulating that and defending the importance of red meat in a balanced diet. But at the end of the day we should never lose sight of the fact that red meat is a vital human food. Every human endeavour in producing food produces some carbon. It is unfortunate that some people in the community choose to focus just on red meat in isolation.

Senator MILNE—I am not arguing the point about the merits of red meat. What I am pointing out is that there are a lot of people miles ahead of where you are and you are going to now in catch-up to try and deal with consumer opinion that is already being formed by our competitors and by the whole carbon debate around the world. You say you have put some of

the best brains on the problem. I have heard about one person from the Queensland department you have put on. What else are you doing?

Mr Thomason—We have brought together an expert committee of academics and scientists, again to advise us on this issue. We have substantially increased our investment in environmental research. Also, I think it is important to keep in mind that this industry is, perhaps not directly, focused on carbon as the issue, but it has been focusing on improving productivity in the industry for 20 years. A large part of that productivity improvement is about capturing the energy that is available to animals and converting that into meat. Methane represents lost energy, so we have been working on that, for productivity reasons, not necessarily just for environmental purposes.

Senator HEFFERNAN—Would it be fair, to put that in reasonable terms, to say that you have a fart reduction program for cattle?

Mr Thomason—Through better conversion of the feed—

CHAIR—I am sure that will get another headline by the end of close of business.

Senator HEFFERNAN—It is true.

CHAIR—With the greatest respect, Senator Milne is halfway through her question.

Senator MILNE—In relation to that work you have been doing to increase productivity, I would just make the point again that farmers may produce a fantastic product that represents great increase in productivity but if it is not what consumers want to buy, for whatever reason they may not want to buy it and then it does not matter how good the product is. Where we are at cross-purposes here is that it is my observation that the focus has been on productivity at the expense of being aware of how consumer tastes are changing in view of an increasing level of awareness of carbon issues around the production of food. I am really just putting you on notice that it is my observation—and I do travel a lot to international conferences and to Europe in particular, and I see those aeroplane stickers on food, including meat products in supermarkets, and so on. When all things appear equal, that might well be the difference between picking up one leg of lamb or something else. I would hope that, by the time you come back next year, you will be able to tell me that those market representatives that you have in Brussels and everywhere else would be able to answer the question, if they were asked by anyone in those markets, how much carbon is embedded in the Australian product.

Mr Thomason—We take on board your challenge and hopefully when we meet next time we will have the story complete.

Senator HEFFERNAN—Part of the calculation, surely, has got to be that a lot of Australia's beef is produced in a natural environment.

Senator MILNE—Yes, that is fine. That is all part of the analysis—

Senator HEFFERNAN—The Australian farmers that are subject to the—I will not use the same word again—emissions problems with cattle—is that better, Mr Chairman?

CHAIR—That is better.

Senator HEFFERNAN—They really need to be measured against the lack of credits the farmer gets who runs the native pasture and the carbon set from native pastures as opposed to

artificial pastures. That needs to be part of the argument, otherwise with the 50-year prediction for a billion on the planet unable to feed themselves, if you wanted to go to the politically correct view of life, they will starve.

Mr Thomason—That is exactly right.

Mr Palmer—Can I just back up and comment there that not just for the meat and livestock industries but for agriculture generally, the whole accounting standards and the accounting for emissions, et cetera, is a very imperfect science. As David Thomason referred to a moment ago, we have heard it alleged that it takes 100,000 litres of water, et cetera, and then other pundits will tell you it is closer to 100 litres and others might tell you it is what is on the animal as it walks up the loading ramp. The accounting standards are all over the place at the moment.

Senator HEFFERNAN—The great danger for Australia's farmers, might I add, is that in the event of a carbon trading regime it just becomes a pass-the-parcel thing where the farmer misses out in much the same way as the world is in turmoil financially now; the parcel got passed to some silly bugger at the end of the line who had to buy the mortgage and got landed with the baby water. There is a real danger in trying to come to terms with the carbon load and all the rest of it. I mean, have a look at all these people who fly all around the world touring and looking at themselves. The farmers are taken for granted in all of this. There are great carbon returns to the soil in farming that we do not get any credit for. The serious science predictions on the future of feeding the world and the global food task as we build from 6.2 billion to 9 billion people, and the prospect of hundreds of millions of people being displaced, does not want to be overrun by the lack of equity return to the farmers in the carbon debate. Farmers will not be able to afford to have the wealth creation of the carbon offset program disappear from the farm or we will all be insolvent.

Mr Palmer—I fear one of the additional challenges for our company, for the benefit of senators, is to involve in the community debate. You see, I think one of the impediments we face is that the community in the cities see us as being in the livestock industry and not instead seeing us in the food business. I think much of our work now in public relations is about getting people to realise and understand that we are in the meals business. In fact, if you convert all the cattle sold in Australia annually it converts to 4¾ billion meals. If you add sheep meats to it, it takes the number up to over six billion meals. That is, I think, the way we need to portray ourselves.

Senator HEFFERNAN—Good stuff, yes.

CHAIR—Senator Milne, have you completed your questions?

Senator MILNE—Yes, for ABARE.

CHAIR—If you have then I believe Senator Macdonald—

Senator SCULLION—I just have one short question. What sort of communication have you had with the government in regard to the potential for a trading scheme to embrace your sector?

Mr Palmer—As I understand it, there is a paper coming through at the moment, later this year, and some draft legislation, but from an agricultural involvement in a trading scheme we

are not scheduled to be in that early round when it commences in 2010 and agricultural would be shifted beyond that time. If I might say from my point of view, agriculture needs to completely understand the rules of the game, I think, before we enter the game. My fear is that if a trading scheme may inadvertently end up as just a tax on food, then I think we are in a whole new round of problems. I think that we need to understand the rules of the game. We need to be completely in agreement about the whole accounting standards and how we account for emissions and how we apportion and assign those emissions. Once that is all fully understood and agreed, then I think maybe the agricultural sector may enter the game.

I was at a seminar recently where the Canadians and New Zealanders were present and, despite the comments about New Zealand being ahead of the game, they are in all sorts of bother as they grapple with an emissions trading scheme as they see part of their country going back into forestry and native shrubs and having difficulty, and their sheep numbers are now coming down enormously as they try to grapple with all this. Conversely, there is a national trading scheme in Canada yet the two largest polluting provinces have not joined it and will not join it. Not a day goes by when we do not hear something new and a bit frightening about what can lie ahead in a trading scheme applying to agriculture.

Senator SCULLION—Do you have a view on the practices or areas within your sector that you think we can have training on or the change of practices, forgetting about a trading scheme, that would have a positive impact on carbon emissions?

Mr Palmer—I think a living example right now is the sheep industry. Sheep flocks have come from 140 million down to 85 million in only a matter of years and yet last year we turned in record production of lamb meat. We have a younger, more productive flock, which can only be positive from an emission point of view. So we have in fact increased production and reduced emissions. Younger turn-off; a younger flock; younger herd; quicker age; younger age at turn-off; better pasture utilisation, so young, vibrant pastures growing vigorously and being consumed and growing again—these are, I think, the positive aspects for the livestock industries. It is so doubly pleasing to see that production conversely continues to increase whilst at the same time emissions appear to be decreasing.

Senator McGAURAN—Following up on the same point from Senator Scullion, I want to ask Mr O'Connell about something that was just said just to confirm to make it official that the agricultural sector has been exempted from the 2010 introduction of the trading emissions scheme.

Dr O'Connell—I do not think that is correct. I think the issue of whether and, if so, when agriculture is included in the emissions trading scheme is a matter still of consultation between the government and the industry and still a matter to be decided.

Senator McGAURAN—Mr Palmer, how does that change what you have just said? You said it had been, did you not?

Mr Palmer—As I understood it. I am close, but clearly not close enough. I stand by the comments by the secretary of the department, so I have misled you, for which I apologise.

Senator McGAURAN—But you have been working on the basis that you have been excluded.

Mr Palmer—No, I did not say that. I said I understood that there was a white paper or green paper coming out now and some draft legislation at the end of the year and due for commencement in 2010. I thought agriculture was not going in that first round. If I am wrong, as just revealed, then—

Senator McGAURAN—What led you to that thinking?

Mr Palmer—My anecdotal understanding of it.

Senator McGAURAN—Where did you get this anecdotal understanding? Would you share with us one of your anecdotes?

Mr Palmer—I am not certain that I can point to any particular event. It was just my understanding.

Senator McGAURAN—Because it is a pretty—

CHAIR—Senator McGauran, I think in all fairness Mr Palmer has admitted that he made a mistake. I do not think there is any conspiracy theory here and I think that—

Senator McGAURAN—But it is all about readiness.

CHAIR—Mr Palmer has corrected the *Hansard*.

Senator McGAURAN—He has, indeed.

CHAIR—Senator McGauran, Senator Milne has just asked can she ask a question to clarify.

Senator MILNE—Just to clarify this, which may assist, Mr O’Connell, is it not true that the important thing in an emissions trading system is that the data for each sector is good data and that one of the discussion points around whether or not to include agriculture is that we do not yet have good enough data?

Dr O’Connell—Certainly if you are talking about the capacity to measure emissions and therefore potentially control them, that is one of the issues that is being raised. Of course, just to show how it can be handled on the other hand, New Zealand has moved to look at a point of obligation up the chain in order to avoid that issue and assume that the signals go down.

Senator MILNE—Is it not fair to say at the moment that there is considerable debate as to whether there would be sufficient good data by the time the emissions trading system starts for an early inclusion of agriculture, which is probably why Mr Palmer has the impression that it may not be included because that has been the point of contention. Is that not right?

Dr O’Connell—There certainly is a significant debate around that issue, yes.

Senator MILNE—I hope that should clarify.

Senator HEFFERNAN—When you say the industry will be consulted, do you have in your mind who the industry is and is there dialogue at the present time?

Dr O’Connell—There is a consultation process that is occurring and I might ask Mr Quinlivan to give a few more points on it.

Senator HEFFERNAN—I have discussed it with the NFF.

Dr O’Connell—With Ministers Wong and Burke, and with agriculture organisations.

Mr Quinlivan—There are a couple of processes. There was a meeting recently that Ministers Burke and Wong held with—I am not sure of the precise number—15 to 20 leaders which included the farm leaders.

Senator HEFFERNAN—Could you provide us with the details of that meeting?

Mr Quinlivan—Yes, I am sure we can do that. It is envisaged that that meeting will meet again from time to time. There is also a group that the Department of Climate Change has convened, which is a more technical working group, and that probably has 20 or 22, something like that, industry representatives. There are three or four people from the forest industry and the rest of the people are from various farm sectors, some the state farming organisations, others from sectoral groups. I am not sure if the Cattle Council, for instance, is a member but they probably are.

Senator HEFFERNAN—I was blown away the other day with the evidence we took in another committee from the NFF about a certain matter. It just completely befuddled the inquiry on the lack of ‘up here’. I am concerned about the potential for you to inquire and negotiate and meet with the industry, if the industry itself is not informed enough to make a judgement to give you advice to then go to government to produce a policy. Isn’t that a real danger because a lot of people would not understand that at the present time. If I could just, with your indulgence, Mr Chairman—

CHAIR—Carry on.

Senator HEFFERNAN—use an analogy. Recently there was a \$250 per tonne movement in the price of canola. It was not related to supply and demand, it was related to financial instruments in the commodity market. The great danger for Australia’s farmers in a flight of capital from rural Australia to the financial instrument world is that if a carbon trading program is set up on the basis that could also include a scheme of pass the parcel for a management fee, which is what a lot of bankers and a lot of business managers are looking to, Australia’s farmers would have no understanding of the manipulation that could occur under their noses and they could be excluded from that. So, to consult the farming industry before the farming industry is fully informed of the market and has an understanding, as Mr Palmer and Mr Hansen have said earlier, even of the denied credits that should go to farmers because of the carbon setting from a native pasture, you could make a catastrophically poor decision on behalf of Australia’s farmers. Because we do not have the emissions reduction program for cows, the typical irrigated farm with 250 to 300 cows on 200 or 300 acres of irrigated pasture is insolvent at \$17 a tonne. This has very serious implications for Australia’s farming industry in which Australian farmers could be bypassed in all of this. My question is: in the consultations that have occurred and are occurring, is anyone taking the time to understand if the informants are well enough informed to be making informed comment?

Mr Quinlivan—The people who are engaged on behalf of the industry with the Climate Change portfolio in the ways that I described earlier are involved in a process that it does involve some education but also involves consideration of live policy questions before the government. There is no doubt that they need to be brought along with that process. The government has yet to make decisions in this area, which we have pointed out earlier, and when it does there will need to be a very significant program of informing—

Senator HEFFERNAN—How far away are those—

Mr Quinlivan—Sorry, it is an important point, Senator. When big policy changes of this kind are made there needs to be a big effort to inform people about those changes and what they mean, and that will happen in due course.

Senator HEFFERNAN—Rather than ambush the industry—

Mr Quinlivan—I cannot see that it could possibly be constructed as an ambush because it is quite an open process.

Senator HEFFERNAN—No, I do not mean that. As an accidental by-product of the process there could be an ambush.

Mr Quinlivan—No, I do not see—

Senator HEFFERNAN—It will not be intentional. Well, it will not be allowed to happen because one of the things that we are intending to do is to have an inquiry into how we produce food that is affordable to the consumer and sustainable to the environment and viable to the farmer, and this would fit directly into that inquiry. My pleading to the government would be that no decisions are taken until we have drilled down into the long-term effect, which is what should have happened in the hedge market and the conduct of the financial instruments around the world. It turned into a bloody catastrophe. We could have the same catastrophe in food production and farming if we are not careful.

Mr Quinlivan—All I can say on that by way of closing is that Minister Wong has said that after this policy development that is happening at present, and industry leaders are involved, there will be a green paper with the development of policy options. There will be an open public consultation process on that and then government decisions on that. Then following those government decisions there will be a period of time, possibly quite a lengthy one, before introduction commences for most of the economy and then possibly later on for agriculture. So I think there is time. But you are quite right to identify a significant education process as part of this.

Senator HEFFERNAN—Because one of the signals—and Senator Judith Adams has just shown me a paper—is that people like Great Southern have run at a loss—too bad, so sad—and are now looking at switching into an industry based on carbon trading. I am fearful that the people who actually go to the trouble to get up in the morning and milk the cows to get the bloody milk onto the shelf at the supermarket might be left out of it.

Mr Quinlivan—I think it would be a slightly odd thing to be doing to be planning commercial developments based on a scheme for which no rules have yet been decided or announced. That would be quite an odd thing to be doing. I can understand people might be thinking about it.

Senator HEFFERNAN—There are lots of odd things happen.

CHAIR—Thank you, Mr Quinlivan. Are there any other questions of MLA? If there are not, I thank officers from Meat and Livestock Australia and, Mr Mortimer, I believe there is a question here from Senator Macdonald to you before we call our next—

Senator IAN MACDONALD—Reverting to the sugar industry, and I am sorry I was not here when this might have come up previously—I do not want to excite Senator Heffernan about this—but is the government involved in the issue of productive cane land being taken over by forestry industries?

Mr Mortimer—No, the government is not involved in that. Essentially I think the two issues are one: MIS, and there is a set of policies around that which will be answered by the people in Treasury; and, secondly, in terms of land use in Queensland that is something that the Queensland government looks after.

Senator IAN MACDONALD—So if Queensland were looking at a different planning regime to address that issue, you would not really be aware of that apart from—

Mr Mortimer—They tend not to come to us. We sometimes hear about it but it is something that is very much dealt with under Queensland legislation. I really could not give any authoritative answer on that.

Senator IAN MACDONALD—Has the sugar package been finalised?

Mr Mortimer—That is in its last year. It was started in 2004 and it is due to be wrapped up by the end of this financial year, namely 30 June 2008. Most elements have been finished. The industry oversight group is wrapping up its work and doing its final report. There is a small element of crisis counselling payments being done to Centrelink and lastly there is the regional and community projects program which is coming to an end, albeit you might notice from the budget papers that some \$4 million has been carried over to the 2008-09 year to see a number of those projects through.

Senator IAN MACDONALD—Is that the only carryover, that \$4 million?

Mr Mortimer—That is right.

Senator IAN MACDONALD—As against the forward estimates last year, how much was spent on that package in the current financial year as opposed to what was anticipated?

Mr Mortimer—You are talking about the sugar package as a totality?

Senator IAN MACDONALD—Yes. I should have looked at this myself.

Mr Mortimer—No, I will find the right piece of paper which hopefully should give me the answers. I do not seem to have the actual dollar numbers by project with me. I will take that on notice if you like.

Senator IAN MACDONALD—Do I recall that it was substantially less than what was budgeted for last year?

Mr Mortimer—I do not think so. I think that one element of the program that has been spent less than was anticipated was the exit grants. That has been discussed previously but apart from that—no, sorry, I have found some numbers here which might be helpful. The income support element was fully funded. The re-establishment grants were not funded to the degree that was originally anticipated. Business planning support was not funded to the degree originally anticipated, and that is because not all the mills asked for the support that was requested, and retraining grants were underspent. The sustainability grant, of course, was

fully spent, and otherwise there is money on smaller items like the industry oversight group and so on.

Senator IAN MACDONALD—Were they not spent because there were no applications for them?

Mr Mortimer—There is a combination of elements here. A number of the elements of this were demand driven. In particular, exit grants were demand driven and that was the area of largest underspend. There is a significant underspend there. Not as many farmers put their hands up for these agreements as anticipated. And there are also underspends in some of the business planning support, granted again that is demand driven, and also assistance for mills planning.

Senator IAN MACDONALD—Can you by way of a general comment on ethanol but more specifically, explain to me in a time of absolutely ridiculous oil prices why ethanol is not a more attractive financial economic and environmental option?

Mr Mortimer—I would not claim to be the world expert on this. I would essentially say it is an issue of relative prices and those relative prices relate to both the market price of the end product, the input price and the costs of production in between. I really would not like to say any more than that but it does appear on the current prices in front of the market that ethanol production from sugar appears not to be viable. It does not seem to have been taken up.

CHAIR—If I may help there, Senator Macdonald. This committee did inquire into Australia's future oil supplies some two years ago and there is some very interesting *Hansard* reading from a number of experts from around the world. We spent about a day on ethanol compared to Australia's water shortages. If that is any help to you, Senator Macdonald.

Senator IAN MACDONALD—Thank you, Mr Chairman, that will be, except that two years ago the price of oil was about \$40 a barrel and today it is \$140 a barrel.

CHAIR—Point taken. It was getting close to \$100 and there was even more water around than what there is now, so there is some interesting reading there.

Senator IAN MACDONALD—It was close to \$100 two years ago?

CHAIR—Yes. It was not far under it when we did that inquiry.

Senator IAN MACDONALD—Thank you for that. Who in the department deals with ethanol issues?

Mr Quinlivan—There are two different activities. One is analytical work, which ABARE has done in the area and is continuing to do for the government, and the second one is policy work, which we do some and which is handled in the corporate policy area.

Senator IAN MACDONALD—Was that raised earlier when the corporate policy people were in?

Mr Quinlivan—No, it was not.

Senator IAN MACDONALD—I understand the reason why there has been a bit of a kick and then a bit of a backward step and then a bit more of a kick in the world price for sugar. It is because Brazil is now diverting huge proportions of their cane crop towards ethanol to no doubt counter the fossil fuel price.

Mr Quinlivan—My understanding is that there is a lot of Brazilian sugar used for ethanol production but when ABARE appear, and they are on next, perhaps you can ask them about that. I will still be here if there is anything you want to pursue. They are experts on sugar as a commodity and what is happening in the world, so they will be in a position to give a commentary around the world sugar market and what is influencing it.

Senator IAN MACDONALD—On the policy area, I know in the past there have been certain elements of the Queensland sugar industry very keen on ethanol, with suitable inducements I always think, but is there any current work being done in the policy area in relation to encouragement to ethanol use, acknowledging that it may not necessarily be from sugar, well, perhaps until grain got so expensive?

Mr Quinlivan—The government has some tax policy settings which you would be familiar with because they continue the previous government's policy which encourages ethanol production and use, and we in the Department of Resources are having a look at the current market conditions and the government may wish to have another look at those in the future. You asked whether they wished to encourage ethanol production. I think they are just having a look at the assumptions and pre-conditions on which those policy arrangements were settled but it remains an open question on what happens.

Senator IAN MACDONALD—I think what you are suggesting is to talk to ABARE about the broad thing that oil is so expensive and Brazil apparently is putting most of its crop into ethanol, so why are there not any opportunities for Australia?

Mr Quinlivan—It is different costs of production. ABARE can deal with that question.

Senator IAN MACDONALD—Thank you.

Senator HEFFERNAN—I would like to follow that up. I noticed the United States are now quarantining in the market sugar for food, as opposed to ethanol. Are you across that?

Mr Quinlivan—It would be best to talk to ABARE first.

Senator IAN MACDONALD—That is all I have.

CHAIR—Thank you, Senator Macdonald. Senator O'Brien.

Senator O'BRIEN—Just following up on the ethanol side of things from this department's involvement, what knowledge do you have about the proposed expansion of production capacity in the ethanol sector? For example, I am thinking that Primary Energy was going to set something up in Gunnedah and then they did not and then they were going to Perth. I have not heard whether that project, which I think was associated with BP, had gone any further, but do you have any information that you can give the committee on those sorts of matters?

Dr O'Connell—The ethanol industry is really handled by resources and energy, DRET, and probably those questions are best put to them in terms of what is the state of play in the industry development.

Senator O'BRIEN—So the department does not have any knowledge of what is happening within the industry?

Dr O'Connell—We do not have any detailed knowledge of what is going on. It is a direct portfolio issue.

CHAIR—Are there any other questions? No, that is it. Thank you, Mr Mortimer. I now call Australian Bureau of Agriculture and Resource Economics.

[3.08pm]

Australian Bureau of Agriculture and Resource Economics

CHAIR—I welcome officers from ABARE. Questions, Senator Milne.

Senator MILNE—Thank you. ABARE might recall a couple of years ago when Brian Fisher was here as head of the agency, he said, ‘If the prices are high enough even the roosters will lay.’ Can I ask you, Mr Glyde, whether the roosters are laying and whether ABARE has got egg on its face?

Mr Glyde—I am assuming you are talking about oil prices?

Senator MILNE—I am talking about oil prices.

Mr Glyde—Dr Fisher did have a colourful turn of phrase.

Senator MILNE—During the last estimate hearings you did say that the cure for high oil prices is high oil prices. Can you tell me how that is playing out currently?

Mr Glyde—I can tell you that as of last night at the close in the markets in Europe, because the US is on holidays, the price of oil per barrel was \$133. That is a lot higher than it was when we were here last time. But in answering the question I would like to talk about three time periods and the time it takes for supply responses to come in. If I could look at the short term, I mentioned last night’s price and there has been a considerable increase in the last three years. That is partly and perhaps largely contributable to that limited supply response. Why has there not been the supply response you would expect when, as we have heard before some time ago, prices were a lot smaller? Essentially the supply response has been adversely affected by the volatility in the oil prices; worldwide shortages of skilled labour; material inputs; drilling equipment is harder; and it is more expensive to find the oil that is deeper and further away from market, et cetera. So, that has led to some increased cost and delays. There has been a lot of sovereign and security risks in the marketplace and that has limited growth in supply as well. There are sovereign risks such as Venezuela, in terms of nationalising oil companies, and Nigeria and Iraq in terms of security risks and the like. So, we expect in the short term—and by the ‘short term’ I mean over the course of the next year—that prices are going to remain high, reflecting those continuing supply constraints and the tight market balance.

In March, the last time we published our forecasts for the quarter, we estimated that the price of oil for 2008-09 would be about \$82 a barrel. If you look at what it has averaged over the calendar year 2008 it is about \$106, so clearly we are going to have to revise our short-term estimate upwards.

Senator MILNE—Are you telling me that your long-term estimate is still \$40 a barrel?

Mr Glyde—I would like to get to that. Can I talk about the medium term, because that is something we also forecast.

Senator MILNE—Yes.

Mr Glyde—The long term is an assumption. Essentially for the medium term, which we take to mean out five years, we are expecting that oil prices are going to decline moderately during that period. We are expecting non-OPEC supply to increase by a little over 2008 and also increase again in 2009, and hopefully that might alleviate some of the tightness in the market. Also, we expect world oil demand to increase at a slower rate because, as we are well aware, there has been a slowing in world economic growth flowing out of the US sub-prime crisis and the like. And also, as we have mentioned before and as Dr Fisher so colourfully alluded to, higher oil prices are going to lead to increased efficiency over time.

So, what we are expecting is that over the next few years oil will ease in price. Once a year we publish these and in March of this year we forecast that in 2013 we were expecting, on the basis of the assumption we make, that oil will return to about US\$67 a barrel. Now, this is consistent with where the IEA, the International Energy Agency, which has recently released its figures and it is estimating that in 2015 oil prices will be about US\$63 a barrel, and the Energy Information Agency of the US is estimating about \$57 and we are at \$67, so we might be a bit on the high side as far as that is concerned. They are the forecasts. When I talk about forecasts, what we do with our forecasts is, because oil is notoriously difficult to forecast, we are one of many agencies, one of many commodity forecasters, that have got oil wrong over the last few years, but it is a forecast. What we do is we make assumptions. We specify what those assumptions are and if those assumptions are wrong or if something else happens that we did not foresee, then our forecast is wrong, and that is really what has been happening over the last little while.

We have a pretty good handle on consumption and production. We can make some estimates about the rate of growth in consumption and the rate of growth in production from the reports the companies make about how they are going in terms of finding oil. But things such as global security issues, weather, the fact that there has been a strong move into commodities by the financial markets because of some of the uncertainty in the world market, the fact that there is a large chunk of oil production that is controlled by OPEC and they have other reasons for moving supply up and down, the rapidly increasing costs of production, and all of that uncertainty about those intangibles does make it a really hard market to predict and to forecast.

But I would like to distinguish that forecasting process to what I think is the starting point of your original question, which is what is our assumption in the longer run, because you cannot forecast out 30 years. And we make an assumption about what the oil price is going to be. As a result of all this change that has been going on and as a result of the last couple of years, we seriously have to look at our underlying assumptions about what that oil price will be in 2030. Clearly the main driver that we look at that far out is what do we estimate to be the costs of alternative technologies, the costs of substitutes. How much does it cost to bring on the Canadian oil sands and the like? Now, clearly over the last little while with a strong growth in commodities and the demand for all of the drilling rigs and all the stuff you need to bring those new resources on line, the costs of those alternative technologies are going up.

The other addition, which we have debated several times over this table, has been the fact that there is likely to be by 2030 a carbon signal in the prices for those alternatives. So, what we are doing at the moment, and we have not completed it, is going back and doing another

literature survey to find out what are the best estimates that we can find over those alternative substitutes, those alternative technologies. I expect that as a result of that we will be increasing our assumption as to what the long-run price of oil will be.

For your information, the IEA in 2007 increased its assumption about this long-run oil price. At the moment its latest figure is US\$62 a barrel, and the EIA came out this year and they are assuming a price out there at about US\$70 a barrel. So, they are not inconsistent with their five-year forecasts either.

Senator MILNE—Notwithstanding all of that, for the past three years you have got it completely wrong and the Australian Society for the Study of Peak Oil has got it right. Now, on those assumptions you are saying or implying that you could not have anticipated all of those changes, when in fact the Senate inquiry into the study of Australia's future oil supplies established years ago that several countries were nationalising their oil reserves, we knew about the political instability, we knew about all those things that you have listed now as being the causes for why you are wrong. So what level of responsibility does ABARE accept for what I consider to be a national security and intelligence stuff-up of the highest order?

Mr Glyde—First of all, I reject that. The point you make about peak oil relates to the physical supply availability question. The factors that we are talking about now that are influencing the short-term oil price are much more volatile and much more intangible. If you can find a reliable method of forecasting data on some of those intangibles then I suggest that you would make a lot of money in the forecasting market.

The second point I would make is that if we look at the history and the economic history of almost any commodity product you do tend to see cycles of boom and bust. If you look back to the mid-70s and the late-70s, you will see very significant increases in oil prices. In fact we have only just gone past those increases in real terms. And I suspect at the time during the 70s groups similar to the peak oil group would also have been saying, 'This is it; we have reached the end.' As we have discussed in previous hearings, if you look back at the forecasts that the oil companies themselves have made about what are the available reserves that are there, you will find that they stand out at about 30 to 40 years, regardless of the time period in which they are taken.

So, I do not accept the fact that this has been some sort of a national security stuff-up. What I am suggesting to you is that you might be misunderstanding the nature of forecasting. No-one has a mortgage on the future. If I could predict accurately then I would not be working in the civil service. What I am trying to say to you is that the service we provide is to lay out publicly, and excruciatingly publicly, what our assumptions are at the time, the best that we can find, and put them down. People make judgements about those. Whether it is wool or wheat, the people in the industry can make judgements about whether ABARE is right or wrong and on the basis of that they can make their own assumptions about what their behaviour will be. I think that is the role that ABARE plays. The fact that we have continuously underestimated or overestimated, depending on which commodity you want to look at, is almost not really the issue. The issue is have we faithfully recorded the assumptions that we have made and documented those accurately. Have we tapped the sources of information that we can? I think we have done that and I do not think that has been irresponsible or a national disaster.

Senator MILNE—Except for the last three years you have underpinned everything on the assumption that there will always be plenty of oil and that it will go up and down according to these other influences and circumstances, and I have repeatedly put to you why don't you take another assumption and that is that the world is running out of cheap, easily accessible, plentiful oil and that it would be a good idea to plan for some alternatives. Because of your assumptions, there are a lot of people around Australia today really suffering because this country has not prepared itself for the oil crisis that we are now facing. And it is not just anyone forecasting, it is ABARE, and rural and regional Australia depends on your forecasts for all sorts of reasons and you have got it fundamentally wrong. That is why people are feeling really angry now about this, because they cannot make the changes fast enough to relieve themselves of the high prices because we are not ready for it. Don't you accept some responsibility for that, especially when there were plenty of people telling you as long as three years ago that this was coming?

Mr Glyde—I do not accept responsibility for laying out the assumptions behind our forecast, doing the best possible job we could, in ascertaining the information and data behind those and putting it forward and publishing it. I think that is our role. I am also very pleased to hear that all of rural and regional Australia is hanging off the forecasts of ABARE. There are a lot of people who forecast oil prices. There are a lot of companies—a lot of groups—that make money out of forecasting these things. I think you do not understand the nature of the information; maybe it is the way in which we present the information and maybe we need to think about that. But what we do in every quarter is put it out there, lay out our assumptions and then watch the world turn round. What we have been saying is that on the basis of the information we have, the best information we can get, these are the conclusions you can draw.

Senator HEFFERNAN—What dollars are you talking about?

Mr Glyde—The dollars that I am using here are real dollars in terms of two thousand—

Senator HEFFERNAN—Two thousand and fifteen, \$67?

Mr Glyde—In 2015 it is in real 2008 dollars; it is our estimate of what it will be. It will be the current dollar value of that. So you can compare it to the price of oil today.

Senator NASH—Can I just ask about those assumptions? You said you lay out the assumptions and then you come to your conclusions and you have that out there for the world to see. Do you then, if you like, review your assumptions and your analysis of where you got it wrong in those assumptions and put that out there for all to see?

Mr Glyde—Yes. We do this every quarter. We put it out and we publish it and it goes back many years so you can actually see where we have got it. We are doing it right now getting ready for June, our update of all of our forecasts for all of our commodities every quarter.

Senator NASH—Excuse my ignorance for not knowing this, but is that something that you do in figures or do you do it in an explanatory way of how your assumptions were incorrect?

Mr Glyde—Some of it we can do in figures and in a way we can only deal with the data. When we come up with the sort of intangible type things I am talking about where we cannot model what might happen in Iraq or we cannot model what the defence strategy of the US government might be, what we tend to do is say: here is what we know about the physical

supply and demand and what is influencing those; what are the economic factors? Here are some upside risks, here are some downside risks. Here are risks that might make this estimate, this forecast, right or wrong. To the best of our ability we try to lay out what those risks are so that people can then have a look and say, 'Well, okay, ABARE cannot actually estimate or model geopolitical strategies around the world.' We cannot model hurricanes and the impact of those. We cannot reliably do that. What we try to do to the best of our ability—and I think Senator Milne is saying we do not do it well enough—is try to lay out where we can quantify, we quantify; where we cannot, we will give the qualitative story.

Senator SIEWERT—Do you ever include in that the assumptions that ASPO has put forward? They got it right. Do you actually include those in your assumptions? Obviously you do not include them in your assumptions.

Mr Glyde—I think what we do is we will listen to the peak oil people; we listen to all sorts of advice we get. I get a hell of a lot of emails in relation to oil prices, peak oil, GMOs and the like. We listen to the information we get because that is basically what we rely on, the information from third parties to be able to inform our judgements. Unlike a lot of other people, we lay out those assumptions. We publish it routinely every quarter and we make our best estimate.

Senator SIEWERT—But have you ever included the constraints, because you just said you lay out what the constraints could be that could influence the assumptions that you have made? Have you ever dealt with the issue around the points that ASPO has been making for many years?

Mr Glyde—We have dealt with them to the extent that we disagree with their view that there is a physical limit to oil availability between now and 2030. When we come to that conclusion we sort of, if you like, dismiss the view that they have.

Senator MILNE—Have you ever actually examined in any detail the claim that the Saudis have deliberately overestimated their reserves, that when they reviewed and put out the new data on the reserves in the 1980s that they deliberately inflated those reserves? Have you ever looked at that since the late Mr Bakhtiyari says that is clearly what they did do, and he was on the Iranian oil board or equivalent?

Mr Glyde—I would have to take that one on notice in terms of the fact that personally I have been involved in this for about 18 months. I would need to go back and check whether over the last five, 10 or 15 years we have looked in any great detail at those particular claims.

Senator MILNE—This is a fundamental difference of opinion. The people studying peak oil identify the time at which the reserves were inflated which has skewed all the figures and you are working on the assumption that their claims are not true, and if they are true—and there is a lot of evidence to suggest they are—then all of your assumptions are wrong.

Mr Glyde—There are other sources of information we draw on in terms of reserves, not least of which are the companies that are actually doing the exploration and production of them.

Senator ALLISON—Don't they have an interest in suggesting to you that there is a continuing source of cheap oil?

Mr Glyde—That is partly why it is hard to make predictions about what they are. In all of these issues there are people with vested interests in putting a particular line, whether it be peak oil—

Senator ALLISON—What is being said to you is that you are listening to them rather than those who are looking more scientifically at this than actually the figures—

Senator HUTCHINS—I would like to hear his answer—

Senator ALLISON—I was asking a question and he interrupted me—

Senator HUTCHINS—No, you are not. I would like to also know if the questions are being put to you how would you find out what has been alleged is not correct? Are you some sort of ASIO agent, or something? Would you have to do that? I do not understand how you would be able to find out objectively. I would be interested if you could answer how you would be able to find out objectively if you were wrong.

Mr Glyde—I would not want to overestimate the amount of effort and the people that we devote to oil forecasting. We have an oil analyst. We have a number of other people who have expertise and previous experience in forecasting the prices. We rely on published information. It is not as though we are out there going around looking at individual oil companies. What we do is we study the information that companies release to the market. That is usually a pretty reliable source, particularly in these days of financial disclosure regulations in most of the Western world. They are reliable sources of information upon which people invest money. It is on that basis that we believe those sorts of figures are likely to be more reputable than claims that are made that we cannot verify through any other circumstance. There are about 150 people in ABARE and they are not all involved in forecasting oil, important as it is to a whole bunch of things. It is a key assumption we make in a lot of the work we do. All I can do is say that we would be as transparent and as public as we possibly can about information. We look to the literature. We look to the reliable information and we make judgements, like everybody else does, in this area about what we think is reliable, what is repeatable, what is something we can trust over the years.

Senator MILNE—Given the change in climate policy around the world, wouldn't it be sensible to now assume that oil is going to become more expensive because of the carbon price over time and to start modelling in such a way as to get us off oil rather than to continue to assume unlimited availability?

Mr Glyde—I have two things to say there. One is, I think you are right in terms of making some assumptions about what the price of oil would be in the long run in, say, after 2030. Particularly in the light of climate change and the impact it is going to have over that time period, it is very important to understand that. And in doing any modelling work I think it is probably prudent to have a look at what are the consequences if you have different oil prices. As I said, these are assumptions. You could double the price of oil and see what difference that makes to the modelling results. You could halve it to see what difference that makes. In a way that is one of the ways of handling the inherent uncertainty in the oil price as we, I think, discussed a little bit in our briefing we gave you in relation to our modelling work.

The second point I would make is that I think governments have got to be careful—not just the Australian government, but governments around the world—in picking winners in relation

to a particular technology. I think that the logic behind an emissions trading scheme about setting a price on carbon means that if you leave markets and consumers and producers free to be able to choose what is the least cost, best available technology to get you to an economy, that has a lower carbon footprint. I am not sure if that is what you meant by what you were suggesting in your question.

Senator MILNE—I am trying to see if you will start modelling at least for some scenarios and model for a scenario where oil gets more expensive on the assumption that there will be less of it rather than the assumption that we are just going to continue to be able to access it. And also a model for a carbon price, so we can get some scenarios out there that people can have a look at. You said you were revising the price for June for your forecast. That is a short-term forecast; is that correct?

Mr Glyde—Yes, they are the short-term ones, yes.

Senator MILNE—What was your March long-term forecast for this year that we should be having now?

Mr Glyde—The forecast we made out to 2013, so in five years' time our forecast was US\$67 a barrel. That is in five years' time.

Senator MILNE—It is double in May what you thought it would be when you made this assumption in March?

Senator SIEWERT—You are talking about March 2013. What Senator Milne meant was March this year.

Senator MILNE—In March this year you made a forecast that between now and 2013 that it would get to \$67 a barrel—

Mr Glyde—Sixty-seven dollars a barrel.

Senator MILNE—In that five years?

Mr Glyde—Yes, our assumption—

Senator MILNE—We have made it in two months?

Mr Glyde—No. This is what I was trying to distinguish earlier on with my long-winded first part of the answer. We have a short-term forecast where we update that every quarter. What we are saying, I think, is that in March we forecast that next year's price, 2008-09, we would average \$82 a barrel. Clearly, when we update that in June that will have to go up, given what has happened since we have made that forecast. What we are suggesting, though—and we will update this in March 2009—is that what we have suggested in our longer run, our medium-term forecast, is that the price of oil is going to go up but then it will begin to come down as supply response kicks in and, as we know, the world economy is going to be slowing.

Senator ALLISON—What evidence is there that supply will kick in?

Mr Glyde—I think that what we are seeing is commitments by oil companies in terms of the levels of expenditure that they are making in terms of exploration. They have gone up fairly significantly in recent times. Just within Australia the level of expenditure on petroleum exploration in 2000-01 was \$1.24 billion. In 2007-08 we estimate it to be \$3.23 billion. You

are seeing a trebling in petroleum exploration expenditure in this country and that would be the case right around the world. Indicators like that give us some hope at least, anyway, which you have said you do not agree with, that there will be that supply response. The uncertainties about the market—

Senator ALLISON—If you looked at exploration and discoveries over the last, say, decade, do you have any reason to believe that the size of reserves that are discovered over that period of time is going to change from now on just because three times as much is being spent on looking for them?

Mr Glyde—What I was trying to say before is that the history of estimation of reserves is really being driven by the fact that—perhaps the best example I could give you is at the end of 1986 BP said the reserve-to-production ratio was about 40 years, and that is exactly what they said in 2006. Twenty years later, despite the fact that we are going for oil reserves that are further and further away, deeper and deeper, and in countries that are more difficult to explore and exploit, the rough level of reserves-to-production remains the same. We are confident that there is not a physical limit to supply over the next 30 years, which is the period that we are talking about. It is as simple as that. There are other people that disagree. We publish it every quarter and we are subjecting ourselves to the public criticism and we learn from that.

Senator MILNE—The oil companies themselves say that, because all the easily accessible oil has been found, in their view, they have to spend a great deal more because they are going into deeper water and more difficult exploration and drilling. The whole thing is just more expensive because it is more difficult. It does not necessarily follow at all that the more you spend the more you find.

Mr Glyde—That is true. But economic history will show for a great number of commodities that when the price goes up everyone jumps on the bandwagon and starts producing and the price goes down again. If you look at what happened in the 1970s coming forward to now, it will be interesting to see how it goes in the next little while. My view would be that we are not going to go back to the levels that we had in the 1980s and 1990s. Because of the scarcity issue we are probably going to be at a higher real level than what we were in the 1970s, but we strongly believe it is going to come down. That is not just our view, it is the view of the International Energy Agency and the other major authority in this area which is the Energy Information Agency in the US, that it is going to come down to somewhere around the \$60 mark over the next five years. Who knows what will happen. No-one has got a crystal ball. We have put our assumptions out there and we leave them for people to make judgements about whether we are right or wrong.

Senator MILNE—Do you accept though that, whilst you might have the luxury of sitting back and seeing how it goes, there are people living in Western Sydney with no access to public transport who at this point are considering whether they can afford to go to work? This is the issue for people around Australia—

Senator Sherry—That is an unfair question.

Senator MILNE—No, it is not.

Senator Sherry—The officer is doing his best. He is making the best judgement he can. His judgements do not go to issues of public transport in Western Sydney—

Senator MILNE—Yes, but they have been wrong. The problem is they are wrong.

Senator Sherry—They can go to your political critique and what you want to see. That is fair enough, but I do not believe it is appropriate to make that sort of critique of the officer that is implied.

Senator MILNE—The critique I do make is it is a lack of imagination. I would like to see modelled what an investment in public transport of the same level as the subsidised investment in oil exploration would do in terms of building resilience in the economy and resilience in the agricultural sector.

Dr O'Connell—Can I suggest that that is a different job from the one that you are investigating at the moment. It may be a job that is worth doing but it is not actually the job that ABARE is considering when it is looking at the oil price.

Senator MILNE—I understand that.

Senator Sherry—But that is correct. If you want to place that request before the minister, fine, write to the minister and ask him to get ABARE to do that. You cannot criticise the officer. The officer is doing the best he can in terms of research.

Senator SIEWERT—Was the point here though that the assumption that Mr Glyde was saying that, 'We could be right or wrong but we are putting it out there.' The point that a number of you is trying to make is that it is not just a case of putting it out there and if the assumptions are wrong they will get proved wrong; the point is it is having an impact on policy that is being made now.

Senator Sherry—I agree. But the officer is here to explain the assumption, the modelling and the research and that is his role. His role is not to provide other policy options. That is the role of other government departments and other government areas.

Senator IAN MACDONALD—They made a mistake and he has explained it. Can I move on to some questions that might be—

Senator NASH—I have one question just directly on that.

CHAIR—I am keen to put some system into our questioning rather than being all over the place.

Senator NASH—I thought we were finishing up with oil.

CHAIR—If Senator Milne is happy that we have got a history of this committee of shooting around like a—

Senator NASH—I thought we were finishing up with oil.

Senator MILNE—I would like to come back on climate change but I have finished on oil.

Senator IAN MACDONALD—In my turn can I then go onto sugar and ethanol, which I was on about before?

Senator NASH—You were talking before about having done this for many years and the assumptions in everything you do, do you put in place, if you like, any probability factor, any plus or minus tolerance to your projected figures?

Mr Glyde—That is a very good question. From time to time in the past there has been that practice with the forecast of perhaps putting an error bound on it—that we think it might be within 20 per cent of what we forecast—but we also struggle to come up with a justifiable way of setting that bound. It is something we do give some thought to, particularly with something like oil, where there is such a lot of volatility and there is such a lot of uncertainty in the market. We might be better serving the community if we were to give more of a bound to it. We have discussed that from time to time but we have not done that.

Senator NASH—Thank you for that. Have you done that retrospectively—having a look at what you have projected in the past and seeing how far off the mark or on target you were over a number of years and then coming up with an assessment of over, say, a 10-year period the percentage of times you got within say a five per cent range?

Mr Glyde—We tend to do that each quarter and each year when we are looking back to see where we went wrong. Where the issue comes is you can be wrong but do you know why you are wrong. You could be spot on but it might be a complete fluke. Are we wrong because we made an assumption back here and that proved to be out and that explains the variance between reality and what we forecast, or is it something that is completely random that we had no idea of? So, we go through that debate to try to make sure that we are doing the right thing, because ultimately it could be just that we have a poor analyst or someone who is inexperienced and they are making incorrect judgements; they used the wrong data and we had—

Senator NASH—I understand. I guess the point I was making was just a purely mathematical judgement of over say the last 10 years on a percentage basis how close did you get to what the actual figure was. Do you do anything like that?

Mr Glyde—We do not do that in a systematic way in the sense that we could report it. What we tend to do is every time we have a discussion each commodity gets discussed in great length by a bunch of people as we are formulating what our view would be and what the assumptions are. We do that in-house. We actually do not record that but that is not a bad thought.

Senator NASH—Thank you.

CHAIR—Questions on oil?

Senator SIEWERT—Given the high price of oil at the moment, have you prepared or provided any advice to government about the impact that is having on agriculture, in terms of transport costs and input costs? We know there is a very strong relationship between the price of fertiliser and oil. Have you provided advice and what is the nature of that advice?

Mr Glyde—Perhaps I should take this on notice. We have provided some back-of-the-envelope calculations as to what the increase in fuel price might mean in terms of increased costs for the farm sector, for say the livestock or the cropping sector, but that is informal advice within government.

Senator SIEWERT—You have?

Mr Glyde—Yes.

Senator SIEWERT—Are you able to provide that advice?

Mr Glyde—I will have to take that on notice.

Senator Sherry—Just take that on notice.

Mr Glyde—I just do not recall the circumstances under which we provided that information.

Senator SIEWERT—Have you looked at the interaction between the price of oil and fertilisers and provided advice to government on that?

Mr Glyde—We have done some work for the department in preparing the submission to the Senate inquiry in terms of what some of the factors are regarding world fertiliser prices and what might be driving the cost increases there.

Senator SIEWERT—Have you done it outside the Senate, and I know I am not allowed to ask that with the committee process—we have been through that a couple of times today—but have you provided that advice before the select committee was established? Had you previously given advice to government about the rising price of fertiliser and its interaction with the cost of oil?

Mr Glyde—I will have to take that on notice. I do not recall the timing when we did that or indeed whether or not we provided advice prior to my time in ABARE. I do not have any briefing on that.

Senator SIEWERT—The point that I am trying to get to is that the price of oil has a significant impact on agriculture and the future of agriculture.

Mr Glyde—Absolutely.

Senator SIEWERT—Going back to the dispute we were having earlier about assumptions, the point very strongly being made was that if the price of oil stays high it will have a devastating ongoing impact on agriculture and we have to rethink the way we carry out agriculture in this country. It is critically important for a whole range of reasons, but this committee is particularly focused on agriculture. What advice are you providing to government to do some long-term thinking around the future of agriculture and its reliance on oil?

Mr Glyde—The only point I would make there is that it is not just Australian farmers that will be feeling the effects of the high global oil prices and higher fertiliser prices.

Senator SIEWERT—Some countries may have done some securing of fuel, which goes back to what Senator Milne was talking about earlier around oil security.

Mr Glyde—They are questions that are probably best answered by the Department of Resources, Energy and Tourism in terms of energy security and what is the best strategy in relation to that.

Senator SIEWERT—I am asking about agriculture and what advice you are providing. What advice are you providing to government?

Mr Glyde—As I said, I will take that on notice just to double-check what we have done.

Senator SIEWERT—Thank you.

Senator McGAURAN—You said that the rural sector relies on other forecasters but, to be frank, ABARE is the leading forecaster which the agricultural sector and the government relies on, to your credit, and it is important that what you put up to government and put out to the agricultural sector is as right as can be. This is an icon issue. This is what you are being questioned on here publicly and this is very much an icon issue. What has concerned me in this discussion is not so much whether you are right or wrong—although it does seem spectacularly wrong on this one—but given that it is an icon issue, your reaction time does not seem adequate to adjusting to your predictions. As I understand it, you say you will adjust your short-term forecast every three months.

Mr Glyde—Yes, the coming year's estimate.

Senator McGAURAN—If you adjust your short-term it means you must then look at new assumptions. That must have a knock-on effect to the medium and long term. It must. And why do you not take the opportunity in the three months rather than the 12 months to adjust the long-term? Is that what you said?

Mr Glyde—It is every March. That is correct.

Senator McGAURAN—Given this is an icon issue and its critical nature that the others have explained, why do you not show a bit of flair, change your procedures and every three months at least on this issue adjust short-term, medium-term and long-term. I quite distinctly remember Senator Milne at the last estimates, which was only three months ago, pointing out the error of your predictions and you stuck to them—we were all quite amused—when it was so obvious you were wrong then. I see there is a bit more concession at the moment.

Mr Glyde—I do not think I am conceding I am wrong or we are wrong.

Dr O'Connell—I think we should clarify. I do not think that at any stage Mr Glyde has said that the work they are doing is wrong or incorrect.

Senator McGAURAN—He is reviewing the short-term.

Mr Glyde—That is the nature of forecasting.

Dr O'Connell—That is the nature of forecasting.

Senator McGAURAN—This is getting more absurd. You are sticking to the medium- and long-term, are you, even though you are changing your assumption?

CHAIR—What is your question, Senator McGauran?

Senator McGAURAN—My question is: would you show a bit of flair within the department and every three months adjust not just the short-term on this icon issue, but look at the medium- and long-term and make the adjustments then?

Dr O'Connell—I wonder if it would be useful for Mr Glyde to again go through a description of what forecasting is, in order to be fair, because I think what you are looking at is perhaps a different exercise. If he goes through once more precisely what forecasting is then you will see the degree to which the approach is taken is robust.

Senator McGAURAN—You do not have to.

Senator HUTCHINS—That is where you show that flair.

Mr Glyde—I always like to show flair. And the other point would be that there are a number of icon issues we deal with and there is a fair bit of work in going back and looking at all of the sources and all of the information to inform our five-year forecast. We have to make judgements all the time about where do we put our resources and what have you. The judgement we come to, which might be the wrong one, is that we put effort on a quarterly basis into the yearly forecasts and we put effort once a year into the five-yearly forecasts. The reality in the five years is that things do not necessarily change much from quarter to quarter. But just to explain the forecasting process again, as Dr O'Connell has asked—

Senator McGAURAN—Why?

Dr O'Connell—You were suggesting that Mr Glyde had agreed that he had got it wrong, so to speak, and he has not.

Senator McGAURAN—Senator Milne, were you of the understanding that ABARE had said that they had got it wrong?

Senator MILNE—Yes. It was an admission either last time or the time before that they had got it wrong.

Dr O'Connell—What ABARE is doing is forecasting, and it is useful to understand the concept of forecasting here in order to see that this is a robust way of forecasting. The question of whether this is an accurate prediction or not of a price at a certain time is a different thing.

Senator McGAURAN—I have no objections to you being wrong. Who can hold you to account for being wrong from time to time, particularly on this icon issue? I am more asking for a better reaction time to when you know you are wrong—when you know there are new assumptions to work on. Every 12 months just seems ridiculously too long.

Mr Glyde—Most of the action, most of the interest, most of the concern that the consumers in Western Sydney have, and most of the concern that people in rural and regional Australia have, is what the oil price is now. So we put our effort into every three months having a good look and learning by doing, if you like, but looking at what the assumptions are for what we expect to be the oil price next year.

We then are brave enough, and perhaps silly enough, to forecast out another five years, but we do that only once a year. The logic is to take the sources of information we have, explain where they have come from, document them, run through the things that we use in order to make that assumption, document then the risks upside and downside of that forecast being higher or lower than what it otherwise might be and put that out so that we hope that that is a service. Even if, ultimately, as has been the case with oil, that the real number is different from what we forecasted it to be, you can have a look at the assumptions. If you believe in the peak oil theory and you believe that supply is not going to react more quickly then you would say, therefore, ABARE is underdone and the oil price needs to be higher. What we are trying to do is lay out the factors that move oil prices around. We think that is a service to consumers in Western Sydney and to farmers in rural and regional Australia—that they can see what economists believe are the things that are moving around oil prices. That is the service we think we provide, not getting it within five or 10 per cent.

CHAIR—I would like to add a comment there, Senator McGauran. Mr Glyde you have explained it as exquisitely as you can. The secret is forecast. You got it wrong, bad luck, we will move on and hopefully you will get closer next time.

Senator McGAURAN—12 months away.

CHAIR—I think in all fairness, the questions are going round and round. We do not need any more explanations of what forecasts mean. Senator McGauran, do you have any other questions before we adjourn?

Senator McGAURAN—Not on that matter, but Senator Allison does.

Senator MILNE—Chair—

CHAIR—Sorry, Senator Milne. Senator Allison does have a question on oil.

Senator ALLISON—We had a quick look on the website of the International Energy Agency and its projection is \$110 a barrel for 2008-09. You said that your projection was \$82. Can you explain the difference? Just before you do, Credit Suisse also has a higher figure of \$120 in 2008 and its long-term projection is \$100. So, if as you say, you are relying on the International Energy Agency, what projection could possibly bring down that figure from \$110 to \$82 in such a short timeframe?

Mr Glyde—I did not hear the figure. Could you just run through the question again please?

Senator ALLISON—The International Energy Agency says that in 2008-09 oil will be \$110 a barrel. Credit Suisse says it will be \$120 a barrel. And Credit Suisse says that it will be \$100 long term. That does not sit anywhere with your current projections, which are that it will be \$82 in 2008-09 and by 2013 it will be \$67.

Mr Glyde—That is correct.

Senator ALLISON—What I am asking is, you cited the International Energy Agency as a key agency for information into this process. What are the other bits of information which would drag the International Energy Agency's figure down to your \$67 by 2013 and \$82 in 2008-09?

Mr Glyde—I am not sure I did cite the IEA and the IAS sources for the medium term and the short term. I was just using them as other reputable organisations with involvement in government forecasting.

Senator ALLISON—Why did you not look at the International Energy Agency estimation for 2008-09 in compiling your estimate?

Mr Glyde—We have regard to their estimates and, in the same way as their analysts make different judgements about the same facts, we make judgements about those same facts. They might have access to different information to the information we have.

Senator ALLISON—So, again I ask you: what is the source which has greater importance or is more reliable that would give you to suggest that \$82 is the right figure?

Mr Glyde—That was our judgement as of March of this year. Clearly the IEA had a different judgement.

Senator ALLISON—Yes, but I am asking on what basis?

Mr Glyde—I will have to come back to you in terms of the specifics of why it is that we are that different right now. I am happy to take that on notice and send that to you, but I cannot answer that right now. I am not the oil analyst.

Senator ALLISON—If you could explain why Credit Suisse has the projection of \$100 long term but yours is almost half that?

Mr Glyde—When you say ‘long term’, what did they say was long term?

Senator MILNE—They did not put a figure on it.

Mr Glyde—2030 or 2015?

Senator ALLISON—They did not put a figure on it.

Mr Glyde—That might be a bit harder to answer.

Senator MILNE—In the press release they did not put a figure on it. They probably have in their document.

CHAIR—Senator Milne, we have got one minute if you want to quickly propose a question.

Senator MILNE—Just as a final one on the oil, given that your underlying assumptions are giving you wrong answers in terms of forecasting, will you now look at the underlying assumptions much more carefully in the light of other assessments around the world as to what is going on with the oil price?

Mr Glyde—We always look at those assessments and assumptions. We do it every quarter, of course, and every year for the medium term and every now and then for the long term.

CHAIR—It is now 4 o’clock. We will break for afternoon tea and we will have everyone back here at 4.15 sharp. Thank you.

Senator McGAURAN—Will ABARE be back, because that last comment was worth picking up on: ‘every now and then’?

Proceedings suspended from 3.59 pm to 4.15 pm

Mr Glyde—Senator Siewert asked whether or not ABARE had provided any advice to the department on the impact of higher fuel prices on fertilisers. We did indeed provide some information that was incorporated into the submission from the department that was put to the Senate select committee. I am happy to table that. That was the reason I was late. My apologies for that.

CHAIR—Thank you. That is tabled.

Senator ALLISON—When did you make the submission? It was not on the website.

Mr Glyde—The date we have on this from DAFF was April 2008.

CHAIR—So, last month. That is tabled. Thank you, Mr Glyde.

Senator ALLISON—Could we have copies of that?

CHAIR—Yes, it has been tabled. If you put in a request for a copy, the committee will get it. Senator Fielding?

Senator FIELDING—My question goes to some of the ongoing research to do with farms and farm sizes. I have seen some figures about the number of farming businesses or farms in Australia and how that has been dropping over a number of years.

Mr Glyde—Yes.

Senator FIELDING—Could you talk us through that?

Mr Glyde—I do not have the numbers in front of me, but we can provide a chart afterwards, if that would help. The long-term trend has been for there to be a decline in the number of farms but at the same time an increase in the total amount of agricultural production. That essentially is one of the key drivers of productivity in the Australian farm sector which, as you are probably aware, is one of the high achieving sectors as far as productivity goes in the Australian economy. Essentially, as farm size has increased farmers have been able to achieve economies of scale and therefore produce more from the same area of land once bundled together or running in a number of different enterprises.

Senator FIELDING—So the structure is changing. Is the small family farm disappearing? You obviously look at numbers quite a lot; I have seen your reports and research. What is going on?

Mr Glyde—I would have to take on notice the specifics of the farm size. We do have different categories of size.

Senator FIELDING—Is there someone here who would know that data?

Mr Glyde—You are talking about family farms. The vast majority of Australian farms remain as a family owned farm. The distinction I would make is really much more about the size of the operation, the scale of the operation rather than about the ownership structure of the farm that is actually driving the productivity increases and the improvements in efficiency.

Senator FIELDING—Is it true that there has been a 20 per cent decline in the number of farms? Someone is obviously selling up and selling to other farms. Can no-one here give us more of an understanding of what those figures are doing?

Mr Glyde—We can provide you with the percentage declines over any sort of period you would like. But I do not think we can do that on the spot today. I do not think anyone has any briefing with that detail on it, unless someone is prepared to advise me to the contrary.

Senator FIELDING—Do you do forecasting?

Mr Glyde—I stand to be corrected, but I do not think we actually forecast farm numbers at all. We make estimates of farm financial income but we do not forecast what we estimate to be the number of farms into the future.

Senator FIELDING—Do you have any idea of what the change to the single desk will do to certain types of farms in Australia?

Mr Glyde—I am pretty sure we have not done any analysis on that matter.

Senator FIELDING—That surprises me a bit, given that it is the biggest change that will happen in Australia as far as wheat farming is concerned. I am surprised by that response.

Mr Glyde—I might ask Dr Sheales, who has had some background in this matter, to see if he can help us with this.

Dr Sheales—ABARE has not made any specific estimates of the type you are talking about. But it is fair to say that we have looked at the various marketing methods that farms of different sizes use. For example, in one of the recent years when there was a large harvest, 2004-05, the smallest third of grain growers in this country sold more than half of their wheat to traders other than AWB. We actually provided a lot more detail to the committee. I am not sure what committee it was now, but it was looking at wheat marketing. It was actually a fairly detailed piece of information. That has the actual numbers in it. I am going largely off the top of my head now.

Senator FIELDING—You mentioned a third of the grain growers. There are two-thirds that do not. That is quite a sizeable amount.

Senator ADAMS—Western Australia and South Australia do not have a domestic market. Thereafter, all their small farms would have to export and they would not be on that list.

Senator FIELDING—I understand the arguments from Western Australia and Victoria. They have some different arguments. Farmers are very concerned about what will happen with the single wheat desk disappearing. Do you have an idea of what the landscape will look like so that at least Australia can consider this. We are considering a major change to the way wheat is marketed. Can you shed some light on this?

Dr Sheales—I can give you a view. Farming in this country has a long history of adapting to change and making adjustments. I would suggest that the number of farms has been declining probably throughout the recorded history in this country, certainly in the past 100 years or so. There is a whole range of reasons for that. But specifically about wheat and the single desk, I would suggest that most farmers, with the possible exception of some Western Australian and South Australian farmers, have quite a bit of experience with selling grain to different traders and using different marketing services that they operate. We have had a deregulated domestic market since roughly the mid-nineties. That has by and large performed very well. People are accustomed to working in that sort of environment. Secondly, if we move away from a single desk for export wheat, that will mean some changes, but it will not mean, I would suggest, any wholesale changes in the farming environment, and certainly not in terms of the number of farmers involved. There will be other economic factors that will drive farmers' decisions about whether to stay in business or not. I would suggest that how wheat is marketed would have very little to do with it.

Senator FIELDING—What does that mean? I understand you to be saying that you think this is nothing to be worried about if you are a farmer?

Dr Sheales—If you want it in one word, correct. But that is probably a little bit blunt. Farmers are accustomed by and large to dealing with a whole range of marketing options and marketers. We are not going to see major changes in that respect.

Dr O'Connell—It might be useful if Mr Glyde went through some work that ABARE has undertaken. I think some of the issues that you are raising go to the question of whether price premiums are engaged in the single desk or not.

Mr Glyde—Sorry, I did not quite get the drift of your question. We did a review of the literature to have a look at whether or not there was any evidence one way or another. We found there was no clear evidence to support the argument that single desk marketing of Australian wheat would enable the extraction of a price premium for some export markets. In instances where there are possible price premiums, they can be largely attributed to freight advantages or the provision of associated services for the sale of wheat, neither of which are dependent on a single desk arrangement.

The Australian wheat industry already operates in a partially deregulated environment and there is no evidence to suggest removal of the single desk will adversely affect growers in any particular region. A range of major companies in addition to AWB provide grain marketing and handling services to producers. There is also an increasing number of smaller private grain trading and market businesses operating Australia wide servicing both the domestic and international markets with the bag and container trade. Since deregulation of domestic grain marketing arrangements in the mid-nineties, Australian producers have had the opportunity to hone their marketing skills on grains other than wheat.

Our farm survey data also suggests that producers are not heavily reliant on AWB to market their wheat. We also believe that the concerns that have been expressed that small producers are likely to be most vulnerable to any changes to the single desk exporting arrangements appear to be unwarranted. These producers were found to already market some of their wheat elsewhere. In 2004-05 the smallest third of grain producers sold more than half of their wheat to traders other than AWB. That is pretty much the extent of the advice we have provided to date.

Senator NASH—Could you table the document that you have read from?

Mr Glyde—There are parts of it that I cannot, so I am happy to provide what I have just said.

Senator NASH—Could you do that perhaps by the end of the day?

Mr Glyde—Sure.

Senator FIELDING—What is that document that you are reading from?

Mr Glyde—This is a briefing that I have had for this question.

Dr Sheales—I would add to that that all of that is in what was previously provided to this committee. All of it—plus more.

Senator NASH—A number of members of this committee were not part of the previous hearing.

Dr Sheales—That is why earlier I mentioned what I said in terms of what was available. But we are certainly happy to provide that.

Senator NASH—They are not based on assumptions, are they?

Mr Glyde—Always assumptions.

Senator FIELDING—Could you provide the assumptions behind those notes? They are obviously quite big statements. I would like some background to that. Could you also table the bits that you said you can, the statements you have made, but also—

Senator NASH—Supporting evidence.

Senator FIELDING—what rationale and supporting evidence is behind those?

Mr Glyde—That would be a bit hard to do by tonight. I can table what I have been reading from.

Senator FIELDING—A week is fine, if you need a week.

Senator Sherry—No, we will have to take that on notice.

Senator FIELDING—I am just saying—

Senator Sherry—We will do our best for it to be timely. I will ask the minister. But he cannot give an undertaking as to a week or a day or whatever.

Senator FIELDING—I am not trying to speak over you. You already have that rationale and you need a week to find it, don't you?

Mr Glyde—I have been reading from a brief that we had in relation to this question. You are asking me to now go back and document all of the assumptions that led to our making these conclusions and the work we did. I am saying that I do not think that is something I can do this evening.

Senator FIELDING—How long would it take you?

Mr Glyde—I don't know.

CHAIR—In my opening statement I did say the committee has resolved that Friday, 18 July 2008 is the date for the return of answers to questions taken on notice.

Senator FIELDING—Given the debate on this issue is coming into the chamber before that date, it would be foolish for this committee to not ask that that information—

CHAIR—I understand.

Senator Sherry—I will take it on notice and I will make a request to the minister for that information, if he agrees to make it available. It would be logical to provide the assumptions before the debate on the legislation. I will ask him to do that.

CHAIR—Thank you, Minister.

Senator FIELDING—There is some analysis on the potential economic impacts of apples imported from New Zealand. Are you having a large input into the World Trade Organisation's defence of apple biosecurity? I notice that you have done a fair bit of work in the area of analysis of the potential economic impacts of apples imported from New Zealand.

Mr Glyde—I would have to take some advice on that in terms of the work that may or may not have been done. But we have not played a major role in doing the economic assessments in relation to the IRAs for apples. I do not know if anyone else at the table can be more specific.

Senator FIELDING—I am reading from page 180 of the Department of Agriculture, Fisheries and Forestry annual report 2006-07.

Work in 2006–07 included:

... ..

- analyses of the potential economic impacts of apples imported from New Zealand (December 2006)

Mr Glyde—I do not have a copy of the annual report with me. Is that work that ABARE is said to have done?

Senator FIELDING—It is in the ABARE section. It says under the heading ‘Biosecurity’: ABARE aims to develop economic frameworks that support cost-effective biosecurity responses.

Work in 2006–07 included:

... ..

- analyses of the potential economic impacts of apples imported from New Zealand (December 2006)

Mr Glyde—My recollection was that we were working with Biosecurity Australia in terms of developing a framework for the economic assessment of those, but I would have to take on notice the specifics of what we actually did. I do not have that in my head and I do not have it in front of me in my briefing.

Senator FIELDING—I am getting nervous; this is taxpayers’ money here folks. I have asked a couple of questions. I do not understand why someone does not know about it. It is the second bullet point.

Senator HEFFERNAN—What are we talking about.

Senator FIELDING—Fire blight of apples.

Mr Glyde—What page?

Senator FIELDING—Page 180. It sounds significant to me. The apple and pear industry are worried about what is happening. The economic analysis could be quite important in a defence case to the World Trade Organisation for apples and pears.

Mr Burns—We will check the exact details of the work that was done, as Mr Glyde said. But my recollection—and I am only going off the top of my head—was that that was to help Biosecurity Australia develop a framework on the estimates of the number of apples that might come into Australia to help them with their risk analysis. Basically, it is a probability exercise.

Senator FIELDING—Could you come back to us on that? That does not sound like the title that is there. I have read this and it sounds important to me.

Mr Burns—When a risk analysis is done, we do not look at the economics of the importation of the product. We look at the economics of the importation of diseases. To do that you have to make estimates of the volume of apples that are likely to come into Australia. That of course is an economic exercise.

Senator FIELDING—I may have missed it. Could that particular analysis be tabled?

Mr Glyde—We will do our best to find out the specifics of what the analysis was and get back to you with what we had and whether or not we can table it this evening.

Senator HEFFERNAN—Is that the analysis on the import risk?

Mr Glyde—It is saying that it is an analysis of the potential economic impact of apples imported from New Zealand—something that ABARE did in December 2006. Having joined in November 2006, I do not recall that personally. I am undertaking to go back quickly during the dinner break—

Senator HEFFERNAN—This is not the impact if we get an outbreak; this is the impact on the marketplace?

Mr Glyde—As I said, I will have to check. I do not have a personal recollection of the work.

Senator McGAURAN—Mr Burns, you are saying that you believe it is an economic study of the impact of an outbreak?

Mr Burns—What I am saying—and again I stand to be corrected because I am only going off the top of my head—is that my recollection is that it was some work that was part of the risk assessment process of making an estimate of the likely entry of apples into Australia to help BA with its risk analysis of the probability of diseases.

Senator McGAURAN—So it is just the number of New Zealand apples.

Mr Burns—Again, I am only going on recall here, but it is not what would be the likely number of Australian farms that might be affected or anything like that. It is really to help with an estimation of the numbers of apples that might come in.

Senator FIELDING—I wish to raise one last issue, if I can. I do not know whether this has been covered before. Do you have your charter letter from the Prime Minister on your performance benchmarks at all?

Senator Sherry—Here? No.

Senator FIELDING—Have you been given one by the Prime Minister?

Senator Sherry—I will check. But not for this portfolio?

Senator FIELDING—For the portfolio that you look after?

Senator Sherry—Directly?

Senator FIELDING—Yes.

Senator Sherry—Superannuation and corporate law?

Senator FIELDING—Yes.

Senator Sherry—Yes.

Senator FIELDING—Thank you.

CHAIR—Are there any other questions to ABARE?

Senator ALLISON—I wanted to follow up on what Senator Siewert said earlier about fertilisers and other inputs into farming. As I understand it, according to AgForce Grains, the input figures for fertiliser chemicals and fuel have raised prices for farmers by 50 per cent to 100 per cent. Is that your understanding as well, since 2004?

Mr Glyde—Yes.

Senator ALLISON—How does that compare with ABARE's projections?

Mr Glyde—We do not project future fertiliser price. That is not a commodity we look at. What we have observed is that—you are quite correct—world fertiliser indicator prices have increased particularly significantly over the past several months for diammonium phosphate and monoammonium phosphate. We went through this at the last hearing. The estimates I have are that in terms of year on year, up to April 2008, the diammonium phosphate prices have increased by about 168 per cent. The monoammonium phosphate price has increased by about 138 per cent.

Senator ALLISON—Who determines whether you forecast the cost of fertilisers?

Mr Glyde—That is a very good question. It is probably an historical accident. We tend to forecast commodities that are relevant to the Australian farm sector. We do not specifically look at fertiliser. We do not forecast prices. What we do do, though, is as part of our—

Senator ALLISON—Can I interrupt you. You do not forecast prices?

Mr Glyde—Fertiliser prices. We collect—

Senator ALLISON—Because it is not important to the farming sector; is that what you said?

Mr Glyde—No, let me finish. What I was trying to say is that we do collect historical records through our farm financial surveys of the costs that farmers have to pay for the production as well as the returns they get for selling their goods. The reason we are able to provide you with those statistics is that we record, looking backwards, if you like, what the costs of fertilisers have been.

Senator ALLISON—But you do not consider it significant enough to forecast into the future rather than looking back?

Mr Glyde—No.

Senator ALLISON—How high would the costs have to go before you would consider that to be an important input into the economy and into farming?

Mr Glyde—There are a lot of other things. Perhaps I might ask Dr Penm to explain the basis by which we do these.

Dr Penm—When we do our commodity forecasts, our farm costs, we provide forecasts on costs of fertilisers and based on our March quarter—

Senator ALLISON—Mr Glyde just said you did not.

Dr Penm—We do not forecast the price of fertiliser. But we analyse the farm cost of fertiliser.

Senator ALLISON—How can you forecast costs if you do not forecast prices? I am sorry, I do not understand.

Dr Penm—The prices are embedded in the farm costs estimation based on our farm survey and we provide one year forward projections for farm costs.

Senator ALLISON—You see what the costs were last year and you say that is what they are going to be next year; is that how it works?

Dr Penm—No. For example, we estimate that over the past two years the fertiliser costs for farmers have increased by about 50 per cent. This is in terms of the expenditure by farmers on fertilisers. This is part of the exercise we are working to get farm income estimates. So we do incorporate it, but we do not put out a price forecast per se in our publication.

Senator ALLISON—Why is that?

Dr Penm—This is all about farm gate prices. The prices could be quite significantly different between regions. We also do aggregations in terms of prices paid by farmers and also prices received by farmers. It is just that we do not publish standalone price forecasts.

Senator ALLISON—So you are actually asking the farmers what they pay and not so much projecting what the costs are likely to be; is that right?

Dr Penm—We are projecting. We ask farmers how much fertiliser they had probably used and how much they think they will pay or have been paying and so on. But we do not really produce a single variable saying ‘fertiliser prices’.

Senator ALLISON—I understand. Is this a difficult task? You do not do the projections of cost in the same way that you do for oil?

Dr Penm—I think there is a difference. When we are forecasting oil prices we are forecasting oil prices of the world market. For example, we forecast West Texas Intermediate oil. That is basically the oil in North America. We forecast that price. Then we forecast a world average price. Because different regions have different prices and so on. For fertiliser, like I say, there could be a number of different prices—farm gate, import price, oil prices and so on. What we have done is do our survey and ask a farmer how much he pays for fertiliser. To trace that back all the way through the supply chain—

Senator ALLISON—So it is always backward looking; is that what you are saying?

Dr Penm—No, it is not 100 per cent backward looking. We actually do one year’s projection.

Senator ALLISON—Based on?

Dr Penm—Based on our assessment in terms of farm production and by different crops and so on. Based on our survey information, we make certain forecasts or estimates for the current financial year for how much farm costs of fertiliser will increase.

Senator ALLISON—Is it fair to say that this is as much about how much farmers—farming sorghum or whatever it is—are using per hectare compared with what they did in the past? There is a movement in terms of use rather than price? Is that fair enough?

Dr Penm—I would say both usage and costs.

Senator ALLISON—And the cost.

Dr Penm—Yes.

Senator ALLISON—Based on what they did before. Mr Glyde, will there be no change to this in the future?

Mr Glyde—We are not expecting—

Senator ALLISON—Minister, do you consider this acceptable? Is the government looking at input costs for farmers and—

Senator Sherry—We will take advice from ABARE on that.

Senator ALLISON—ABARE are saying they do not do it.

Mr Glyde—It would be possible if we had unlimited resources to forecast all of the factors that might—

Senator ALLISON—So resources is the issue?

Mr Glyde—Yes. So what we have chosen to do—and we think do more reliably—is to be able to bundle together farm costs. I think that is what seems to be of most interest to the farm community—costs going up, whether it is fuel, fertiliser. These are often linked. What we try to do is put out a portfolio of commodities that is of most interest to most people in the farming sector.

Senator ALLISON—I understand that. What about chemicals? Are they in the same category?

Dr Penm—Yes. We do the same thing.

Senator ALLISON—Chemicals have risen in that period to roughly the same degree?

Mr Glyde—I do not have data on chemical costs. We publish very longwinded tables at the back of our quarterly reports that show what is happening to costs over the last five or 10 years.

Senator ALLISON—Forgive me if I do not read them.

Mr Glyde—Forgive me for not having one directly in front of me. I notice Dr Penm is working furiously.

Dr Penm—Over the past two years chemicals also increased quite significantly. Although the magnitude of the increase seems to be slightly less than those for fertiliser. Nevertheless, it has been quite significant.

Senator MILNE—Can I ask one last question?

CHAIR—On this issue?

Senator MILNE—Specifically on chemicals.

CHAIR—I just want to say—

Senator MILNE—It is all right. I am happy to come back to it.

CHAIR—There is a select committee on this. We have let Senator Allison go on about fertiliser and chemicals.

Senator MILNE—No, this is on Atrazine, like I asked about earlier today. It is not about fertiliser.

CHAIR—Senator Adams is waiting. Is it just one question on chemicals?

Senator MILNE—Yes. This morning we were discussing the use of Atrazine and triazines generally in Australia and we were not able to get an answer on the volume that is used. I notice that ABARE does track in terms of fertilisers the use by state and volumes. Do you track the use of the triazines, Atrazine in particular, but the triazines generally by volume by state and by industry?

Mr Glyde—Looking to my left, the answer is, no, I do not think we do.

Senator MILNE—Thank you.

Dr Sheales—There are a couple of points to be made about this sort of general issue. Firstly, there is a range of costs that farmers face. We all know that. There are chemicals, fertilisers, fuel, repairs and maintenance, seed, fodder and a heap of other things. The other point to make is that in terms of farm cost, fertiliser is, according to our surveys, about 15 per cent of the total cost. The third point to make—and I think Dr Penm may have made it earlier; we are looking at fertilisers for the moment—people look very closely at their usage of those fertilisers. They are just as likely to cut back somewhat on their usage of those fertilisers because it does not pay as much to use them. All of those factors feed into what the expenditure might be on fertiliser or some of these other categories.

Senator MILNE—My question was purely in relation to the use of Atrazine and triazines. I am trying to establish how much is used in Tasmania and I have got an answer that you cannot give me that.

Dr Sheales—We do not have that information at this time.

Senator ADAMS—This is going to ABARE's involvement and information provision with the Wheat Industry Expert Group's recommendation. With respect to the recommendation that ABARE should collect and contribute key information such as production, export and availability of wheat—in conjunction with ABS—how often do you consider this should be done?

Dr Sheales—There are two things. The policy areas of the department are still discussing the details of this with the ABS, how they might do their side of the operation. As part of those discussions ABARE is looking at actually publishing whatever they come up with plus the production information and export information. The export information, by the way, does come from ABS, anyway.

Senator ADAMS—Yes, I realise that.

Dr Sheales—We are currently thinking about putting this information out once a month. That does not mean that all pieces of information would be updated once a month. For example, we do a crop report each quarter. In difficult years we will add in an extra one, because it is so critical as to what is happening, and we envisage continuing along those lines. For us to do a crop report every month we are probably not going to add much information to what is out there. That is why we are planning to do the crop report part of it each quarter, with maybe a fill-in from time to time, and publish the other information that ABS provides on stocks and associated information that is given to us.

Senator ADAMS—Will it be possible to have it once a fortnight just through the months of harvest, say three months?

Dr Sheales—We would not have access to sufficiently good information to be able to do that. There is a risk you would run trying to do that. Given that the information is not good, it could end up being quite misleading. That is not the purpose or the intention of trying to do this.

Senator ADAMS—I realise that. It was just that I had several constituents ask me about this and I said I would ask the question here and see if it could be done over the harvest period a little bit more often?

Dr Sheales—I do not think it is feasible.

Senator ADAMS—I have been hunting through the budget papers to see if ABARE has any additional funds in their budget to cover the costs of the service. I cannot find it. Is it there somewhere?

Dr Sheales—I think you are a bit like us, Senator.

Mr Glyde—That is still a matter of discussion, as to how this will be paid for. We have not received any funding in the budget for this particular service as yet.

Senator ADAMS—At least it was not anywhere I could find it, then. Thank you very much. That was all.

Senator SIEWERT—I would like to ask some questions around genetic engineering. This month ABARE released a report on the expected benefits if Australia moved to genetically engineered crops. I may have been interpreting it wrong, but it seemed to me that it made quite extraordinary claims about the values GE crops would bring to Australia and the properties forgone if we do not move to genetic engineering. It seemed to me from my analysis that what ABARE was calculating was the projected value of the crops in total rather than the additional yield benefits. Could you tell me if I am correct or have I misinterpreted it?

Dr Penn—Using our in-house model for the Australian economy, including the farm sector, we undertake a survey of international experience in terms of GM crops. We undertook two simulations. One is focused on canola. Another one is a scenario consisting of five possible GM crops. Some of them including wheat and rice are not commercially available right now. But given we are forward looking, we use that as a demonstration/illustration for possible impact. To answer your question, the simulation results for this particular paper is a cumulative impact of the increase in crop adoptions, including export, over a 10-year period. We have undertaken a simulation in two ways. One is that we assume from 2008-09 that canola will be adopted for Australia as a whole and then we examine the economic benefits for each year till 2018-19 and then we add them all up. Then we are analysing another scenario with delayed adoption, that is, we assume adoption will only happen in 2013-14 and then for five years. That is how we did our simulation. It is not really the total crop production we are talking about. It is an increase in economic value of the crop production over a period of 10 years.

Senator SIEWERT—You are assuming in that that all of the crop is genetically engineered?

Dr Penn—Yes. In the model we took the assumption that the adoption will be immediate; there is no gradual adoption, that is, just assuming that it will happen in that year. Then we also undertake the simulation using the assumption that there will not be any segregation between GM and non-GM. You are correct. We are assuming that everything will be GM.

Senator SIEWERT—It is extremely misleading, the media that you did around it. I have seen the media release and have copies of it. It was extremely misleading. It indicated that Australia was missing out on I think it was \$9 billion worth of crops. There is no scenario whatsoever that this country would next year be planting a full GE crop. No country in the world, as far as I am aware, has 100 per cent GE crops. There is no commercialisation of wheat, as you just pointed out. So how does ABARE get away with producing a report like that, which misleads the community entirely? I have not gone into all of the other issues that I have with that report.

Dr Penn—We have no control over the media report. But—

Senator SIEWERT—But I have seen the media release.

Dr Penn—If I remember correctly, what we have said is that for the five crop scenarios over the 10-year period the total economic benefits will be around \$8 billion something, reaching \$9 billion. I have a copy of the media release here. I am not quite sure where the confusion or the misleading information originates. It clearly states in our report that all those scenarios are for illustrative purposes. We are not saying this is a situation that will happen definitely.

Senator SIEWERT—Why produce a report like that that is in fact no realistic scenario whatsoever, is clearly coming down in favour of GE without properly articulating the constraints, without properly factoring in segregation, liability, and weeds, for a start? Not to mention the fact that a commercial wheat crop is years and years away and, as far as I am aware, there are no commercial wheat crops, GE wheat crops available.

Mr Gunasekera—I guess the idea there was to highlight the maximum potential in terms of increase in the value and output if we adopt GM technology. It is a bit similar to the work that we undertake when you look at trade liberalisation. Sometimes we look at what are the potential impacts of total trade liberalisation. We know it is really unlikely that we will achieve total trade liberalisation within a certain period of time. But it provides some strong indications of the potential gains if we take that path.

Senator SIEWERT—Where do you factor in and provide advice on the constraints on GE? It is misleading and I would not say it was sound economic advice if you do not factor in the constraints, the segregation adequately, the fact that it is not available, that there are weed problems, and the cost of labelling. All of those sorts of issues were not factored into the advice in the report.

Mr Glyde—What you are talking about in terms of describing the real world is often not amenable to modelling and the complexity—

Senator SIEWERT—Exactly. It is misleading in the extreme.

Senator Sherry—Hang on. Let him finish his answer.

Mr Glyde—It comes back to the question of the expectations in relation to accuracy. What we are trying to show, as Dr Gunasekera has tried to say, is that there are some potential benefits here. Within the confines of the economic model that we have, and indeed within the confines of any of the general equilibrium models, you cannot often factor in the precision of the real world. What we do is we describe an illustrative scenario. We make abundantly clear in the document where the assumptions are. As Dr Penm has said, we are assuming in an unreal world in essence that there will be instantaneous adoption of the technology; there will be no segregation. Clearly, there will be some farmers who will not wish to partake in GMOs in the country. We are also looking at future potential. There are field trials going on for wheat, et cetera, and the other products. But we have done one case study in relation to canola which is real—it is here right now—and others to demonstrate the potential. We document those assumptions and we lay them out. I reject your suggestion that we are biased in our work. What we are doing is we are documenting the simplifying assumptions that you need in order to be able to illustrate a particular point. We are not saying that government should immediately move to broad scale introduction of GMO.

Senator SIEWERT—That is exactly how it can be interpreted. That is exactly how the media interpreted it. Where is ABARE's critical analysis of their marketing constraints?

Mr Glyde—It is in the document.

Senator SIEWERT—It is not. The marketing analysis is not there. It assumes no widespread problems with markets. Where is the balance? Communities should expect from its leading economic forecaster the analysis of the other constraints associated with GE. Where is the analysis of the herbicide resistance that we were talking about earlier? Where is the proper analysis of market constraints? You are assuming, as you said, 100 per cent adoption. There will not be 100 per cent adoption. So those figures are misleading to the community. Where is all that analysis done?

Mr Glyde—The explanation of the assumptions is in the document. Issues in relation to market acceptance, price premiums are in other—

Senator SIEWERT—It is not adequately articulated there.

Mr Glyde—The other point to make is that this is one of a series of reports that we have produced over the last little while. We have dealt with some of those other issues that you have mentioned before to the extent that economics can and modelling can. We have analysed marketing acceptance. In other markets is there a price premium and are other countries providing price premiums? We have gone through those. We have listed out in a scholarly fashion the documents upon which those assessments and those numbers have been based, where we have got the estimates of yield improvements, and our estimates of increased costs for the adoption of the technology. They are documented and are provided in the report. I would hope you would agree that it is very hard to summarise in a one-page media release or indeed in a one-page summary that draws attention to the existence of the report every single caveat in the document. And yet the caveats are there, the assumptions are there, and the evidence is all documented. It is all in the bibliography and the like.

Senator SIEWERT—As to the issues I have been raising around herbicide resistance, those sorts of things are not there. Weediness isn't there. You can go back to *Hansard*. I have been raising issues with the report that ABARE has been generating on GM for a long time. The issues go back to I think the 2005 estimates or 2006, when you generated one of your reports and I was questioning you about the lack of analysis of weediness and segregation? Those sorts of issues were not there then.

Mr Gunasekera—The reality is our major competitors, China, India, Brazil and Argentina, are embracing GM technology in an increasing fashion and they are increasing their productivity and production and increasing their capture of world markets. It is important for ABARE to highlight the potential losses if we do not take that path in the future. It is important to highlight the realism, what is happening in the global agricultural production scene and global agricultural trade scene.

Senator SIEWERT—What percentage of canola crops worldwide is currently GE? We will see if it is consistent with what I have been told.

Dr Penm—Based on the number I have in here, I think for canola it is about 20 per cent. For soya bean it is much higher. I think it is over 80 per cent.

Senator SIEWERT—How much of the total crops around the world, if we are talking about going to those five crops that are in the report, are GM?

Dr Penm—Like I said, wheat and rice are not commercially available; naturally, there is no GM share in world production at the moment. There has been significant research interest in GM wheat and GM rice. GM rice has been trialled very aggressively in China. To get back to your earlier question, we do not really try to use this report to address all the issues associated with GM. There are some economic issues and some non-economic issues—for example, segregation. From my understanding of GRDC's answers, it thinks segregation will not be an issue. I also understand the Grains Council of Australia put out a media release. They do not think segregation is achievable. I have to say that we rely on those organisations on certain issues. This paper is not one publication in which we try to address all the issues. This is a series of publications we have been producing over the past few years. Sometimes the issues need to be linked with other publications to get a better understanding.

Another critical issue for us is that it is almost impossible, as pointed out by our executive director, in terms of modelling capacities to incorporate all the issues in the single model. If we wait until GM wheat and GM rice become available and then we start doing the research, it may not necessarily fit into ABARE's role of providing economic advice to our department and to our government. For example, for this paper we are talking about we started the research in, if I remember correctly, April last year and we only just released it. It took almost 11 months to complete the report. It is a series of publications; the research needs to be continued. I do not think we can take just one report to address every single issue in relation to GM.

Senator SIEWERT—When are you going to be doing the analysis of the other side of the debate and look at non-industry based research? A lot of the research that you use is industry based. When are you going to look at some of the alternative research that is looking at the

problems, the segregation issues they have in Canada, the markets, liability—all those issues? When are you going to do all of the research and the modelling that factors those in?

Dr Penn—We are in the process of constructing our work programs. That is not a question for me to answer. But we certainly can talk to our department and stakeholders. From my understanding, there have been significant media inquiries in terms of who actually funds this research. As we listed in here, the funding comes from our department. It seems to me that there will be issues if any stakeholders would like to provide funding for ABARE to undertake this research. That is also a constraint that we are facing.

Senator ALLISON—Were assumptions built into the report—I am sorry, I have not seen it—for climate change and reduced rainfall?

Mr Glyde—I am pretty sure we have not factored in any assumptions in relation to climate change. There is a whole lot of simplifying assumptions that we make in order to make the task doable. We cannot necessarily take on board every single factor in putting out the document. We try to explain what we have assumed and what we have not assumed and what we have tried to model to try and illustrate that there are some benefits here. I think it also comes back to the discussion we were having earlier on today in relation to the problems of feeding the world and the application of new technology to overcome some of the disbenefits of climate change. We have to look at new technologies and whether GM is the right technology. That is a matter for governments and others to decide taking on board the economic advice, the views of stakeholders, scientific advice, social assessments and the like. We are not trying to make that decision. We are not trying to put out the all-encompassing document that does that. What we are trying to do is illustrate some of the economic aspects of this very critical public policy issue. There is a potential benefit. New technologies have been part of the big drivers of the productivity increase in Australian farming, and this is a new technology that we need to look at and fully evaluate. This is our contribution, if you like, to try to illustrate some of the economic dimension. As to the assumptions, you might dislike the fact that we have sourced it, but what we have done is lay out those assumptions, where we have got it from and put it out for comment. The fact that it has generated a lot of comment is probably a good thing in trying to assist the community to come to these difficult decisions.

Senator SIEWERT—How does it assist the community to come to those decisions when what you provide is a figure saying \$9 billion?

Mr Glyde—What we provide is an assessment of two scenarios into the future looking at the economic costs and benefits, doing the best we can to explain what is in the scenario, what is not in the scenario, what it does cover, and what it does not cover.

Senator SIEWERT—The message out there is that, if we do not go with GE, \$9 billion worth of agricultural production will be lost. That is in fact not true. The information is not true. So where does the government and anybody else making decisions get the other side of the debate from, if you are not providing that as well?

Mr Glyde—What we are providing is what we can within our degree of competencies that we have within an economic research organisation. We are trying to shed some economic

light, if you like, on to an issue. That is our role. We are not trying to do the all-encompassing integrating factor. We are a bunch of economists. We are not a bunch—

Senator ALLISON—The issues we are talking about are potential economic constraints. Why are you not taking them and looking at them and modelling them? On segregation, there are plenty of people who say that they cannot do it. I accept that you have heard GRDC make one statement. But there are others that say you cannot. There are issues around liability. There are issues around access to markets. Those are economic constraints as well, I would have thought, or have economic consequences.

Mr Glyde—On the questions of segregation, we have tried to shed some light on that early on in our report. I think it was last year. We did a sample of farmers I think in WA to get a sense of what some of the costs were if you were going forward with the segregated regime so as to try and shed some light on that. It was not the complete picture. There was some criticism about what we did and did not do in that. But it was our attempt to deal with the segregation question.

Senator NASH—Did you talk to the bulk handlers or just the farmers?

Mr Glyde—I am not quite sure who we talked to in relation to that report.

Senator NASH—It is a big issue, if you did not talk to the bulk handlers. Can you take that on notice?

Dr Penm—In February, ABARE held a workshop inviting industry people to discuss the GM issue and also we sent two officers—

Senator NASH—Could you provide the list to the committee, on notice, of who you actually had at that workshop?

Mr Glyde—Yes.

Dr Penm—I missed your question.

Senator NASH—Could you provide a list to the committee of the people who attended that workshop?

Dr Penm—Yes. Also, we sent two ABARE officers to talk to bulk handlers. Currently we are doing GM testing issues. If a GM crop becomes available, there will be testing procedures and so on. Just providing some information for the follow-on research ABARE is undertaking.

Senator MILNE—The International Assessment of Agricultural Knowledge, Science and Technology for Development released its work in April this year and identified the current situation in global agriculture. It identified some key challenges and options for the future of farming. Has ABARE taken that report into account in its scenario planning on GE?

Mr Glyde—Dr Penm, are you familiar with that report?

Dr Penm—I think we are familiar with that report.

Senator MILNE—Did you take it into account in the scenario planning?

Mr Gunasekera—I cannot comment on the report, but if you look at our report and the reference list in our report, we have extensively revealed the international literature on this

issue quite extensively: what is happening in North America, what is happening in Europe, what is happening in Asia. But I cannot specifically identify the specific reference that you are referring to there.

Senator MILNE—This is a report of some 400 scientists from around the world. It has the same sort of standing as the IPCC report has on climate. This has it on future scenarios and challenges in agriculture. It is not just any report. It is a peak report. I would like to know, if you can take it on notice, how it fed into it. Can you also tell me where the research is being done for you and who is doing it on GE? Is it all in house or have you got consultancies with various either industry groups or CRCs? Who is actually doing the work for you?

Dr Penm—All the GM crop work is undertaken in house. We have not commissioned any outside consultants. We basically do the whole research and report using our own Commonwealth staff members.

Senator SIEWERT—Could you tell me if you are doing any work around the issue of liability?

Mr Glyde—That is, who should pay, whether it is the adopter of the GM technology or the person who decides to stay GM free?

Senator SIEWERT—I know the approach that you have been taking in your reports, but I am wondering if you are doing any economic analysis of the impact of liability.

Dr Penm—That is not currently our work program for this financial year.

Senator SIEWERT—You are not going to be looking at that this financial year?

Dr Penm—We have not formulated our work program for the next financial year, but for this financial year that is not currently in our work program. Another issue is whether ABARE would be the best organisation to address the financial liability issue. That is also a question.

Senator NASH—Can you just tell me what the value of the canola crop was for 2007-08?

Dr Penm—You are talking about production?

Senator NASH—I am talking about the dollar value.

Dr Penm—Of canola production?

Senator NASH—Yes.

Dr Penm—For 2007-08 it was close to \$500 million.

Senator NASH—What about for 2008-09? Is there a projected forecast for 2008-09?

Dr Penm—Yes. Our forecast is about \$600 million.

Senator NASH—What markets is that \$600 million worth of canola going into?

Dr Penm—Our major export destinations are Japan, Pakistan and other Asian countries.

Senator NASH—What are those other Asian countries?

Dr Penm—I think they are small countries. Bangladesh, Pakistan and Japan are the major export destinations.

Senator NASH—How many minor export destinations are there?

Dr Penm—I do not have that information with me.

Senator NASH—Could you take that on notice?

Dr Penm—Yes.

Senator NASH—Of those three major export destinations you are talking about, what percentage of the total volume of canola goes to those three destinations?

Dr Penm—I have to take that on notice, because I do not have the statistical information.

Senator NASH—In your report, using assumptions, as ABARE seems to do, do we assume that when you are talking about the benefits in terms of the canola that is going to be exported, are you using those same destinations in your modelling?

Dr Penm—In the model, basically—

Senator NASH—In the model are you using those destinations or is it different to those current destinations?

Dr Penm—Naturally, the majority of the exports will go to those destinations. But if I can use the economic jargon, it is basically talking about the world market as a whole, so there will be indirect benefits from other markets to Australia. But to answer your question, mainly they will be going to those export destinations.

Senator NASH—So mainly they will be going to those export destinations, but you are assuming there might be some other?

Dr Penm—Yes.

Senator NASH—What are you basing that assumption on that there—

Dr Penm—It is not an assumption. It is basically built in in the model.

Senator NASH—Hang on. Just look at it from this perspective. GM canola being exported from Australia to a potential market that does not exist yet—what are you basing that on? It is just in the model?

Dr Penm—In the model, canola from Australia will be exported to the world market and it will mainly go to our major export destinations. Also, there are other countries producing canola that are also exporting to different export destinations. We assume, say, because of adoption of GM, we are going to have some increase in productivity and increase in competitiveness; that we are able to expand our export markets and so on. That is where—

Senator NASH—Assuming someone else wants to buy it?

Dr Penm—Yes, let us just assumed that is the case. Naturally there will be increased export sales and that is the reason why—

Senator NASH—Why do you say ‘naturally there will be increased export sales’?

Dr Penm—Because if we can produce canola we can increase our competitiveness of our canola production under the assumption that the GM will generate a slightly higher yield for production. Then we would be in a more competitive position to compete on the international market.

Senator NASH—How do you figure that? Just because have more canola it is going to make us more competitive? I am sorry, somebody might just want to clarify that for me.

Dr Penm—Let me give you a bit more explanation. We examined international experience, for example, Canada. Canada has been planting GM canola. The Canola Council of Canada provide some estimates in terms of a possible yield increase of around 10 per cent. We double check that by calculating the canola production in Canada divided by the area planted with canola over the series and we do find the yields start to increase.

Senator NASH—I understand that. I was trying to get the correlation between your talking about yield increase and the ability to get more markets.

Dr Penm—If the area planted to canola is the same and per unit of production can be higher, that basically means we are achieving productivity increase and therefore we are more competitive—

Senator NASH—In terms of price?

Dr Penm—than our competitors. That is how we create the economic benefits.

Senator NASH—Just in relation to those current export markets, what discussions have you had with those buyers around GM canola?

Dr Penm—Currently there are no import restrictions or import bans on GM canola on—

Senator NASH—I am sorry, I should have made myself a bit clearer. What discussions have you had with those importers of canola around the possibility of taking GM canola rather than just the ordinary canola we are currently exporting?

Dr Penm—Canada is producing GM canola and has been exporting—

Senator NASH—No. That is not my question. My question is: what discussions have ABARE or the department had with those export markets—

Mr Glyde—I am pretty sure we have had no discussions with the export market. What we are talking about here is a desktop study where we have looked at it. What Dr Penm was explaining was that when you look at the current regime, if you like, in relation to Japan, Pakistan and Bangladesh, the major markets there, we are assuming that their current lack of restrictions is maintained.

Dr O'Connell—The key point is that those markets do not have restrictions on GM, so we can assume that if we produce it at the lower—

Senator NASH—We have another assumption. My point is that, if we are going to have a balanced debate about GM and non-GM and—and as Senator Siewert pointed out before, regardless of whether this was the intent or not—the impression that your report has given is that if we do not move to GM canola we are going to be worse off. In people's minds that might be correct or it might be incorrect. But in terms of a balanced debate, that is the impression that is given by that report. So when you—

Dr O'Connell—I think that impression—

Senator NASH—Can I just finish? I understand it is a desktop study, but when you look at the practicalities of actually doing this I think ABARE needs to be a lot clearer. I know you

say you are being clear but I think you need to take on board that you need to be much clearer about the fact that you are using desktop studies, modelling and you are using a whole range of assumptions, when what you have in print clearly has a leaning towards that we will be worse off if we do not use GM canola. That is the impression that it gives.

Mr Glyde—I hear what you are saying. I think that what I would say is that we are in print with all of that complexity in the thick document that gets produced with all of the caveats and all of the references in it. We put out the one-page summary for people to quickly look at; most people will not have time to go through and read that report. You are saying that that is creating a false impression in terms of what is the intent or the content of the report. I am happy to have a look at that but I think, to be fair, we do put out all of the caveats. We do publish all the caveats. It is on our website. It is downloadable for free.

Senator NASH—But you understand that with anything that is published, if the main body of it looks in a particular direction and then the caveats actually tick off on that, there is the potential for it to be taken in an imbalanced way. Can I just move on to—

Senator ALLISON—I was just going to ask about something along these lines. I had a quick look at your press release that went with the report and it says nothing about the assumptions. It does not mention climate change. It talks about wheat as if wheat is here and with us now. Why was that?

Mr Glyde—Because I think if we were to list all of the assumptions in the complexity we have talked—

Senator ALLISON—None of them is there, none of them at all.

Mr Glyde—We direct people to the report to have a look at it. That is part of it. The balance we are trying to strike is how to put out something that will be sufficiently informative to say, ‘Hey, there is a report here’—

Senator ALLISON—You could not even put in one line that said, ‘This does not take account of X, Y and Z’?

Mr Glyde—I do not have a copy of the press release in front of me.

Senator ALLISON—I will read it if you like.

Dr Penn—In the report we actually put—

Senator ALLISON—I know it is in the report, but we all know that journalists pick up the story from your media release. That is why you put out a media release. It is the only reason to put out a media release. Otherwise you would just give everybody a copy of the report.

Mr Glyde—We do have to draw attention to the fact that it is published on the website.

Senator ALLISON—Sorry?

Mr Glyde—We do try to draw attention to the fact that we have published something on the website. That is why we put out the media release, to try to make people aware of the fact that another longwinded report with lots of caveats and scenario analysis based on a complicated economic model is out there.

Senator NASH—I do not think we want lots of caveats. But surely a one-liner that says this does not take into account climate change, does not take into account the fact that wheat is not here yet, does not take into account all the other things we have been talking about this afternoon—

Mr Glyde—It sounds like you are writing the report there as well.

Senator NASH—Perhaps someone else should.

Mr Glyde—By the time you get to that you might be over the limit of your one-page thing to attract attention.

Senator NASH—Your press release is at least 12 paragraphs long, so I suggest that something in there might have gone in favour of putting in some of these assumptions.

Mr Glyde—We also publish a two-page summary, too, a précis, that we hope might be able to provide some of the complexity that is often hard to convey in a media release.

Senator ALLISON—Why is that not referred to in the press release nor linked?

Mr Glyde—When you go to the website and you go to the link you find the option to take the précis, the one-page summary for the media savvy, and then for those few technocrats, the few that might actually want to have a look at the document and go through the assumptions and check what references we have used, that is also there. We are trying to provide communication to a number of different audiences. We do not expect farmers to be downloading the document and understanding it. We try to provide a summary that is a simple one. From the sound of it, you are not satisfied with the extent to which we have tried to introduce the caveats. I am happy to take that on notice and have a look at it again when we put out the next one. But we do document the assumptions that we make and where we get our information from.

Senator NASH—Can I just go back to the export destinations? I am sorry; I do not know which official made the comment that there are no current restrictions on GM canola into those destinations. I am happy for you to take this on notice. Could you provide a list to the committee with that list of the actual destinations of on what basis you are making the assumption that there is no restriction and if it is merely that it simply does not exist, that is absolutely fine, but then have you made the assumption that, if somebody was going to try to export GM canola to those countries, they would then put in a restriction saying, ‘No, we do not want it.’ Given that it is in such fledgling days, when things are in early development, countries do not necessarily think about what they might want to restrict if it is not planned on being brought in yet. That is a very roundabout way of saying that. But if you have got any proof that those countries would be happy to have GM canola could you provide that to the committee?

Dr Penm—Can I take this opportunity to give you the share of the major destinations? We export about 80 per cent of our canola exports to Japan, 11 per cent to Pakistan, about six per cent to Bangladesh, one per cent to China and then the remaining two per cent to other small destinations.

Senator NASH—That is terrific.

Dr Penm—It is really the three countries that I mentioned that are the major export destinations. The second point I would like to present is that earlier we did another study analysing some of the possible export restrictions. We looked at a scenario of what would happen if the European Union, for example, banned GM. Naturally, it is understandable that the economic benefit of Australia to undertake GM crops will be reduced, but it is still positive. I think from this type of scenario we can make some assessment in terms of market acceptance impacts of GM adoption. I think it is reasonable to say that if no-one wanted to take GM then adopting GM will definitely create significant economic losses. But let me say that since 1996 worldwide GM adoption has been increasing quite significantly, as our chief economist just mentioned, especially in emerging economies of China, India, Argentina and Brazil. They have been adopting GM crops in a very significant way. Some of those markets will be our major competitors in terms of export performance. Some of the markets will be the emerging markets for the future. What we are trying to do, as I mentioned earlier, is in the series of publications to examine as many issues as possible, but it is impossible for us to include all the issues in one document. Maybe when we undertake significant research we can put all of our publications into a single book, but at this stage what we are doing is, step by step, looking at all of the different issues.

Senator NASH—You have made assessments about the potential reduced costs through weed and pest control and increased yields. Where did you get the data to do that?

Dr Penm—We did not do any of those. We have looked at international experience. We are economists. Australia has not taken GM yet, except GM cotton and some minor flowers. So, there is no data available. What we have done is look at international experience, especially with countries that have a similar production system like Australia, including Canada, the United States and so on. Like I said, we do not have the expertise to look at a lot of the technical issues; we are not scientists. So, what we have done is look at international experience or consult some of our colleagues who have scientific expertise and then come up with an assessment. In our assessments we also factor in some very conservative assumptions. For example, in some eastern European countries when they are adopting GM they get a very significant yield increase. But we did not take that because we do not think that is attributable to adoption of GM. It could be due to some other reasons. As Mr Glyde said, we try to do our best to look at international experience and use our information on international experience to form the basis for this study.

Senator NASH—Finally, I would assume that you have had briefings through all of this from the pro-GM, non-GM sides of the debate. Is that a correct assumption?

Mr Gunasekera—We have made presentations at various forums. We are pro-GM as well as non pro-GM—

Senator NASH—No, I mean people coming to you. While you are determining your report, and while you are going through the process of putting your report together, I presumed that officials would have people coming to brief you from both sides of the debate. But I just assumed that. Is that incorrect?

Mr Glyde—We mentioned a workshop earlier on, didn't we?

Dr Penm—Yes. I think some of the media releases have not been very supportive of GM and also publications and so on. We have that information and we also look at some of the issues they raise. For example, talking about possible production costs, in our simulation we did not assume every GM crop simulation we put in there will all result in reduced costs. There is evidence to suggest that when you adopt GM maize production costs could even increase. We also incorporated that into our simulation.

Senator NASH—That is very interesting, but it was not what I meant, sorry. I will be a bit clearer. I will just be very simple. When you were going through the process of putting this report together at DAFF did you get people coming, say from chemical companies, to talk to you about anything or people from the other side of the debate coming in to talk to you?

Dr Penm—No.

Senator NASH—It was just pure desktop modelling, with no interaction at all?

Mr Glyde—That is correct. And the only thing I think we did was we shared the preliminary results at a workshop, and I think someone has already asked for the detail of that. We have not specifically gone out to get the views of one side of the debate and the views of the others. We have gone from the literature, got some estimates for costs of all sorts of different things and put those into the model. As I said earlier, it is a desktop study. It was not trying to take on board the views of science or whatever it might be. It was just: what is the economic data that is out there that is from a reputable source?

Senator NASH—If you could take on board, I think, the importance of ABARE as an organisation and the views that you have and the information that you put out there and the effect that that has on people out in the community, and particularly for something like this issue where we need a balanced debate to be very, very cautious about how you present your findings and views in this particular area.

Senator FISHER—I think this report is a good start and valuable work. I want to ask about your comments in the report about technology providers. You talk in the report on page 17 about the sharing of what you see as benefits of GM technologies under the heading ‘Technology Providers’. And you suggest that when a new technology enters the market the total benefit of that technology is usually shared among the technology provider, the GM seed supplier, technology users, presumably farmers in this case, and consumers, which may be or may be not all of us. The report then goes on to state that the degree of ‘competition in the market will determine how the total benefits of GM technologies are shared amongst the three groups’, so, technology provider, technology user and consumer. The report then makes the comment that some instances ‘GM seed supply companies hold a patent over their technology and have therefore been successful in retaining a share of the total benefits from their innovation’. The final comment is that ‘farmers and consumers have also received benefits’. What work have you been able to do thus far on the break-up of those benefits and what factors beyond the general comment about the degree of competition, and what factors influence that break-up?

Dr Penm—Like I said earlier, this is also based on the international survey of their GM adoption experience. I think we have a survey of some studies published in international journals in terms of GM adoptions and there are different estimates. In general, I think our

statements basically provide the picture that, if there is significant competition in terms of the GM seed providers, then benefits to them would be relatively lower compared to what would otherwise be the case. That is, the share of the benefit would go to the seed provider. If there are many seed providers, the share would be lower compared to if there were only one seed provider.

Senator FISHER—If there are more farmers growing a genetically modified crop, presumably that influences the equation to the other degree? Earlier on in your report you talk, for example, about the influence on technology, fees and costs overall of the need for buffer zones. Presumably if you have more people growing the stuff you need fewer buffer zones?

Dr Penm—Exactly.

Senator FISHER—I represent a South Australian constituency, and we have a state government that has extended a moratorium on the growing of genetically modified crops. I am concerned that farmers not able to grow genetically modified crops in South Australia will be left out of engaging with any credibility in the debate about how we protect farmers' interests so that the technology providers do not take more than their share of the equation. That is the angle I am coming from and I am concerned to see that ABARE is able to make some informed assessment and draw some conclusions about that equation.

Dr Penm—I can provide a view. If GM technology proves that it can bring significant benefits to growers, there will be more and more farmers growing GM. Then the remainder of farmers growing non-GM crops may be facing a situation that the services may start to decline or the technology improvements and so on with respect to the non-GM crops may start to weaken. Naturally vice-versa can happen if no farmers want to take up GM, even if the moratorium has been lifted. There will be some impacts in terms of whether there will be a majority of the farmers taking up certain technologies. That is just my view on the issue.

Senator FISHER—What things help or hinder your ability to research and analyse this aspect further?

Dr Penm—A major issue for us to undertake such research is that there is no precedent in Australia that we can actually comfortably survey or ask the question, because there is no empirical evidence. That is the reason why we take the approach of examining international experience.

Senator FISHER—Is a consequence perhaps of what you are suggesting that, until we put our toe in the water more and grow some more perhaps experimentally, we are not going to be able to extrapolate in any empirical way?

Dr Penm—I think an examination of international experience is a good guide, but naturally it is not 100 per cent. Anyone can say there are certain differences in terms of all sorts of factors. That is basically an issue in any study of this nature.

Senator FISHER—Thank you.

Mr Glyde—In terms of looking at specific examples, it obviously varies with the particular product—and I do not know if this goes to your original question—but in doing the work we found that in terms of the introduction of Bt cotton in the US from 96 to 98 there was a study

done on that where it estimated that seed companies were extracting 36 per cent of the total benefit, farmers were getting about 45 per cent and the consumers were getting about 19 per cent as a result of lower prices. So, that is not going to be the indicator for all GM crops, but there is some work out there that goes to that question of who gets the benefit. Is it all going to go to the inventor of the product or not.

Senator FISHER—Thank you.

Senator MILNE—I asked a while ago who did the research for this report and whether it contracted anywhere else, and you said it was in house. But I now understand that the field trial data that you drew on to do this report was actually done by the biotech companies. Is that true and which biotech companies provided the field data on which to write this report?

Dr Penm—What we have done is examine internationally published papers. We did not go to any biotech companies and ask them for data, because there is a credibility issue. We have examined international journals that have been published of for more credible or, if you like, independent research, the reports provided by independent research bodies. That is how we approached this issue. We did not approach any companies or any industry groups to ask them to provide the data for us.

Senator MILNE—All the data is on internationally published reports, but how can I be confident, in spite of what you are saying, that those reports were based on objective public sector research rather than company information, since it is the biotech sector that is paying for all of these trials?

Dr Penm—We clearly list all the references in our report, and quite a large number of the reports are published in internationally renowned professional journals. Naturally I cannot give guarantees that they are all 100 per cent unbiased. But as economists by training, we know this is one of the methods that has been accepted by the research community as a way to conduct research. May I say this is a research report, this is not a policy recommendation. We undertake the research subject to the traditional method.

Senator MILNE—My understanding is that the Department of Agriculture's Rural Policy Innovation Division paid for this report. How much did it cost and did any of the private sector companies have any input into that payment?

Dr Penm—There are no private companies involved as I understand. If I remember correctly—

Mr Glyde—To be quite clear, there is no funding from any biotech company in here. The staff time that went into this report was paid for by the department, and that is to pay for three internal ABARE economist modellers to work on this amongst their other tasks. I would like to follow on to Dr Penm's earlier answer. If you look through the list of references which I will not bore you with, but if you look through there, there is a number of journals we have referred to. They are peer reviewed journals like the *AgBioForum*, *Pest Management Science*, *Food Policy* and the like, where we are relying on the publishing processes of peer reviewed journals, which is a very standard academic practice. What we have done there is lay out where we got the information from. People will make judgments about the extent or otherwise of the independence of that work. But as Dr Penm said, using the peer reviewed journals does have a degree of scientific and economic credibility about it.

Senator MILNE—In a press release I have in front of me, Ian Thompson, Executive Manager of Rural Policy and Innovation, says:

There are only so many commercial GM trials conducted in Australia, some by CSIRO, some by R&D corporations and some by biotech companies. Providing the data is reported and recorded in accordance with reputable scientific standards I think it can be used and that enables people to form their own conclusions on how they wish to interpret ABARE's conclusions.

Do I take from that that the biotech trial data is part of the reference of this report?

Mr Glyde—I will double-check with Dr Penm, but I thought I heard him say that we did not use any data from Australia. Is that correct, Dr Penm?

Dr Penm—For example, we assume the yield increase of 10 per cent for canola and that is actually from a study undertaken by Canola Council of Canada. I think Mr Thompson's statement is a general statement. I do not think that is a reflection of our research process.

Senator MILNE—My question just simply is this: were any of those biotech company trials conducted in Australia fed into this report?

Dr Penm—No. We surveyed those reports. Some of the numbers in terms of yield increase are much higher than our assumptions implemented in the model. We did not use those biotech company's data.

Senator MILNE—That is what I was trying to establish. Thank you.

CHAIR—Senator Allison, did you have a question? No. Are there any other questions of ABARE?

Senator McGAURAN—Yes, on a completely different issue and not as forensic as the last set of questioning. We are racing against the clock, too, Mr Chairman, and I wish to be able to cooperate and just whip through this question without interruption. It is in relation to ABARE's forecast or estimates of average cash incomes per farm for Victorian dairy farmers. There have just been a few raised eyebrows so I just want to know your methodology. For example, it is \$127,000 per farm in Victoria. The irrigators from the north—I see you nodding your heads.

Mr Glyde—Yes, I agree with the article.

Senator McGAURAN—So we can skip the question?

CHAIR—Senator McGauran, you have just interrupted yourself.

Senator McGAURAN—Yes. I am sorry. I am trying to cut to the chase.

Senator Sherry—Explain.

Senator McGAURAN—Is it a straight—explain—average and do you incorporate weighted averages? Of the 300 taken in the Australia-wide survey, why are only 95 from Victoria. Why would a greater weight not be given to Victoria?

Mr Glyde—The question of our statistical survey design is not something I am personally familiar with. Dr Sheales, are you able to assist here or is it something we should best take on notice?

Dr Sheales—I am not responsible for doing the surveys, but these surveys are weighted so that they are representative of the broader population. If it is 95 for Victoria, that would be a representative sample to give you a good representation of what is happening, and for different sizes of farms as well.

Senator McGAURAN—Is it weighted? The northern irrigators say they would make half that income, that is, the average.

Dr Sheales—I do not have the information in front of me, but we do look at different regions and certainly northern Victoria is a region, as far as I know for dairying.

Senator McGAURAN—That region would be looked at separately to Gippsland, for example.

Dr Penm—I think your question refers to the paper we produced at our regional conference in Bendigo. The first question, like Dr Sheales said, is that given the resources we have we designed the survey in terms of the weights so that we can get unbiased estimates from our sample to look at the issues we want to address. And for our regional conference we also focus on the region we are going to do our presentation so that we can give a more, if you like, close to home type of estimate.

Senator McGAURAN—Can you give me the average of the Victorian northern region dairy farmers income?

Dr Penm—I will have to take that on notice.

Senator McGAURAN—Yes.

CHAIR—Thank you. Are there any other questions of ABARE?

Senator IAN MACDONALD—Have we been into ethanol while I have been away?

CHAIR—We have. No, you were here. Sorry, Senator Macdonald.

Senator IAN MACDONALD—It was suggested I refer to ABARE.

CHAIR—I am sorry. Yes, you are right.

Senator IAN MACDONALD—Can you just briefly update us on this? As the Chairman pointed out, there have been a number of Senate inquiries into this over the years. With oil so high, why is ethanol not a more attractive financial proposition now? I understand that most of the Brazilian production is now allocated to fuel production rather than to raw sugar production?

Dr Sheales—You mentioned two things there. Firstly, in Brazil roughly 55 per cent goes into ethanol and not most, even though it is a majority. That varies according to the relative returns those producers can make out of turning the cane into sugar or into ethanol. Secondly—and I suppose this is one of the unintended outcomes of what we have been witnessing with the oil market. Certainly on the face of it ethanol should now be very profitable. What of course has happened to make sure that is not the case is the prices of inputs have gone up a lot.

Senator IAN MACDONALD—The price of?

Dr Sheales—Inputs; the feed stocks that are used to produce it. That is particularly the case for grains, but it also applies to sugar as well. But sugar prices are holding up a lot better than probably anyone expected and that is because globally at least of the ethanol effect.

Senator IAN MACDONALD—Can you remind me of the most recent information you have on the world price for sugar?

Dr Sheales—It is currently around 12c or 13c a pound, which is in historic terms a fairly good price.

Senator IAN MACDONALD—It has been higher in the last 12 months.

Dr Sheales—It certainly has. I think it was up around 14c about a year ago. That has come off somewhat. But there are a whole host of things. Feedstock, of course, is the key cost in producing ethanol, but there are other costs as well.

Senator IAN MACDONALD—You have the figures. We were looking at ethanol when oil was, as I recall, around \$35 a barrel. At those stages ethanol was said to be just outside the economic proposition without some government support, and there is some government support even at that price. But now that oil is \$100 a barrel more, the figures just do not seem to gel. Even if sugar has gone up from 7c or 8c cents a pound to 12c or 13c a pound, it still does not seem to equate to the same increases as oil has done.

Dr Sheales—That is correct. My understanding, from talking to industry, is that producing ethanol from sugar is still a fairly marginal exercise. In other words, margin in an economic sense. That has to be attributed to the costs of the feedstocks that are going into it. Not only the feedstocks; the actual energy costs are up, a whole range of costs have gone up.

Senator IAN MACDONALD—I can accept this for grain, but I would not have thought sugar fitted into the same category.

Dr Sheales—It appears to. My understanding of it is that there is not a lot of money to be made out of producing ethanol from sugar. There is some money to be made from it, for sure, or else people would not be doing it, but not as much as looking at oil prices and just sugar prices would suggest to you.

Senator IAN MACDONALD—Are you just chatting to me anecdotally? Has ABARE done any sort of sums on this in recent times?

Dr Sheales—One of the difficulties in dealing with this issue in general is getting decent data to work with. There is some old data around. There is some foreign data around that would help. For example, in the United States the USDA, together with some universities, have done some research on the costs of producing ethanol for a range of different feedstocks, including molasses, and juice from sugarcane as well as from grains. What that showed is that the profitability either way is not very high. You cannot translate those directly into Australia. At least that is the impression I am given when I have asked the question. For example, construction costs here in Australia are a lot higher so your capital investment costs are a lot higher than even in the United States. The other thing associated with that is that the actual standards are not as high in the United States as here.

Senator IAN MACDONALD—The standards of?

Dr Sheales—The construction standards and also the capital costs of building facilities to do this. My understanding is that they would be the key reasons why it is not quite as profitable as it would appear on the face.

Senator IAN MACDONALD—I buy E10 petrol for my car, so obviously someone is producing it in Australia. And I acknowledge that there are some imports. But I would not have thought it is all that difficult to get the figures. Are they a bit tight lipped about the costs of producing ethanol in Australia at the present time?

Dr Sheales—I would suggest that every single producer regards this information as commercial-in-confidence to them, but certainly with respect to the amount that is produced, with ethanol from sugar, for example, with the Sarina plant in Queensland I understand the capacity is about 35 million litres a year.

Senator ALLISON—It goes to Japan for consumption. It is high-level ethanol.

Dr Sheales—That is not the information that has been given to me by the company. There is a plant in Yarraville, in Melbourne, which produces high-grade ethanol that goes into pharmaceuticals, industrial users, and I suspect some of that might be exported.

Senator ALLISON—I do not think ethanol from Sarina goes into petrol, not the last time I visited there.

Dr Sheales—I can only go with what the company has told me, and I know that they have told plenty of other people this. That is all I can go on.

Senator IAN MACDONALD—Whilst I hate to agree with Senator Allison, I thought that a fair percentage of the Sarina output did go to higher quality things. But perhaps if that is not right let us know on notice. I am not doubting you; it is just that I had that sort of impression. But it might be a 10-year-old impression.

Dr Sheales—I think there has been some reorientation to put more emphasis on fuel out of Sarina than there was, and I think some of that fuel went to the high grade via Yarraville. My understanding is now that some imported ethanol is used in Yarraville so that there is more ethanol freed up for fuel use out of that plant. That is my understanding. I do not claim to have it 100 per cent correct. That is not inconsistent with what you just said, of course.

Senator ALLISON—Can I pursue another question here?

Senator IAN MACDONALD—We interrupted you, so can you finish your answer.

Dr Sheales—I am finished.

Senator IAN MACDONALD—If it is on the issue, then please be my guest.

Senator ALLISON—To what extent does your work look at the reluctance of oil companies to provide a market for ethanol production into fuel?

Dr Sheales—I have heard that this may be the case in some instances. I have not had anyone tell me that it is in fact the case.

Dr O'Connell—We are straying into the area which is really the resources and energy department's turf, which is the nature of the policy around biofuels.

Senator ALLISON—If ABARE is doing projections of ethanol production, surely this is one of the inputs into that consideration.

Dr O'Connell—Mr Glyde can explain that ABARE is not doing current work in this particular area.

Mr Glyde—We are not projecting anything in relation to what the future price of ethanol or biofuels will be. We are doing some work at the moment looking at the impact of biofuels policies and whether or not those international policies are going to achieve their objectives and whether or not they might have some unintended consequences on other markets such as food markets. We are doing that internally at the moment, but we do not forecast prices for ethanol.

Senator ALLISON—I was not asking about prices.

Mr Glyde—No, or production volumes.

Dr O'Connell—I did not want us to be getting into areas speculating about the role of oil companies in ethanol. It is not an area that we look at.

Senator ALLISON—Because you do not think that could be a factor?

Dr O'Connell—I do not think that that is an issue for this portfolio.

CHAIR—Senator Macdonald?

Senator IAN MACDONALD—I am a fraction put off by the fact that ABARE is not looking at this. With oil prices as high as they are, I remember under the previous government we participated in a conference in Riyadh of oil producers and oil consumers when the price got to the outrageous price of \$33 a barrel. Perhaps, Minister, your government might be able to think about some international meeting to try and address the issues as we did 10 years ago, but that is an aside. But with fuel as high as it is and the petrol at the bowser and the cost of living to ordinary working families going through the roof, and the government seeming to be incapable of doing anything about it, I would have thought that might have been something that ABARE might have been urgently focusing upon, alternatives to fossil fuels. No?

Dr Sheales—The work ABARE has been doing is really just looking at the information we can gather. We are not trying to do any forward projects, as has already been indicated to you. I have related to you my understanding of the situation from a range of sources, and that is about all we can say on that particular issue.

Senator IAN MACDONALD—I would just like to move on. Again, I should know exactly what ABARE does, but perhaps I have forgotten with the passage of time. Perhaps it should be BRS. Would it be in your bailiwick to look at other areas of Australia—my instinct is northern Australia—that might be suitable for growing feedstocks for an ethanol or biofuels industry, either in grain or sugar, on the basis that, whilst it may not be appropriate for raw sugar production, you might be able to get economies of scale that might make new areas of cane or grain production suitable for ethanol? Is that something you would look into?

Dr Sheales—ABARE basically is the home of some humble economists and the sort of question you are asking about what might grow in different places and how well and all that sort of thing is well beyond our purview. Really you would have to ask people with a bit more

technical and scientific knowledge to be able to give you some indications, but unfortunately ABARE is not the place for that.

Senator IAN MACDONALD—I would have to say that you were dobbed in by someone else in the department. Perhaps if you are not the people, you could do in whom I might put these questions to?

Dr Sheales—I am always loath to dump in colleagues. I know we get dumped in from time to time. But I think my answer may indicate where you want to ask questions. I do not know whether others in this department have answers that would be helpful to you. There is certainly thinking going on about so-called second generation fuels or feedstocks and what they may or may not mean and whether they are feasible or not or likely to be feasible. A whole range of things is being addressed by people doing scientific research, people looking at commercial possibilities and so forth. But my understanding, again from talking to a range of different people and sort of seeing what I see in the literature, is that those sorts of possibilities are still some way off, particularly with commercialisation.

Senator IAN MACDONALD—I do not recall the name, but again you or someone else might know. Someone was telling me that there is a new plant out now that can be converted to ethanol that is neither grain nor sugar. Does that ring a bell with anyone?

Dr Sheales—There is a whole range of plants that have potential but, as I said, it comes down to their commercial viability, and that would include being able to manage them as crops and finding somewhere to grow them that perhaps did not compete for land with food producing crops. All of that is still to be really addressed properly, and any commercialisation has to be a long way off. A long way in terms of I have heard people saying a decade, but they have been saying that for a couple of years so maybe it is a bit closer than that.

Senator NASH—I am assuming you are referring to plant matter and the lignocellulose process. Being humble economists, I am sure it is not happening in your department, but can you direct me to within Australia any bodies that are currently undertaking research into the development of lignocelluloses? This is really important, given the discussion we have worldwide about fuel for food. Developing a process whereby we can use plant matter that is not actually food to go into the development of ethanol would surely be a priority. Could you enlighten me whether there is any research happening in Australia into this?

Mr Glyde—The suggestion would be to speak to CSIRO about that. They are probably best placed on that. We had a presentation at one of our regional outlook conferences where people were talking about second, third and fourth generation technology in relation to lignocellulosics and the like.

Senator NASH—Are you aware of any research that is actually happening on lignocellulose in Australia?

Mr Glyde—I am not personally aware, but I understand some has been conducted. I think CSIRO is the place to go.

Senator NASH—I am very happy for you to take that on notice, if you would not mind, and come back to us. That would be quite useful and we can follow it up from here.

Dr Sheales—I understand that there is that sort of research going on. We would have to look up as to who exactly it is.

Mr Glyde—We will work with our colleagues to give you an answer.

Senator NASH—That would be great.

Senator IAN MACDONALD—Assuming the CSIRO still exists. I thought it got decimated.

Senator NASH—Exactly. If you could take that on notice for me and also the funding arrangements for that research?

Mr Glyde—That is probably a question best directed to CSIRO. We can point you in the direction as to where to go, but finding out exactly what the nature of the funding is for the research is probably a question best put to CSIRO.

Senator NASH—I will do that. Thank you.

Senator McGAURAN—I return to my question on Victorian dairy. I hope that you have taken on notice that the northern irrigated farmers is what I was looking at. Can you also tell me whether this figure is correct as published? Victoria has two-thirds of the dairy farms across the Australia and yet only one third of the sample was taken in Victoria? I would request that you get back to me on the sampling.

Mr Glyde—We can do that.

CHAIR—Are there any other questions? Senator Macdonald, you have finished your questioning.

Senator MILNE—Earlier today we were having a discussion about agricultural land taken out of food production for forestry plantations through MIS schemes and other incentives and so on. Does ABARE have any statistics on this and do you differentiate land in this way?

Mr Glyde—That might be a question best directed to the Bureau of Resource Sciences, I suspect, in respect of areas of land and land use change. They are on the agenda after us.

Senator MILNE—Do you not have statistics on land use change in that way? Plantations may not be seen as a land use change because they are both crops.

Mr Glyde—We produce forests and wood statistics, and the BRS also produces a *State of the Forests* report. Perhaps between the two of us we might need to figure out whether or not we can actually answer that question.

Senator MILNE—My interest is in a state-by-state analysis of how much land has gone out of crops for food production into crops for plantation production. The state-by-state analysis basically in the last 10 years would be quite interesting to look at.

[6.15 pm]

Mr Glyde—We will take that on notice. If we can produce an answer in the course of the evening we will do so, but I suspect not.

Senator MILNE—My other question relates to the model that we discussed at a previous time building the capacity for ABARE to link its economic modelling with CSIRO's climate modelling.

Mr Glyde—Yes.

Senator MILNE—I am interested in knowing whether there was any money in the budget to further advance that work and, if not, what your projected goal is for this year then in terms of the ongoing construction of that model and its likely completion date, et cetera.

Mr Glyde—The short answer is there was no funding sought or provided in the 2008-09 budget for that project. It is a joint project where ABARE and CSIRO are working together using our existing resources. Our plan is to try and demonstrate, as we mentioned earlier on, a proof of concept model that would be sufficiently robust for people to look at it and then we might see whether or not we can get that funded either through CSIRO or some of the other Commonwealth government departments in this town.

Senator MILNE—Are you expecting that proof of modelling to be completed in this financial year?

Mr Glyde—I might have to ask Dr Gunasekera about that.

Mr Gunasekera—In March during the outlook conference we produced a short paper describing the framework and currently we are using the modelling framework to do some analysis for the Garnaut review. This is in collaboration with the CSIRO and that work will be an enhancement of the work that we produced in March. Hopefully, by the end of the calendar year we are likely to have a proof of concept modelling framework.

Senator MILNE—Why did you not apply for any additional funding for that modelling work? I thought that would be a priority for ABARE.

Mr Glyde—The main reason was to be absolutely sure that this would actually work, that we could do it with these two models. So I think we have to crawl a little bit, which is why we are investing existing resources in it at the moment, to crawl a little bit, to make sure that we, both CSIRO and ABARE, are confident that it actually can be done. So I think we are just at that stage of the development of the joined together models where it is just not feasible to go and ask for funding on something we are not having yet demonstrated completely.

Senator MILNE—To follow up on the comment about the involvement of ABARE with CSIRO and Treasury, presumably, in the development of the Garnaut report, how many people from ABARE are involved in that and what modelling is ABARE bringing to that? Is that this combined model or is this different modelling or what?

Mr Glyde—I will start off and perhaps Dr Gunasekera can help me out. At the moment and for the last 12 months, we have had two ABARE officers seconded to the Treasury modelling team that is doing the work to underpin the government's estimates of how to design the emissions trading scheme. Amongst other models they are using ABARE's GTEM, global trade and environment, model. They have taken a version of our model and they are using it within the Treasury. The Garnaut team and the Treasury are working together because, in essence, they are different processes but they are trying to make sure they are using the same information, the same scenarios and the same range of models so it is very much a shared arrangement. We also have done some other work for the Garnaut team, again with the knowledge and agreement of Treasury and the Department of Climate Change, to give them modelling information and assessments on sectoral impacts such as on the forestry

sector and agricultural sector and the like. We have, if you like, been providing both the model and the data within it, and the people to run it to the Treasury and they operate under the direction of the Treasurer's steering committee in the Treasury.

Senator MILNE—Can you confirm that you are not modelling below 550 parts per million?

Mr Glyde—I cannot confirm one way or another. This is obviously work that is being done for the government and I am not in a position to be able to provide that to you.

Senator MILNE—Can ABARE's models model below 550 parts per million?

Mr Glyde—Again, I do not really think I can provide that information.

Senator MILNE—Surely you can tell me what your model is capable of modelling down to. The other as to whether you are going to or not is government policy, but is the model capable of going down to below 550 parts per million?

Mr Glyde—I think these are questions that are best directed to the Department of the Treasury, which is in charge of the modelling process. They are the ones that are operating a version of our model. They have made changes to our model, changes to the assumptions, changes to the reference case and they have made changes to some of the data in it as well. That again is with the idea to make sure there is consistency not only with the Garnaut process but also they are using other models both at a global scale and at a national scale. So I think I am loathe to comment on that because that is genuinely a matter where they are doing the work.

Senator MILNE—Thank you.

CHAIR—Are there any other questions of ABARE?

Senator NASH—I wondered if I might just ask the minister a question before we break for tea.

CHAIR—Of course you can.

Senator NASH—Apologies, this might have been covered earlier. Am I right in that you mentioned earlier in the day that you had received a charter letter from the parties—

Senator Sherry—No. I was going to clear that matter up because I had not received a charter, and I apologise for inadvertently giving the wrong information. When Senator Fielding asked about that I thought he was referring to my letter of appointment. That is what I was referring to. Initially it was a letter of appointment to this committee, but then I asked finance and superannuation and corporate law and that is what I was referring to. I apologise if that caused—

Senator McGAURAN—So you are rudderless at the moment.

Senator Sherry—I am here in a legally appointed capacity by letter of appointment and confirmation by the Governor General.

Senator HEFFERNAN—I am still waiting for my letter.

Senator FIELDING—Chair, because I asked the original question, the issue has come up with other ministers as well, so I think it is important we clarify this. Back on 27 November

2007 on a 7.30 Report the Prime Minister said that he would be looking at performance benchmarks for cabinet colleagues which are ministers. In Senate estimates earlier this year in February I asked the question of the Prime Minister and Cabinet about these performance benchmarks for ministers. They responded to me saying that these charter letters would have an agreed program of work to be undertaken by that minister, any of the ministers specifically, with key objectives both in the short and longer term in that portfolio so that there is a common understanding between the minister and Prime Minister of those issues that need to be done. In February they said that letters had been drafted and I now find out that even you as a minister have not received that letter.

Senator Sherry—I have not received what you were referring to, no.

Senator FIELDING—It is not what I was referring to. Anyway, I am just saying that the Prime Minister and Chris Evans and the Prime Minister and Cabinet have said these letters had been drafted back in February and you have not received one. That is the issue that we have here, that they have not been agreed to and have not even been sent.

Senator Sherry—That is an issue you will have to take up with the Prime Minister's—

CHAIR—That is not an issue for the Rural and Regional Affairs Committee.

Senator Sherry—No.

CHAIR—Transport estimates committee.

Senator HOGG—Chair, it has been an issue before PM&C and I think that is the appropriate place that it should be raised.

CHAIR—I agree, Senator Hogg.

Dr O'Connell—Chair, we have a couple of minutes and it might be useful if Mr Pahl could provide some of the information he undertook to do.

CHAIR—By all means, Mr Pahl.

Mr Pahl—Yesterday Senator Milne asked some questions about toner cartridges. I have been able to get some information about that. I think your first question was whether or not we had a policy about the use of manufactured printer cartridges and the answer was yes. You also asked whether we were aware that some manufacturers are using chips that prevent cartridge reuse and the answer to that is also yes. You also asked about where we get our printers from. The majority of our printers in fact come as part of our IT outsourcing arrangements with our outsource provider, which is Volante. The printer cartridges are provided to the specification that is set out in that broader IT contract. The majority of those printers are Lexmark printers but we do have some specialty printers and thermal plotters and so on in addition to the normal print group.

You also asked whether there were any contractual conditions on what cartridges can be used and the answer is no, there are not. You asked about the spend on cartridges and the amount year to date is \$510,400. You also asked whether we use Planet Ark, and Lexmark do have a cartridge recycling program with Planet Ark so the answer is yes, some do go through that program. I think your last question was about whether or not we use companies such as Corporate Express and the answer to that is yes, we do, but in addition to that company we

use a range of other companies, with the majority of our cartridges coming from a company called Toner Express which, as I understand it, is an Australian company.

Senator MILNE—Thank you for doing all that work because I think the figure will surprise people across the public sector just how much we are now spending on cartridges—

Mr Pahl—Yes.

Senator MILNE—and the issue of a government policy in relation to reusing those cartridges rather than buying new ones all the time and recycling. Even though you are recycling, reuse is a better option. Do you reuse as in refill any of them or—

Mr Pahl—Some would be refilled certainly as part of the contract arrangements that we have.

Senator MILNE—Could you come back to me with some more specific information about reuse, because my understanding is that those new chips on those cartridges actually are activated to make sure that they cannot be refilled, that the manufacturers have now stopped people being able to refill them. I would really be interested to know what percentage you are now refilling and whether that is a drop in percentage because of the chips being activated to prevent refilling.

Mr Pahl—I will come back on that if I could.

Senator MILNE—Thank you.

Mr Pahl—Just in the last minute, Senator Scullion, you asked me some questions yesterday about staff numbers.

Senator SCULLION—Mr Pahl, I will look forward to receiving that. Can I have this opportunity in the last 60—no, I will withdraw that. I will try to find another opportunity to ask that question.

Mr Pahl—I think you wanted an update on the figures that have been provided to you on notice. The update is at 30 April 2008 we have 4,099 full-time staff, 897 part-time staff and 106 casuals for a grand total of 5,102 staff.

Senator SCULLION—Was there an update on the contractors? Perhaps you can add that.

Mr Pahl—I do not think I have contractors but I will just deal with the others and then if I have it I will certainly give it to you. You also wanted the average length of time for non-ongoing employees in the department. For full-time employees that is 1.09 years and for part-time employees it is 1.04 years. I do not have the number for contractors for you but I will certainly get that to you.

Senator SCULLION—Thank you very much, Mr Pahl.

Senator IAN MACDONALD—Did we ask you for the number in the minister's offices and numbers of DLOs in the department?

Senator Sherry—I think that was asked in February.

Senator IAN MACDONALD—It might have been asked in February but we want to know today.

Dr O'Connell—It was asked yesterday too as well. There are two DLOs.

CHAIR—Thank you, Mr Pahl. Seeing as it has been asked and it is now 6.30 we will adjourn for—

Mr Glyde—I have an answer in relation to Senator Allison's question in relation to oil prices. I hesitate to go back but we have done a quick web search—

Senator HEFFERNAN—Quit while you are in front.

CHAIR—You do not have to. Carry on, Mr Glyde.

Mr Glyde—We undertook to see if we could dig it out but we have done a quick web search. We cannot find the IEA forecast of US\$110 a barrel that Senator Allison talked about. We did find an EIA forecast. In their monthly report they forecast a price of US\$110 a barrel for 2008. Their report was published in May 2008 and our forecast was made in around mid-February. The difference between our short-term forecast and theirs largely reflects the different timing of when these forecasts were made.

CHAIR—I am sure you can table that. Thank you very much, Mr Glyde. To officers from ABARE, thank you. We will resume at 7.30 on the dot and we will be calling officers from the Bureau of Rural Sciences.

Proceedings suspended from 6.32 pm to 7.30 pm

Bureau of Rural Sciences

CHAIR—I welcome officers from the Bureau of Rural Sciences.

Senator O'BRIEN—I wonder if the bureau has any information or done any work on the use of triazines in agriculture in Australia. I see that the Victorian study regarding GM food suggested that there were 600 tonnes per year used. I did not know where that figure came from. I could not find a source but I thought that the BRS may be able to help with that.

Dr Grant—The bureau is not doing any work on triazine.

Senator O'BRIEN—Not in agriculture, not in forestry?

Dr Grant—Not at all.

Senator O'BRIEN—You are not collecting any information at all on that?

Dr Grant—No.

Senator O'BRIEN—That is all I wanted to ask about.

Senator SCULLION—I know the BRS have always been a very responsive organisation that we look to with regard to changing themes both globally and in Australia. I know there are plenty of issues around food security that you would look at anyway but as this has become a mainstream concern both globally and in Australia have you done any work or do you intend to do any work in that area?

Dr Grant—We have not done any work in food security directly. We have no intention to do that unless we are asked to do it. There are a number of things that we work on related to food but it is not specifically to do with food security.

CHAIR—If there are no further questions to the officers of the Bureau of Rural Sciences, I thank you very much for your time. Enjoy the evening!

[7.34 pm]

Rural Policy and Innovation

CHAIR—I welcome officers from Rural Policy and Innovation.

Senator NASH—I am interested to ask some questions around drought funding for programs. Should I direct those to anybody in particular?

Mr Thompson—Perhaps questions should be directed to myself and Ms Cupit.

Senator NASH—Thank you. What modelling is being done in terms of the current drought and drought projections?

Mr Thompson—In our division of the department we do not actually model what the future drought or forecast might be. We rely on information from the Bureau of Meteorology.

Senator NASH—Sorry, I have phrased that very badly then. What is the Bureau of Meteorology saying about the drought forecast for the next 12 months?

Mr Thompson—I would not like to go into great detail about what the Bureau of Meteorology is saying. That might be better referred to them or other experts. But the general picture is of a weakening La Nina. For northern Australia a slightly above average next six months and for southern Australia I think about a fifty-fifty chance of an average season.

Senator NASH—I am sure you would be aware that the drought is fairly high on the list of priorities at the moment. State by state, how much of each state is actually in drought at the moment?

Ms Cupit—By state, the areas that are declared in exceptional circumstances are: New South Wales-ACT, 98.2 per cent of the agricultural land is EC declared; Queensland, 60.2 per cent of agricultural land is EC declared; Victoria, 100 per cent of the agricultural land is EC declared; South Australia, 96.5 per cent of the agricultural land is EC declared; Western Australia, 15 per cent of the agricultural land is EC declared; Tasmania, 48.7 per cent of the agricultural land is EC declared; and the Northern Territory, 25.7 per cent of the agricultural land is EC declared.

Senator NASH—Have you got comparative figures for the 12 months previous?

Mr Thompson—We do not have those figures here with us but we could take that on notice.

Senator NASH—If you could take that on notice that would be good. Are you aware of any general national trend? I am certainly not asking for specific figures. But in your view, in terms of the drought declared areas, the EC declared areas, is it worse now than it was 12 months ago? Is it better, worse, the same?

Mr Thompson—It is about the same. Why I was a bit cautious about saying we would take it on notice is that it is about the same and there could be some variations but they would probably be quite small in terms of EC declared areas.

Senator NASH—One of the earlier witnesses, in one of their reports, was referring to the previous nine months of good rain. I thought might have been a little optimistic on their behalf, but that is by the by. As to the Bureau of Meteorology information that you work from,

is it possible—and you can certainly take this on notice—to supply that to the committee so that we can have a look at the actual information that you are working on to determine your view of the likelihood of drought and drought forecast?

Mr Thompson—Yes, we can do that. The piece of information we draw on for the current situation is material that is publicly available by and large in the National Agricultural Monitoring System, and, for the bureau forecasts, we rely on their regular seasonal forecasts and drought forecasts which, again, are publicly available reports.

Senator NASH—Right, but it would be interesting to look at what you have actually used to collate your information. If we take, say, 12 months ago compared to now as roughly the same, then what is the general forecast for the next 12 months from your position where you are in the department. It is pretty much the same last year as it is now. Where do you see us sitting in the next 12 months?

Mr Thompson—I do not like to predict the weather particularly but where we could say we were basing things upon things that have happened in Northern Queensland, they did have a rain over summer. But in southern Queensland through New South Wales and Victoria the situation was different. I think the forecast going forward, as I said earlier, the Bureau of Meteorology is forecasting a fifty-fifty chance of an average season and for drought in southern Australia, where they predominantly rely on winter cropping or winter pastures, what happens over the next few weeks or month is probably of some critical importance once you get into the winter rainfall area. Making a prediction would be quite rash so I would be sort of saying that for southern Australia it is a very difficult call at the present time.

Senator NASH—That being the case, you really have to assess the situation as you go along. You cannot really predict 12 months out what it is going to be. You have to assess the current situation as you get there. You can have an idea of a forecast but not be entirely sure; would that be correct?

Mr Thompson—Looking forward we have what information the Bureau of Meteorology can provide in terms of their seasonal forecast.

Senator NASH—It is tricky, isn't it? In relation to rural policy—and the extent of the drought that we have had for the last six or seven years—have you done any modelling on the social impact on rural communities of the drought?

Mr Thompson—I am not sure what you mean by social modelling. What we do collect is—

Senator NASH—I am sorry, I will put it better. Have you had any work done on the impact of drought socially on communities? The best way of putting it is: what is the effect of drought on local communities?

Mr Thompson—I am not aware that we have commissioned any specific studies on the community or social impact of drought.

Senator NASH—In terms of rural policy, when you are looking at drought are you specifically looking at farms, farmers and agricultural business? You would not so much look at those other types of businesses and operations within a rural community?

Mr Thompson—The programs that we deliver from within the division focus on farms and farm businesses and, in addition, there is assistance available for small businesses that are in small rural communities that are dependent on farm businesses. In terms of broader social impacts, we have not undertaken any policy development in relation to rural communities. That is something that is not a major part of our portfolio.

Senator NASH—Wouldn't you think though that it should be given the link between the viability of farmers and farm businesses and the flow-on economic impact in rural communities? I would have thought that would be something that would be extremely important looking at rural policy as a whole.

Mr Thompson—I think the name of the division is rural policy but the focus of our policy development is around farming businesses and the resources that underpin them. In terms of the broader communities, that is not something that is a major part of our portfolio.

Senator NASH—Just digressing for a moment, if I did want to know about which part of government was looking at that social impact, broader rural policy type of area, where would I go?

Mr Thompson—I think the minister has announced in the forthcoming review of the drought policy that the impact of drought on people and social issues is to be an issue to be examined and the details of that are not yet announced. The infrastructure department still has some responsibility in regional Australia and the Department of Families, Housing, Community Services and Indigenous Affairs, FaHCSIA, also looks at the broader impact of the whole range of government policies and programs on people and communities.

Ms Cupit—There are also additional programs that are operated through other portfolios, such as the education department. They have some programs that are specifically targeting students, in particular, rural students in EC areas. Some of the social aspects and the impacts of drought in particular are picked up under other portfolios.

Senator NASH—There is nowhere in any department that is pulling all of this sort of stuff together to give us a picture of how the drought is affecting rural Australia? From what you just said, it sounds like there are lots of things happening but there is no one, overarching thing drawing all of that together so we can get a picture of what I would imagine is the fairly dramatic effect this is having on rural communities?

Mr Thompson—I am not aware of any particular study that draws all that together.

Senator NASH—Is the government planning on looking at that? I am aware that you are representing only the other minister but—

Senator Sherry—Beyond what has been indicated, the analysis that Mr Burke has announced, and the detail to come, no, I will have to take that on notice.

Senator NASH—If you could take that on notice and take it back to the minister because I very genuinely think that it is something that is very important that we start focusing on, particularly if the drought does not break this year. We are going to be in a dire situation in rural and regional Australia; there is no doubt about that. But that is not for this evening. Can I just go now to funding, and particularly EC funding. Can you tell me what the level of EC funding was allocated for the 2007-08 year?

Ms Cupit—The funding originally announced in May 2007 for EC assistance—the EC assistance I refer to there is income support, interest rate subsidies and interim income support—was \$656.345 million. That was as at the budget May 2007.

Senator NASH—But for the whole of the year there was extra funding during that year?

Ms Cupit—Yes, that is correct.

Senator NASH—Can you just outline that?

Ms Cupit—Additional funding was provided through additional estimates and supplementary additional estimates and that amounted to \$1,186.38 million.

Senator NASH—So \$1 billion?

Ms Cupit—One billion dollars, yes.

Senator NASH—What is the allocated budget for 2008-09?

Ms Cupit—The allocated budget for EC assistance for 2008-09 is \$760.977 million at this stage.

Senator NASH—Is that for both income support and interest rates?

Ms Cupit—And interim income support, yes, those three measures.

Senator NASH—So the three measures again?

Ms Cupit—Yes, correct.

Senator NASH—I know there was some comment made yesterday about it being a demand-driven program. Is it capped?

Mr Thompson—It is a demand-driven program. No, it is not capped.

Senator NASH—There is no capping whatsoever. Given the discussion we have just had earlier about the circumstances being about the same—saying that things are relatively the same now as this time last year—why would there be no consideration given in the budget for 2008-09 to take into account that we are going to be dealing with the same circumstances?

Mr Thompson—It is about the methodology by which the estimates are calculated. A number of areas come up for expiration of exceptional circumstances unless they are continued. The simple rule that has been applied is that estimates are calculated on the basis of current EC declarations. For an EC declaration that expires in June, or one that expires in September, no assumption is made about whether that continues beyond that period of time. If they were to continue, they are the sorts of things where additional funds would be provided. They are simply the rules by which the estimates are calculated. They are based on existing EC declarations, not extensions or new ones. They take into account what the current conditions are. They do not try to make predictions about what the future might be.

Senator Sherry—As I understand it, they are not new rules. They are the rules of the existing program established by the previous government.

Senator NASH—What is the situation with the current EC declarations? I know there is a whole range of areas with different end dates, but if you could just run us through them?

Ms Cupit—We have 20 EC areas that are due to expire in June 2008; 38 areas due to expire in September 2008; 20 areas due to expire in March 2009; six areas due to expire in June 2009. There are 14 interim assistance areas that are due to expire in September 2008.

Senator NASH—Those that are due to expire in June 2008, given it is so close, has there been any consideration or discussion around extending that?

Mr Thompson—The process by which areas are considered is that they are under a streamlined approach. Information is sought from the states and farming organisations about whether those areas should continue. The National Rural Advisory Council considers that material and material that is available from the Bureau of Rural Sciences and from ABARE, and in some cases conducts on-site inspections and talks to people and looks at what the conditions are like on the ground. Then advice is provided to the minister who then has to take advice to the Prime Minister and the Minister for Finance and Deregulation as to whether areas should continue.

Senator NASH—Say we just use the June 2008 expiry as an example for the purposes of outlining the process for the committee. How long would the process that you have just outlined take if there were going to be an extension?

Mr Thompson—It can vary a little bit—

Senator NASH—Yes, but can you give an average, ballpark figure, or the least amount of time to the most amount of time?

Mr Thompson—By the time information is brought together and material is provided through government processes, it can take about two to three months.

Senator NASH—In that two to three months, with the expiration of an EC—and you can clarify this for me—at what point does the funding from that EC allocation to June 2008 expiry cease?

Mr Thompson—The funding is available till the date of expiration. If the date is 30 June, the funding is available until 30 June.

Senator NASH—What I am getting at—and I am sorry if I am being a bit roundabout—is the period of time that elapses while there is a determination if you are going to extend that EC—

Mr Thompson—The examinations are all done before the EC expiration occurs.

Senator NASH—That will happen before the expiration date?

Mr Thompson—Before the expiration occurs.

Senator NASH—Obviously work has been done on this one today?

Mr Thompson—Yes.

Senator NASH—Has there been a determination on whether there will be an extension?

Mr Thompson—There has not been a determination at this point in time.

Senator NASH—When does that determination happen, the day before the expiry date, or two days before?

Mr Thompson—As I said, sometimes it take two or three and others it takes a little bit longer to finalise these sorts of things now and in the past—

Senator NASH—No, I understand that—

Mr Thompson—but I would expect the government to be able to make an announcement soon on that.

Senator NASH—What date in June is that expiry?

Ms Cupit—In those 20 areas, I will have to check the exact timing, but I think its 19 areas are due to expire on 15 June and one area is due to expire on 30 June.

Senator NASH—That being the case, what time frame between now and that expiry are farmers or businesses advised that they are not getting an extension?

Mr Thompson—The aim is to always give people a reasonable period of time but for one reason or another that has not always been able to be achieved. It is usually one month to two weeks and if people are nearing the end of—

Senator NASH—What date is it?

Mr Thompson—their extension, Centrelink will ring those people to advise them of what the circumstance is, as well.

Senator NASH—It now 27 May, isn't it, so that is only a couple of weeks away and they have not heard anything yet. As far as I know there has not been a determination.

Senator Sherry—What is happening is consistent with past practice.

Senator NASH—Absolutely. I just have a very serious concern and will watch with interest over the next couple of weeks to see what the determination is.

Senator SCULLION—Can I just say that this notion that it is consistent with past practice, I think it should be recognised that over the past six years of severe drought we have been establishing the process for EC which has been done by the previous government and for everything bar the 2006-07 year, forward estimates and actual expenditure were, as I understand it, at least under \$600,000 or thereabouts. In the last year it doubled. That was the first time that it had doubled. One would recognise that forward estimates in previous years of under \$600,000 would be quite a normal process of saying, 'Well, that is what the rough estimate is going to be; there is no change in the weather; this is what it is going to be.' But in this case, instead of being \$500,000 or \$600,000 it is in fact \$1.1 billion. And in terms of a forward estimate to say, 'Oh, this is just the normal thing; we will wait until close to the expiry of each of the declarations,' I do not think is accurate to portray it that way. I think there has been a significant change in the approach of the previous government to go after the additional estimates were sought to take it up to \$1.1 billion. There was recognition across the communities that this is the new level and it is the new level of pain. It was not just money being given out. This was the sudden geographic increase in the need of people in regional and rural Australia. One would expect that any forward estimates in any genuine sense—and people read this—it surprises us but people do read these, and as they read forward estimates they recognise that we have gone from \$1.1 billion last year in exceptional circumstances and that there has been no change. Mr Thompson, in the forecast you indicated, you certainly have

not sought any particular advice on the change in the forecast then one would expect that the forward estimates would reflect that and those people in those communities that depend so much on these exceptional circumstances payments would have some confidence that this is a part of the future.

CHAIR—I will just bring you back to questions, if I may? You have certainly made your point.

Senator SCULLION—I think it is important.

CHAIR—In all fairness, you did make your point very early in the piece. I am just mindful of the time. We do only have three hours left and I am sure there is a host of questions to go.

Senator NASH—I am mindful too and I will be very—

Senator Sherry—In terms of the question, as the officers have pointed out, there was additional supplementary funding added in the last financial year. If that is needed again it will happen—if it is needed. We are following the same programs with the same definition with the same process and nothing has changed.

Senator NASH—Would you clarify something I am not clear on in terms of the EC—the figure on the funding for the income support payment for 2008-09?

Ms Cupit—For 2008-09 the EC assistance is \$760.977 million.

Senator NASH—I am trying to break it up for the income support and also the interest rate subsidy.

Ms Cupit—Exceptional circumstances interest rate subsidy for 2008-09 is \$523.838 million and interest rate subsidies for 2008-09—

Senator NASH—Sorry, you just used the same word twice. The first one was?

Ms Cupit—Interest rate subsidies.

Senator NASH—From?

Ms Cupit—From 2008-09, \$523.838 million. And income support for 2008-09 is \$193.417 million. Interim income support—if you want the other measure—for 2008-09 is \$43.722 million.

Senator NASH—Has it been forecast out over the four years?

Mr Thompson—No, as I said, those forward estimates are calculated on the basis of expected uptake within the areas that are currently declared to be in EC for the length of time which they are expected to be in EC. Should EC be extended or new areas come in, new estimates would have to be calculated and costings provided and then that money would be provided through an additional estimates or a supplementary additional estimates process.

Senator NASH—Just to be absolutely clear, we are to assume that both the income support and the interest rate subsidy component will remain within the exceptional circumstances?

Ms Cupit—As exceptional circumstances measures, yes.

Senator NASH—I am only asking because it was raised with me by someone that the interest rate subsidy component was going to be either scaled back or pulled out in entirety. I am just clarifying that that is indeed not the case.

Mr Thompson—It is not the case in terms of these forward estimates. They are calculated as they are for the existing processes.

Senator NASH—Can I just very quickly check something? Can I just move to the re-establishment of drought assistance? I am sure you would be aware, from memory, we had some discussion around this at last estimates in terms of the reduction in the figure which I think was from about \$150 million down to about \$59 million and the argument was that, again, the forecast was better. It was a demand-driven program and the demand had not been there. But there was only a space of three months that you were basing that on at the time. Can you just give the committee an update of where that program is at? Can you give us the comparative figures from February till now for people who had been looking to access that assistance?

Ms Cupit—The number of grants paid out for the EC Exit Grant program to date for this financial year is 19; 19 exit grants have been paid out.

Senator NASH—Between February and now have you had any interest or any expressions—

Mr Thompson—I do not have those figures for between February and now but there has been a continuing small level of interest. The number of farmers expressing interest in it is roughly the same as they were before. If you wanted the details of the difference between February and now, we would have to take that on notice.

Senator NASH—Yes, if you could take that on notice. In terms of funding available, has any of that changed in the budget? I know there was obviously the review, I think, in January and the funding allocation was reassessed and reduced to reflect what the department saw as an appropriate level of funding?

Ms Cupit—The current funding level for the EC Exit Grants package for 2007-08 is \$13.46 million.

Senator NASH—And for 2008-09?

Ms Cupit—It is \$45.66 million.

Senator NASH—And that has not changed; that is the same?

Ms Cupit—Yes.

Senator McGAURAN—Is this the Farm Help scheme?

Mr Thompson—No. There was an exit package under the Farm Help scheme. We are talking here about the exit assistance package available under exceptional circumstances which provided a higher level of assistance.

Senator McGAURAN—Does Farm Help still exist?

Mr Thompson—Farm Help was one of the savings identified by the government in February for closure.

Senator MILNE—I would like to ask some questions regarding the research and development corporations. During the election campaign there was a promise to spend \$15 million going directly to the RDCs. I cannot see that that money is any longer going directly to the RDCs. Can you explain why that is not the case? In fact, from my reading of it, why is \$10 million in funding being cut from the RDCs contrary to the promise to send \$15 million their way.

Mr Thompson—There are two separate issues there. The \$10 million is a removal of a contingency fund that was made available for the RDCs for drought. That was removed by the government in February as part of the savings option. Fifteen million dollars worth of climate change research was identified and it is part of the \$130 million Australia's Farming Future program. That contains other elements as well. The details of that program are yet to be announced.

Senator MILNE—There are two elements to my response to that. The first one is how can you possibly be taking \$10 million out of dealing with drought? This whole rural innovation unit ought to be dealing with adaptation, mitigation and response to climate change. On what basis is \$10 million being taken out?

Dr O'Connell—Ten million dollars was withdrawn as a savings option by the government, as I understand it.

Senator MILNE—Minister, can I ask you what was the rationale for taking \$10 million out of drought?

Senator Sherry—It was a savings measure announced in February. I think we actually had a discussion about it. You can chuckle about this government's fiscal responsibility—

Senator NASH—We are not laughing.

Senator Sherry—You can chuckle about this government's fiscal responsibility. We announced a savings package and we do not shy away from that.

Senator SCULLION—You just take it off people in drought.

Senator Sherry—And the \$10 million in this research area was identified.

Senator MILNE—We have got a rural policy and innovation unit which is facing up to climate change and adaptation in the rural community and mitigation and so on, and the first initiative of the government is to take \$10 million out of it. Let me get to the second part—

Senator Sherry—What was also indicated by the officer is there is a pool of moneys, \$130 million, from which further allocations are to be announced.

Senator MILNE—I understand that. That is what, \$32.5 million each year for four years. Anyway, it is over \$130 million over four years. But there was an election commitment for \$15 million to go to the RDCs and now that is not happening.

Senator Sherry—We do not know. We do not know because that \$130 million has not been allocated yet. I do not know whether it will be allocated to the research organisation or not. We just do not know yet.

Senator MILNE—Minister Burke made a speech in Melbourne a week or so ago in which he said that the money certainly will not be evenly allocated across the RDCs but he is also

setting up a rural council. Let me have a look at what he is calling it—a rural R&D council. Is this a new council that is being established?

Mr Thompson—Yes. That is part of the government's election commitments to do a number of things. One of them was to provide advice on overall research and innovation issues to the government. The other was to develop an overall investment strategy for rural research and development. The third one was to report on the performance of rural research and development in the broad.

Senator MILNE—What is the financial allocation to support that council?

Mr Thompson—It is a council that will be supported from within the department and the detailed budget for that has not been finalised as yet.

Senator MILNE—This is yet another group of experts who will be brought in to oversee the R&D budget. Has there been any indication of whether it will include experts that are already there from heads of departments, like land and water, like your own department and various other departments such as the bureau, and so on? Or is this yet another group of people having their two bobs' worth on rural policy?

Mr Thompson—The details of the membership of that council are something that have not yet been decided. I am sure it will. It is intended to be an expertise-based organisation which will draw on a range of people both with new and existing expertise.

Senator MILNE—The structure of R&D now in this rural policy and innovation unit is going to be a new council drawn out from people on the outside, funded from within the budget, and will that council then have the power to allocate the \$130 million we are talking about, in which case the promise of \$15 million to the RDCs is not something that you can guarantee at all?

Dr O'Connell—Mr Thompson, I think, has indicated that these matters are still with the minister for decision and we could not pre-empt the minister's decision.

Senator MILNE—I am just really concerned. Whilst I welcome the focus on climate change, I am not getting a sense here that there is any prioritising of anything in particular to climate change. It is a cobbling together of existing policy positions. I see here there is an expectation that there will be fewer people taking up the drought assistance. In fact, you have identified 800 million fewer on support payments. Can you just explain to me how you reach that conclusion?

Mr Thompson—As I said in response to some earlier questions, the uptake of drought assistance is calculated on the basis of the length of time of existing EC declarations, and the number of people who fall within certain income categories within these areas is based on ABARE and ABS data as to farm income and the number of farmers. That is the basis of whether people will qualify for assistance, but it is only based on the current EC areas and their current length. If those areas were to be extended, in either geographic extent or in a time sense, those amounts and numbers of people taking up the assistance would change.

Senator MILNE—Is there any intention to review the whole issue of what constitutes drought under a climate change scenario and to rejig the whole thing on the basis of, as we have always hoped would occur, placing the predicted climate maps over the current rural,

agricultural sector maps and working out how to best strategically reallocate resources to maintain people on the land or to do things differently? Where do I get an expectation of any innovation or imagination on climate policy? It just seems to be the same old, same old.

Mr Thompson—The minister has announced that a review of drought policy in the context of the climate change will be taking place. He has been liaising with his state colleagues on that. It is to comprise a number of studies. The first one is a look at what the future climate might be and what that might mean for the nature of an exceptional event. The second one is a review of the social impacts of drought assistance. The third one is an economic study of the impact of drought assistance, all being done within the context of climate change. The minister has also said, though, that he is not in the business of doing strategic plans, identifying which parts of Australia are suitable for farming and which ones are not. But as part of these reviews and other material, there is plenty of information being made available about what future climates might be, what soil types are like, allowing individual landholders to make decisions about their future in the full knowledge of what a future environment might be like.

Senator MILNE—That is what I was hoping would happen. I did not have an expectation that such a process would free up \$800 million and give the government cover to take that money out of drought assistance. I would have thought the \$800 million would then go to a transition strategy for—

Senator Sherry—We have outlined the programs that are continuing and unchanged earlier—I am not sure whether or not you were here—but we went through that in some considerable detail. We then touched on the \$10 million saving that was announced earlier this year which was referred to in February, and we have touched on the \$130 million Australia's Farming Future about which the minister is to make some detailed announcements. Totalling all that up, I do not see a cut. If you want to add it up and take off the \$10 million I do not see a cut. I see an announcement to come—

Senator MILNE—If you take \$800 million out, there is a big cut.

Senator Sherry—I see an announcement to come with \$130 million in a new program announced by the minister called Australia's Farming Future. He will allocate those moneys at some future date. We are only six months into the term of the government and he will announce those moneys and their allocation at some time in the future.

Senator MILNE—The point I am making though is that what we wanted to see happen is happening in terms of reviewing the ridiculous idea that you can go on a one in 100 years, et cetera. All that has gone and we need a rethink on how we do this, and I am pleased that that is happening. But a cynical person would also say that that gives cover to a government to remove \$800 million on the basis of lack of uptake of demand and no looking at the climate maps for Australia for the next decade could possibly suggest there would be a lack of uptake of demand in the need for transition strategies. That is where I am coming from here in concerning myself with whether we have the money. \$32.5 million will not go anywhere across rural Australia on adaptation or transition.

Senator Sherry—You have outlined your perspective and the public servants and I and the minister in his various announcements has outlined his perspective.

Senator MILNE—I still want to come back to who is going to administer this R&D funding money. If it is not going directly to the RDCs, is it going to be directly administered by this council? What role does DAFF have in this?

Dr O'Connell—Again, just to repeat, these decisions are still to be made by the minister.

Senator SCULLION—Perhaps I could put a question on this matter, if I could.

Senator MILNE—Please do.

Senator SCULLION—Senator Milne has asked what I think is quite a clear question. This government has put their hand on their heart and have said, 'We stick to our election promises'. If I can just read to you from the election promise, under 'Strengthening rural research and development':

Labor supports the current funding formula that provides for industry levies and matching funding by Federal Government for investment in rural research. However, in recognition of declining revenues as a result of drought, a Rudd government will invest an extra \$15 million in rural RDCs through Australia's farming future.

Senator MILNE—Yes.

Senator SCULLION—That is what it says here.

Senator MILNE—Exactly.

Senator SCULLION—It is very interesting: on Budget Paper 4, if you look at some of the RDCs interestingly a few of them have already copped it before that out. We have the Sugar Research and Development Corporation. They have somehow blown \$1.8 million. Then the Rural Industries Research and Development Corporation is down \$711,000. Land and Water Resources Research and Development Corporation are down \$13 million. They are in for a tough year. Cotton Research and Development Corporation are down \$590,000. That is before we start. There was a very clear promise. We can talk about some of the achievements to date. We have cut a billion dollars from Agriculture and Fisheries and Forests budget. I understand from the question earlier we have also scrapped the FarmBis program. We have cut into the food innovation grants. We have closed CSIRO Agriculture and now we have broken an election promise that lies at the very heart of the sorts of issues in innovation we need to get through drought. Frankly, Minister, we have not had a decent answer to the question: how did you model the future? With all these cuts to innovation and all these cuts to regional and rural Australia you have said: 'Look, the Bureau of Meteorology does that.'

Senator Sherry—Perhaps Mr Thompson—

Senator SCULLION—Did you actually ask them for a forecast for the future of the climate over this particular financial period? Did you ask the Bureau of Meteorology for that forecast?

Senator Sherry—There may be a question in there somewhere.

Senator SCULLION—I think it is a pretty easy question. It is 'Yes, I did,' or, 'No, I did not get one.'

Senator Sherry—I will answer the question as I see fit and then the official—

Senator SCULLION—I will direct the question to Mr Thompson.

Senator Sherry—I am going to respond.

CHAIR—You did actually ask the question, Senator Scullion, to the minister so the minister will be heard.

Senator Sherry—Yes and I am entitled to respond in my own way.

CHAIR—Minister.

Senator Sherry—If the departmental official wishes to add, fine. I understand \$130 million, Australia Farming Future. You have touched on the rural R&Ds. The minister has not precluded that some of those monies would not go to the rural R&Ds. He has not precluded that. He has not ruled it out.

Senator SCULLION—It is just not in any of the forward estimates.

Senator Sherry—Hang on—

CHAIR—Senator Scullion, the minister is trying to answer a question that you did pose to him. Carry on, Minister.

Senator Sherry—As I have indicated, the minister will be making a detailed announcement about the issues which you and Senator Milne have raised some time in the near future. When those details are announced you can make your judgement, and perhaps your assertion and claim, about so-called cuts to R&D. You can make it then. But it is too early at the present time until the minister has detailed the allocation of the \$130 million.

Senator MILNE—If I can respond to that. The government has made an art form of saying it will keep its election promises. There is a very clear promise of \$15 million to the RDCs and we will be watching to make sure that \$15 million is there in the RDCs. But I would like to ask what is the justification—

Senator Sherry—I am sorry, but I think that the officer may have further response to Senator Scullion's question.

Mr Thompson—The Bureau of Meteorology provide us with three months full forecasts. We have not expressly asked them for a 12-month forecast in the time that I am familiar with largely because the Bureau of Meteorology have advised us that three months is about as far out as their predictive modelling is reasonably reliable.

Senator SCULLION—Would you be able to provide us with the two prior three-month reports that have been provided to you by the Bureau of Meteorology?

Mr Thompson—Yes.

Senator NASH—It is fair to accept that the Bureau of Meteorology might only be able to go out three months with any kind of forecast, but you do not suddenly have a rain event and have the events of drought disappear overnight. So you can certainly look at a much longer period, not just three months and think everything is going to be fine after that.

Senator Sherry—As I understand it the officer has indicated that the use of three months' forecasting is consistent with the previous government's approach. We have not changed anything in that regard.

Senator NASH—I asked the same kind of questions to both governments in many, many areas.

Senator Sherry—Sure, and I am pointing out that the approach we are taking is consistent with the previous government and the principle that was established and the use of data and evidence and, in this case, a three-month forecast, as the officer has indicated. The officer has indicated why a three-month forecast is appropriate and, as he has taken on notice, will provide that to you.

Senator SCULLION—The only difference between that, with respect, is that over the last six years the forward estimates have reflected the actual expenditure in EC of the previous year. This year it is not the same. You may say the process is somehow the same, but it is just simply not the same.

Senator Sherry—That is not right.

Mr Thompson—Senator, that is not correct. All the forward estimates have been calculated on the same basis and that is on the projected length, or the actual length, of the existing EC declarations. It has always been calculated on that basis and that is why in those figures that Jenny Cupit outlined earlier, last year, for example, it started off at one number and then it increased during the year as areas were rolled over.

Senator SCULLION—So the last year is just simply due to a much higher level of need?

Mr Thompson—Last year there was a high level of need and an extension of areas particularly in September last year.

Senator Sherry—Additional monies were added throughout the financial year—

Senator SCULLION—What is that area?

Senator Sherry—either through additional or supplementary estimates processes and if the evidence shows that that is required to happen throughout this financial year, given the process is unchanged, the definition of the program is unchanged and the evidence usage will be unchanged, matched against the definition in the programs, if additional monies are required in additional estimates that will occur.

CHAIR—Senator Milne, you actually had the call.

Senator MILNE—Yes, thank you. I wanted to ask for the justification of cutting \$13 million out of land and water resources research funding given the impact of climate change. This whole package is meant to be about climate change and I would have thought land and water resources was essential.

Mr Thompson—The budget appropriation for land and water has not changed. The level of expenditure may have changed as a result of funding that they may not have this year from other sources. The government appropriation to land and water is essentially the same as it was last year.

Dr O'Connell—External revenue is down.

Senator MILNE—All right.

Senator ADAMS—I would like to ask some questions about rural financial counselling services. Who am I speaking to with this?

Mr Thompson—On rural financial counselling, either I or Glenda Kidman will answer those questions.

Senator ADAMS—All right. I come from rural Western Australia. I have to keep reminding people because they think I come from South Australia. I was disappointed to receive a letter from the Western Australian Rural Counselling Association saying that their tender unfortunately had not been accepted and they have not been able to continue and their service will close on 30 June. I have a lot to do with these community ag-care counselling groups. I have a lot to do with their counsellors. They have done a brilliant job. Their case load has tripled over the last 18 months in Western Australia and they have really overall been a very, very successful organisation, with a lot of volunteers involved as well. Coming from a rural community, I know how long it takes to actually get people to come and talk to the counsellors; farmers, particularly men, are certainly not able to go to these services. The women are great; they will go and interact more or less straight away when there are problems, but to get a man to go along and talk to a counsellor is very, very difficult. The way I look at this, I want to know what the process is but, just to conclude my remarks, I feel it is very, very sad that these connections and people that are being helped are going to have to have different people coming in and will have to go right through the whole situation again and they will probably lose those people that have gone in good faith to talk to the counsellors that they know. So what was the process with the tender? Could you explain that?

Mr Thompson—Across Australia a process for grants for rural financial counselling services was announced and applicants called for late last year. It was for people to provide a service at a state or a regional level. That was advertised and widely available to all people against a standard set of criteria. Western Australia was the same. All those applications were received. They were then assessed by a panel involving a Commonwealth official, a state official where the states were contributing to the program and someone from industry or the community, and then that panel provided advice to the relevant minister. You mentioned that the current service provider in Western Australia was not recommended as the preferred candidate for the process.

Senator ADAMS—That is correct.

Mr Thompson—That does not mean that the service ceases in Western Australia. Another applicant is being negotiated with at the present time. As to whether the counsellors themselves who provide the service at the community level would be the same or different, that becomes a matter for the new service provider. When we went through a process of regranting rural financial counselling services about two years ago across Australia, a number of services and management arrangements changed in a number of states and quite a number of existing counsellors shifted from one employer to another and so retained some those connections in the community. But which counsellors are employed and where they are employed are matters for an incoming service provider.

Senator ADAMS—What disappoints me is why under the tender process obviously they have not had a very good response from the department as to why they were not the

successful applicant. I am a nurse so I certainly know a lot about this. With counselling in a rural area—and especially in some of the remote areas, working out in the Kimberly and through the remote areas of the Murchison and the Gascoigne—those people, as I said, take a long time to get to know the counsellors and the counsellors have been with the Western Australian Rural Counselling Association. When a new employer comes along, they do not usually pick up the old employees, simply because the allegiance is not there, it is still with the old employer. So, with the confusion that has arisen through this tender, what was the process in actually advising the Western Australian Rural Counselling Association that they were unsuccessful?

Mr Thompson—They were advised in writing and Glenda Kidman has the details. They were advised in writing, they were provided with a summary of the decision and then an offer was made for a senior officer and someone from the department to go across and sit down with the board and explain to them the situation. That offer was accepted and that discussion took place earlier this year.

Senator ADAMS—They are still obviously not satisfied because the last letter I had from them was received on 14 May. Once again, I will just on record say how disappointed I am that they were not successful and they really did not deserve the treatment that they have had as an organisation.

Senator SIEWERT—You said earlier in response to Senator Adams's question that you were in ongoing negotiations with the successful tenderer. When did you make a decision? When did the department make a decision on the new, successful tenderer?

Ms Kidman—The decision on the preferred applicants across the country was made on 20 March.

Senator SIEWERT—When you say you are in 'ongoing negotiation' with the successful tenderer, what does that mean?

Ms Kidman—The preferred applicants were decided on and the Office of Rural Financial Counselling then entered into negotiations with each of the preferred applicants around several issues, funding being one of them, and some boundary area changes in some areas.

Senator SIEWERT—When you were considering the application, did you specifically consider the experience that they had in rural counselling?

Mr Thompson—That was one of the factors taken into account, their experience and their capacity.

Senator SIEWERT—The reason I am asking is because in an entirely different situation I am aware of some tenders that have been given for delivering of other counselling service where the people were inexperienced to deal with the regional issues and it has now resulted in significant problems. So I am asking specifically how much experience did they have in dealing with regional issues and was that specifically weighted for in your decision-making process?

Ms Kidman—The grant applications were assessed by the assessment panel in each of the states and they were assessed against 11 criteria, I believe, and they were considered in detail

by the assessment panel against each of those criterion. Each of those criterion were assessed by the assessment panel on its own merits with equal weighting.

Senator SIEWERT—Also, can you tell us who the successful tenderer was?

Ms Kidman—The decision on the preferred applicant has been made. That is the North East Farming Futures Group Incorporated.

Senator SIEWERT—On the same issue, where are they based?

Ms Kidman—They are actually based in Morawa, Western Australia.

Senator SIEWERT—How long have they been operating?

Ms Kidman—I am not sure of that. I would have to take that on notice.

Senator SIEWERT—Could you provide us with that information. Do you have the 10 criteria that were used?

Ms Kidman—No, I do not have them.

Senator SIEWERT—Could you provide us with the 10 criteria that were used for that assessment, please?

Mr Thompson—Yes, we can.

Senator ADAMS—May we have the background of that particular group, because I know that it has not been going very long. My next question is regarding the RIRDC and their output groups. It is focused around funding. Could you please confirm that funding will continue to be provided to the RIRDC Rural Women's Awards, which began in early 2000? This is especially important in light of the fact that the government is abolishing the Improving Regional Women's Representation and Decision-Making Program and has also abolished the DAFF AAA, Advancing Agriculture Industries Program, Pathways to Participation, which has helped women in portfolio industries gain skills and opportunities to enable them to contribute to their industry's decision-making.

Mr Thompson—The department contributed to this year's Rural Women's Awards.

Senator ADAMS—I am fully aware of that.

Mr Thompson—I think the event is happening tonight.

Senator ADAMS—Yes.

Mr Thompson—I cannot commit to what the future might be in terms of the government's support for rural women because again that is one of those issues that the minister currently is considering. He has had a number of meetings with a whole range of rural women, and he has indicated that they remain a priority, and he wants to talk to rural women and identify their needs. The department is participating with a number of other Commonwealth departments in a major rural women's forum to be held in June, which will bring a lot of rural women together and provide an opportunity to identify a lot of the needs of rural women and work out what might be the best form of engagement by this department, recognising that there are a number of departments across Canberra that are involved with women and rural women.

Senator Sherry—I can just add to that, a National Rural Women's Summit will be held, I understand, in June. Tanya Plibersek will be involved—

Senator McGauran interjecting—

CHAIR—The minister is halfway through an answer so at least hear him out.

Senator Sherry—and that was an election commitment.

Senator ADAMS—Can I continue then? Can you please provide further details of the sorts of policies and programs that RIRDC will be working on over the next year in output groups 1.1, that is the new rural industries; 1.2, established rural industries; and 1.3, national rural issues?

Mr Thompson—We can do that. We would have to take that on notice.

Senator ADAMS—I was going to ask you to do that because I know we are running out of time. Are you planning to abolish policy areas or programs from output 1.3? In the national rural issues given on page 216 of the portfolio budget statement it is stated:

The RIDC will focus on a smaller number of issues of national interest in future.

I would like this on notice. If so, which areas? Thank you.

Mr Thompson—We would have to take that on notice, too. I cannot answer on behalf of RIRDC.

CHAIR—Senator McGauran.

Senator McGAURAN—As the department would be aware, although I am not too sure of the minister, an integral part of the rural community for well over 100 years has been the Country Women's Association and it has never more vital than during this extended decade, or near decade, of drought. They are very respected by rural families and they feel at ease to be able to approach the Country Women's Association for support. The previous government supported to the tune of \$8 million a year, at least in the last financial year, the Country Women's Association to distribute drought funds to the most needy families. So, what is the budget allocation for that activity of the Country Women's Association?

Mr Thompson—There is no budget allocation for the Country Women's Association in this year's budget for drought relief. In the September drought package last year there was no money provided for the Country Women's Association. The charity welfare community type support for rural communities was provided through a program operated in FaHCSIA, the family and community services department, and Jenny Cupit may have the name of that program, which provided support to a range of charities in rural Australia for distribution of welfare assistance to needy people, rather than just through the Country Women's Association.

Senator McGAURAN—You say they did not receive any funding in the September announcement but they had already received \$8 million for the year 2007, so they still had money to distribute. Just how low can this government go when they start cutting out the Country Women's Association—

CHAIR—Senator McGauran, there is a question Ms Cupit was prepared to answer. I am sure Ms Cupit has got some information there that she will share with us.

Ms Cupit—In 2006 and 2007 \$4 million was allocated for the CWA funding. Towards the end of that financial year a further \$8 million was provided in May of 2007 for distribution in

the 2007-08 funding year. So, the allocation was actually provided in the previous financial year for distribution this year, so that is correct.

Senator McGAURAN—What is the 2008-09 funding?

Ms Cupit—There is no funding in 2008-2009.

Senator McGAURAN—Exactly. Mr Thompson, if I may with respect, your answer was a little cute. There is no funding in this budget for the Country Women's Association, yet in the past budget, as Ms Cupit just indicated, there was funding.

CHAIR—As I recall the officer's opening statement, he said there was no funding.

Senator Sherry—You described him as being cute. I think he gave an accurate outline.

Senator McGAURAN—We have got a situation here that the most needy families and the most desperate families in a drought situation have in the past approached the Country Women's Association for support in the most basic needs of fuel, rates and even food on the table. As I say there is no better or more trustworthy organisation in the rural community and culture than the Country Women's Association and you have just pulled the carpet from under their feet.

Senator Sherry—I can inform you, Senator McGauran, the minister is currently considering a number of initiatives involving the CWA, however, I am not in a position to comment.

Senator McGAURAN—Under what program?

Senator Sherry—Can I finish?

CHAIR—Yes, finish Minister, please. You ask questions, Senators, at least give the minister the chance to answer them.

Senator Sherry—As I indicated, the minister is considering a number of initiatives involving the CWA, but I am not personally in a position to announce tonight what will flow from those discussions. The minister will make an announcement in due course.

Senator McGAURAN—If they did not make the cut in this budget do you really expect us to believe otherwise?

Senator Sherry—You would be very surprised if I came in here tonight to announce a program or an initiative on behalf of the Minister, Mr Burke. That is a job for him.

CHAIR—Any other questions, Senator McGauran?

Senator McGAURAN—That is just simply unbelievable.

Senator ABETZ—How is it going to be funded if there is no budget?

Senator SCULLION—It is quite reasonable to put these questions. This is about budget estimates. Look in the budget and this is where the estimates are. It is completely vacant. One would assume then it is not there and we have the minister now saying that it is going to come out of—

CHAIR—Senator Scullion, you have asked the minister. The minister has made it very clear that the relevant minister is deciding what will happen. He is going to consult with the CWA and country women and all sorts. He made that very, very clear.

Senator McGAURAN—Chair—

CHAIR—Senator McGauran, you can make all your noises and look for your cheap comments that you have been throwing around this committee for the last two days; the minister has answered the question. Now it is 8.40. We are scheduled to finish at 11 o'clock. There are four more departments. There are two former fisheries ministers in the room that are not gracing our presence because of their good looks—please do not take that personally—they obviously have a lot of questions they may want to ask. So, Senator McGauran.

Senator McGAURAN—There is no reason we cannot go passed 11 o'clock is there?

CHAIR—We will not be going past 11 o'clock, because we had the opportunity last night to carry on and you did not want to and if you want to spill over into Friday, bearing in mind taxpayers' money to keep all the officials in the room, if we are going to bring them back for one hour or an hour and a half I would be very embarrassed. I would urge you to get through your questions and if there is no answer and it is taken on notice, so be it. Senator McGauran.

Senator McGAURAN—As the general manager of drought policy review will you be reviewing the efficiency of delivery of drought funding?

Mr Dadswell—As the minister announced, the Productivity Commission will be looking at the drought business support and income support programs.

Senator McGAURAN—Would you be taking into account the Country Women's Association's past delivery efficiencies, and not just economically but socially?

Mr Dadswell—One of the features of this review is an assessment of the social impacts of drought and we would expect that that program would be mentioned and considered in that assessment.

Senator McGAURAN—I will finish there with just one comment. How low can this government go?

CHAIR—I am not going to even entertain that, Senator McGauran. Are there any other questions?

Senator Sherry—I just wanted to add in terms of drought assistance in the earlier discussion we had, I would point out, and this again was consistent with the previous government's practice, as was indicated they are demand-driven programs. The monies in the forward estimates are not capped or limited. If there are additional monies, they will be paid. And monies will come from what is known as the contingency reserve and, from my past questioning of Finance, my understanding is that is the normal process; monies will be allocated from the contingency reserve. I would indicate that the previous government for the 2008-09 year had committed to \$601 million for drought and EC assistance in their initial estimates and that the government has increased that in the budget to \$841 million for 2008-09, which is an increase of \$240 million, and it may go up further. If so, it will be paid from the contingency reserve.

Senator McGAURAN—Cut out the most needy people who would not otherwise—if it was not for the Country Women’s Association—have approached for help and support.

CHAIR—You are now into statements rather than questions and you did say that you had finished, and your colleague Senator Macdonald wishes to ask a few questions.

Senator McGAURAN—In all honesty I have more questions but in cooperation with the Chair and my other fellow members I will not ask those questions.

CHAIR—I am sorry, Senator McGauran. Senator Siewert has been waiting and then Senator Macdonald. Senator Siewert.

Senator SIEWERT—I wanted to follow up an issue that is probably more relevant to the discussion we just had.

Senator McGAURAN—You have asked us all to cut ourselves short and this is the second time—

Senator SIEWERT—I have not asked. I added on, thank you very much.

CHAIR—Senator McGauran, I just want to clarify something. I did not ask you to cut it short. I asked for questions of relevance and you have had your fair share in these last two days. Now one would argue how much was relevant. I am not going to get into that fight now. I am happy to have that fight after. Senator Siewert.

Senator SIEWERT—Thank you. I would like to ask about the funding program for the development of new industries, which I understand now has been cut, or that program has been wound now into the package under climate change of \$130 million, if I understand it correctly. There were projects that were still being funded under that program, so what happens to those projects?

Mr Thompson—Are you talking about the New Industries Development Program?

Senator SIEWERT—Yes.

Mr Thompson—I am sorry. I am not able to answer questions on the New Industries Development Program.

Dr O’Connell—That was Food and Agriculture Division.

Senator SIEWERT—I was in another inquiry. I will put that on notice.

Senator Sherry—Put it on notice.

Senator SIEWERT—I want to make sure that the projects that were being funded were able to be finished and were not just cut.

Dr O’Connell—Subject to ascertaining the facts, the normal practice is if there were contractual arrangements in place those will be completed.

Senator SIEWERT—Thank you. What I specifically want to go to now is GE, genetic engineering, which is beyond the questions that I asked ABARE. I did flag these yesterday and said that I would like to ask them and was told to ask them here. I presume this is where I should be asking them.

Dr O’Connell—Yes.

Senator SIEWERT—Do you have a figure on how much the federal government is investing in research into genetically engineered crops in Australia?

Dr O'Flynn—The question is possibly in two parts. We have invested some funding through the work that we have commissioned under the National Biotechnology Strategy. That is not actually into research, that is more into analysis and communication. The research in GM crops would be through the Research and Development Corporation, and I cannot answer that question.

Senator SIEWERT—There was quite a lot of discussion under GRDC, but is that the only area that you are funding into or are there other areas?

Mr Thompson—No. I think you will find that most of the industry based R&D corporations have an element of their funding directed at GM. Cotton does; sugar has some and grains has quite a bit as you are aware. We could take it on notice. Just as Peter Reading was able to give you that answer yesterday for GRDC, we would be able to take it on notice and get it for all the R&D corporations.

Senator SIEWERT—If you could that would be very much appreciated. Could you also take on notice to give me a run-down on any research or the funding items on organic agriculture?

Mr Thompson—I think we can do that as well.

Senator SIEWERT—If that is possible it would be appreciated. Thank you. Is it possible when you are providing the information to tell us the amount of funding and who is doing those research projects?

Mr Thompson—We would have to check with each of the R&D corporations, but at the level at which they disaggregate their project funding, the amount of money, and unless there is something I am unaware of, usually the name of the research institution is available.

Senator SIEWERT—That would be appreciated. There are issues that I wanted to quickly touch on with policy and I do not know if I should be directing these to the minister. When the Rudd government made some promises in the run-up to the election around genetically modified crops they said that they would put in place 'a rigorous and transparent process based on environmental and safety considerations for assessing and approving or rejecting research propositions which require the release of GMOs outside the laboratory'. Has that commitment been implemented yet and, if so, what has been done to implement it?

Senator Sherry—No. Nothing has been announced to date.

Senator SIEWERT—Nothing has been announced to date. Is it 'watch this space' on that one?

Senator Sherry—We are into government six months and there is still presumably another two-and-a-half years.

Senator SIEWERT—I am aware of that. I am also aware that genetically modified organisms are currently being released into the environment and you have just gone through a budget process. Labor also promised that there would be 'a strong national body that is

independent and scientifically based that will be overseeing the process'. Are there any proposals to date to put in place that strong national body?

Senator Sherry—I will take it on notice and check with the minister.

Senator SIEWERT—That would be appreciated. Thank you.

CHAIR—Senator Macdonald.

Senator SIEWERT—I am just checking that I have asked all my questions.

Senator IAN MACDONALD—Mr Thompson, you and I were delighted to hear the new minister indicate that funding for Heywire would continue. Is there provision for that in the budget?

Mr Thompson—If the minister has indicated, as he has, funding for Heywire it is provided for within one of the overall items in the budget, yes.

CHAIR—Your department is coordinating all the other departments that are contributing. Is everything set for funding to continue as indicated?

Mr Thompson—In the past the department has done the coordination and received the money from other departments. Whether we continue that arrangement or they have a direct arrangement with the ABC will be a matter for them. There will be some discussion around that. That is only the administrative part.

Senator IAN MACDONALD—Are you telling me we are not sure if they have got continued funding?

Mr Thompson—I cannot give you an assurance on behalf of other departments around Canberra, no.

Senator IAN MACDONALD—You can give me an assurance on behalf of your department.

Mr Thompson—All I can say is the announcement that the minister has made.

Senator IAN MACDONALD—He announced that at a Heywire function.

Mr Thompson—Yes, I know.

Senator IAN MACDONALD—I just want to be assured because I am too lazy to look it up myself that it is in your budget somewhere.

Mr Thompson—The amount of money provided for Heywire is at quite a low level. You will not find it as a separate item in the budget.

Senator SCULLION—It is in the kitty.

Dr O'Connell—I can give you comfort, Senator; they will be funded.

Senator IAN MACDONALD—I would rather it from the minister but that is good enough.

CHAIR—Senator Macdonald, can I just come back to Senator Siewert?

Senator IAN MACDONALD—Yes.

Senator Sherry—You can get it from the minister representing the minister that yes, it will be funded. I understand the \$80,000, or whatever the figure was in previous years, was not separately listed. It was part of a general program but it is departmental and it will be there.

Senator IAN MACDONALD—Thank you.

Senator SIEWERT—I asked a question of ABARE earlier around liability and I am aware that you are not doing any work at the moment on liability, but I am wondering if there is any discussion within the department about the issues of liability in relation to GM crops?

Dr O’Flynn—Yes. It is an issue that is raised with us quite often. We have in fact commissioned a report which was released in 2006 on liability issues around GM crops and that report is available on our website. We can provide a copy if you would like. We have not commissioned any research since then, partly because those issues have been considered in the meantime through the review of the Gene Technology Act and subsequently the individual reviews by various states of their GM moratorium legislation and all those considered liability issues. I know, at least in the case of New South Wales, they implemented some changes to their own legislation to provide some protection from liability under state law.

Senator SIEWERT—Has the federal government done any further work since that report?

Dr O’Flynn—No, nothing since.

Senator SIEWERT—Thank you.

CHAIR—Senator Macdonald.

Senator IAN MACDONALD—Mr Thompson, you mentioned that the RIRDC Rural Women’s Awards was on tonight. Is that correct?

Mr Thompson—I think so.

Senator IAN MACDONALD—Could you obtain on notice for us a list of the invitees to that?

Mr Thompson—Yes, we can.

Senator IAN MACDONALD—Off the top of your head do you know why Senator Adams and Senator Nash were not invited this year as they have been in previous year, apart from the fact that they are busy at estimates?

Senator Sherry—That is right. I did not get an invite either, representing the minister, because I knew I would be here.

Senator IAN MACDONALD—It is rural women.

Senator Sherry—I am sure that males would be invited as well. I do not think that we would be precluded.

Senator IAN MACDONALD—In past years these two senators representing very rural constituencies have been invited. I do not think they have been this year. Perhaps the organisers knew they would be at estimates, but I doubt that that is the case. So, is there some reason for their not being selected?

Mr Thompson—The organisation of the event is undertaken by RIRDC. I would have to take advice from them as to who was on the invitation list.

Senator IAN MACDONALD—But you will get the list for me?

Mr Thompson—Yes.

Senator IAN MACDONALD—Thank you for that. Finally, I wanted to ask some questions about the Forestry and Fisheries RDC, but would they be better coming in the areas of forestry?

Mr Thompson—It depends on the nature of the question. We would deal with broad issues of governance and research policy, but if it is a particular issue about a fisheries research proposal it might be better being asked later this evening when fisheries are here.

Senator IAN MACDONALD—I just have one final broad question in the R&D area. Generally speaking, has the funding been retained at last year's level, plus a component for CPI or better?

Mr Thompson—The government funding of the R&D corporations is based on matching the levy revenue raised by the R&D corporations and the levies are calculated on a different basis for each industry. Some of it is on farm gate value and others are on other calculations, so the amount of money is being provided in exactly the same formula as has always been provided. Someone earlier tonight pointed out some of the amounts of money will go down a little bit, depending on yields. In other cases they will vary a bit depending on the value of the product. But the formula used for providing the money for the R&D corporations has not changed.

Senator IAN MACDONALD—Where would I find the budget line item that indicates what is forecast for the R&D corporations?

Mr Thompson—The matching money is a special appropriation.

Senator IAN MACDONALD—As I said, I do not have the staff to look that up myself, but if you can give it to me on notice I would appreciate it.

Mr Thompson—It is in page 6 of the Portfolio Budget Statement, which has resources for each of the R&D corporations and again it is on page 26. The government appropriations are on page 26 of the Portfolio Budget Statement.

Senator IAN MACDONALD—Thank you. My colleague Senator McGauran has provided that for me as well. So, he is obviously much more astute at these sort of things. The things like the current status of the forestry, particularly the R&D corporation, is that better left to ask them or should I ask you?

Mr Thompson—Any details of it, unless Dr O'Flynn can provide something, would be better left to ask them. They are closer to the activities of that organisation.

Senator IAN MACDONALD—Thank you. That is all I have.

CHAIR—Senator Scullion.

Senator SCULLION—I have one last question in this area for Dr O'Connell. I am not sure who would be able to provide me with some information on the Regional Food Producers program?

Dr O'Connell—Food and Agriculture Division, which went earlier today.

Senator SCULLION—It is under a number of the DAFF budget cuts. Perhaps I can just give a general question to you, Dr O’Connell. I am just trying to sort out the budget and I have taken forestry out, so it is just the agricultural areas. We have had Advancing Agricultural Industries, FarmBis, Farm Help, Food Industry grants and New Industry Development Program, which is \$236.6 million. They have been the ones that have been cut. I acknowledge that there are some replacement programs and they are: Help Primary Producers, Primary Producers Experiencing Hardship due to Climate Change, Climate Adaptation Research, Regional Food Producers and Promoting Australian Quality Product. I note that the original National Food Innovation Strategy has now been replaced with the Regional Food Producers Innovation and Productivity Program. The only difference that I can see and ascertain is that it is \$20 million less. I just wondered if anyone at the table would have any knowledge about whether there are any other practical differences, apart from being \$20 million short of innovation investment in regional Australia.

Dr O’Connell—Similar to the other programs that we have been discussing, the details of these remain to be announced by the minister.

Senator SCULLION—In these programs there is \$66 million that has been slashed from innovation programs across the board. Are you aware of any sort of modelling that would work out what areas we should look out for? Has any modelling been done on the actual impacts of \$66 million less in regional and rural innovation?

Dr O’Connell—The program changes that you are referring to, the programs brought to an end and other programs brought into fruition, are essentially the result of the election commitments.

Senator SCULLION—Dr O’Connell, I know you have a longstanding and keen interest in innovation and research and I just wondered if you would be able to comment. But historically and from other jobs that I know you have had, can you comment on the fact that \$66 million has been taken out of one sector. This is not research; we have already dealt with the research stuff; that has already been cut to blazes. Have you any sort of handle on what the impacts of that are going to be?

Dr O’Connell—You have quoted the figure of \$66 million, which I am not sure of. I could take that on notice.

Senator SCULLION—Certainly.

Senator Sherry—Just in response to your alleged cuts, to put it into context, as was indicated the budget allocations for the various research councils are based on a formula, which is unchanged. I could point out that for the Grains R&D Corporation the government allocation goes up from \$57 million to just over \$70 million in 2008-09. Some go up and some go down because of the application of the formula.

Senator SCULLION—Some go down by 13½ million.

Senator Sherry—And one goes up by 13 million. There is no cut or change to the formula that existed under your government.

Senator SCULLION—Do not start.

Senator Sherry—Let me finish. You have made a number of claims.

Senator SCULLION—I was trying to save yourself some more embarrassment, Minister. I was talking about a completely different issue.

CHAIR—Senator Scullion, you are talking about embarrassment. The minister is correcting the record for *Hansard*, so the minister can continue.

Senator Sherry—I reject your claim that there are cuts to R&D.

CHAIR—He is correcting the record, so we do not need interjections coming from all sides.

Senator SCULLION—My question was in regard to a whole range of innovation programs that are outside the R&D. I meant that with all respect. I did not want you to go further down that road. My question still goes to the issue of why we were cutting \$66 million. Minister, I know you are very keen on Labor Party rhetoric. In fact, it is on page 7 of your Labor plan for primary industries released during the election campaign and it states:

Farm productivity growth has exceeded most other key sectors of the economy.

They go on to say:

This performance is largely due to innovation and adaptability of the Australian farm sector.

The reason for my concern is that \$66 million has been taken away from those very platforms that build on innovation in Australia, and that was why we were concerned.

Senator Sherry—As I pointed out, the minister is to make further announcements in respect to \$130 million, which we discussed in some detail.

CHAIR—You have said that. Senator Scullion, it is now 9 o'clock. Do you have any more questions?

Senator SCULLION—No, I do not.

Senator IAN MACDONALD—Just on that point, Minister, where would the budgeting for any further announcements appear in this year's budget?

Mr Thompson—The \$130 million is on page 22 of the Portfolio Budget Statement.

Senator IAN MACDONALD—The money is there, but the announcement is yet to come.

CHAIR—It is now 9 o'clock. Are there any further questions from other Senators? If there are not, I thank Rural Policy and Innovation. We will go to a 15-minute tea break and we will call back National Resource Management at 9.15 sharp. Thank you.

Proceedings suspended from 9.00 pm to 9.15 pm

CHAIR—Before I welcome officers from Natural Resource Management, I believe there are a couple of corrections. Firstly, I call Mr Glyde and then I will call Mr Aldred.

Mr Glyde—Thank you very much. In response to a question that Senator Milne asked me earlier this evening, I said that I was not aware that we had received any funding in this year's budget for our joint modelling work with the CSIRO. While that is technically correct, I was a bit concerned I might have created the wrong impression. In the 2007-08 budget process, in the additional estimates process, we received around \$774,000 in 2007-08 and a similar amount in 2008-09 to undertake a range of things to improve our modelling. Essentially it was

to enhance economic modelling for climate change. It is page 11 of the additional estimates document.

One of the five things that is encompassed in that program was 'Integrating ABARE's G10 model with compatible climate and biophysical models'. So we got some funding in the 2007-08 budget process to undertake general work to improve our model to enable it to better intersect with climate and biophysical models. We got money in 2007-08 and we have money in 2008-09. We did not get that money in the 2008-09 process, but I just thought I would like to correct it for Senator Milne's information.

CHAIR—Thank you very much, Mr Glyde.

Senator Sherry—I ask the secretary of the committee to draw that to Senator Milne's attention. She is not here and she may not pick it up, given it is not an additional part.

CHAIR—It was Senator Siewert's.

Senator SIEWERT—She is actually in the climate change estimates right now.

CHAIR—And they do tic-tac. Trust me. Mr Aldred.

Mr Aldred—Thank you, Chair. Senators, yesterday when we were talking about bees and, in particular, with Senator Scullion about the AUSVETPLAN for bee diseases, I believe we indicated that American foul brood may have been covered by the AUSVETPLAN. I wanted to clarify that in checking on the AUSVETPLAN there are a number of diseases or incursions that are American foul brood. The AUSVETPLAN disease strategy covers tropilaelaps mite, varroa mite, braula fly, tracheal mite as well as Asian bees and Africanised bees. I would just like to correct that.

Dr O'Connell—Senator Scullion asked if we could table portfolio appointments. I have the information here.

CHAIR—Do you wish to table that?

Dr O'Connell—Yes.

CHAIR—Thank you for that.

[9.15 pm]

Natural Resource Management

CHAIR—I welcome officers from Natural Resource Management.

Senator ABETZ—I have a number of general questions as well, but I want to start specifically with Community Coast Care. When I flick on to the website, I am told that that is under NRM. Is that correct?

Mr Shaw—It is jointly managed under the Caring for our Country Program, which is jointly administered between DAFF and the Department of Environment, Water, Heritage and the Arts.

Senator ABETZ—We will give it a go here and see how we go. Community Coast Care tells us what a coastal hot spot is. It then goes through a number of categories. I turn to the state of Tasmania. It seems that we only have hot spots in the south on the Derwent estuary and its catchment and on the Pittwater-Orielton Lagoon Ramsar site. Can I ask on what basis

these 12 hot spots around Australia were determined and, in particular, why the Tamar River estuary, with all its problems, is not on this list?

Dr O'Connell—Senator, I think this would be better put to DEWHA. They manage this, although this goes to the joint management.

Senator ABETZ—What is the bet they will tell me to come back here, but we will see how we go.

Dr O'Connell—No. They will know it well.

Senator ABETZ—If I may, I will try and ask them there. I request the committee to take the question on notice and, between the two departments, come up with an answer for me. I would be much obliged if that could happen because I am not sure that I will necessarily get to the environment portfolio with this.

Dr O'Connell—Okay. We will make sure they are prepared for you.

Senator ABETZ—Can I ask in relation to—

Senator Sherry—Do you want us to refer your question to them? It is not the normal process.

Senator ABETZ—Yes. If NRM take it because they manage it with Environment, I imagine that any question on NRM would be passed through both departments in any event. If I may, I will leave them here and the specific advice can be obtained. Thank you, Dr O'Connell. I will move on to NRM grants. I note that there have been substantial cuts in a lot of the NRM regional bodies. Their funding has been cut. Would it be appropriate for an NRM body to consider spending its money on removing silt from a river? Would that be an appropriate expenditure by an NRM regional body under the guidelines?

Mr Smith—I think the first step in that process is for the Australian government to identify the outcomes under Caring for our Country investment. That process is underway now. There is a public commitment to have the investment outcomes for Caring for our Country to the Prime Minister by 30 June. Those outcomes will be then detailed in an Australian government business plan to be published about September this year. So that will be the process that helps focus the investments. It may be possible that siltation programs could fit under those investments, but we need to see what the outcomes are.

Senator ABETZ—Hardly likely, but that is for the future. The money that the NRM groups currently have is surely subjected to some process or some criteria. Under the existing criteria can I ask: would you be able to use the money for a study on how to remove silt from a river?

Mr Smith—I understand that we are already funding siltation studies, for instance, in the Tamar. The Australian government is jointly funding those with the Tasmanian government. So under the current—

Senator ABETZ—That is the estuarine management in the Tamar.

Mr Smith—I do not have the exact details of the program, but I do know that the Australian government is funding a study to address siltation and to provide mapping and awareness—

Senator ABETZ—To stop siltation. That is what they are being funded for at the moment—to find out the cause of it, to try to stop it and to remediate it. But as to the actual siltation problem in the river, I have never heard of an NRM grant or regional body in fact funding the actual removal of silt from a river or a study for the removal of silt from a river—how best to do it just from a logistics point of view.

Mr Smith—I am happy to take it on notice.

Senator ABETZ—If you could, that would be helpful. I turn to marine pests and hope that somebody might be able to assist me there. Has the minister or the department received a request for funding from a company called Seatec Pty Limited to further develop a pilot project to deal with the marine pest the northern Pacific seastar?

Mr Aldred—Yes. The minister has received requests and letters of support for funding for seastar control activities, yes.

Senator ABETZ—How quickly will the minister be making a decision on this?

Mr Aldred—We have received a number of letters. Some have gone to the minister. One response has been already provided by the department that indicates to the Lord Mayor of Hobart that we do not have available funding in the period that was requested for the particular project and that—

Senator ABETZ—If I may interrupt. The urgency is that the spawning will be taking place relatively soon. If we do not pursue this now, chances are the investment thus far made will be lost.

Mr Aldred—We have received a report. The first study was undertaken under Natural Heritage Trust funds. The funds were provided to trial an alternative trap structure to one that had previously been used. So that essentially—

Senator ABETZ—I am aware of all that, if I might say, because I was the minister that funded the first study.

Mr Aldred—Yes.

Senator ABETZ—As a result of the first study, new learnings—a terrible term, but I understand that is the trendy term—have been obtained. They have learnt some information from this which indicates that the spawning is the most successful in covered areas and, therefore, the trapping should take place there. That is why they are seeking funding before the next spawning season.

Mr Aldred—Yes.

Senator ABETZ—Are we going to get an answer before then?

Mr Aldred—I think an answer will be forthcoming. But at the moment the—

Senator ABETZ—And will it be negative?

Mr Aldred—The response has been that we—

Senator Sherry—Will it be negative? That is for the minister.

Senator ABETZ—We have already been told there is no money—that is, unless, of course, it comes out of this magical \$130 million again. You reckon it has been saved.

Senator Sherry—You were told funding was not being provided. They were given a response. But the request will go to the minister and the minister will be considering the matter and provide a response in due course.

Senator ABETZ—I will move on to general questions. Has the government committed to continue the national system for the prevention of marine pest incursions?

Mr Aldred—Yes.

Senator ABETZ—How does the government plan to deal with the increasing problem of marine pests? I will withdraw that question. I ask whether this program is going to be subjected to the efficiency dividend. You may have had general questions about this earlier—about how the efficiency dividend is going to be undertaken. If so, I will withdraw that question. Will programs be impacted upon by the efficiency dividend?

Dr O'Connell—We did have a lengthy exchange on the efficiency dividend. The efficiency dividend applies to departmental. Essentially it applies across the board to departmental. It does not apply to administered programs. To the degree that there are any administered programs involved, they are not caught by the efficiency dividend. To the degree that there is broader departmental funding, that of course applies the same way.

Senator ABETZ—Thank you. NRM funding of regional bodies will be changed to an annual payment. Is that correct? That is to NRM regional bodies.

Mr Shaw—Senator, in the first year—2008-09—which is a transitional year, we have a formula which provides 60 per cent of the average funding they received under the former, or the current, NHT program and the NAP programs with a potential to bid for an additional 15 per cent. We will be looking at the funding for years two to five during the transitional year.

Senator ABETZ—But on an annual basis, or will they then be given three-year funding?

Senator IAN MACDONALD—They were given five-year funding.

Senator ABETZ—Yes. And now they have been only told about one year's funding. So what does the future hold? We have a transitional year, where they will only receive—

Dr O'Connell—Senator, they have received annual funding in the past, certainly over a five-year period. But they have received annual funding. This is forthcoming as a transitional year, so the baseline is 60 per cent of what they had before plus the capacity to go for additional. Decisions beyond that still need to be made during this period.

Senator ABETZ—How do NRM north, for example, in Tasmania, continue with a very innovative scheme? They have a whole host of people partnering with them to get rid of the urchins. The fishing industry has provided rock lobster free of charge to eat the sea urchins et cetera. Hopefully you know about the particular project I am talking about.

Dr O'Connell—This has not changed over the period from the previous last five years. Over the previous five years, it has been the annual provision of funding. So there is not a change to that at this stage. What we will be looking at in the future is to see how to manage those.

Senator ABETZ—Well, I had been led to believe that they were assured of their annual funding, albeit provided on an annual basis, for three years into the future.

Mr Smith—Senator, regions will be guaranteed 60 per cent of their historical funding, as Dr O’Connell said before, for the first year. Each region will be guaranteed 60 per cent of its historical funding—

Senator ABETZ—That is right, yes. We are aware of that.

Mr Smith—in the first year. In the future years, that is yet to be determined. What the government has committed to is that they will be getting 60 per cent across the nation. So globally regional bodies would receive 60 per cent of their historical funding.

Senator ABETZ—Yes. That is right.

Mr Smith—It may be in future years that one region might receive less and one region might receive more. But on average they will receive 60 per cent. They will also receive a smaller amount of money to assist them manage the transition. Those arrangements are yet to be determined.

Senator ABETZ—But in the past—and that is where we were; can I get back to that—Dr O’Connell is saying that they were only funded on an annual basis. My understanding was whilst they received their money annually, they were told in advance that they would in fact be receiving money for however many years in advance.

Dr O’Connell—I was referring, I think, to Senator Macdonald, who I think suggested that they had five years in advance.

Senator ABETZ—All right. So how many years?

Senator IAN MACDONALD—They guaranteed their funding for five years.

Senator ABETZ—The point is this: I assume that NRM north—I do not know—will potentially find it difficult with a project such as this that needs monitoring. They may well have been of the view that they would be given consistent funding and now are faced with a cut in funding. Whether such a very innovative program can continue is now up in the air. If we are going to have this sort of stop-start approach, you will find that local communities, such as the fishing community and local councils et cetera, will not partner. If there is going to be funding for one year to get it underway and then the funding is withdrawn, the whole thing collapses in a heap. In the past, was the funding not guaranteed to these regional bodies, albeit provided annually, for a period of, if I recall, three years? It might be five years.

Dr O’Connell—Senator, I want to clarify. What you are suggesting is that there will not be a clear funding stream. In the first five years of the Caring for our Country Program, something over \$636 million will be provided as a secure baseline funding for the regional NRM.

Senator ABETZ—With great respect, I am taking you back to what you asserted before, Dr O’Connell, that it was only provided on an annual basis. My understanding was whilst the money was provided on an annual basis—

Dr O’Connell—Received on an annual basis.

Senator ABETZ—it was in fact projected and guaranteed to them for three years or more, which allowed them to plan. Now I can understand why people are anxious to get on to the future, but at this stage I am anxious to stay focused on what the current situation is.

Senator SIEWERT—Senator Abetz, it might help if we clarify the fact that regional organisations were required to do investment plans. Under those investment plans, they then had different projects that they funded. So they could in fact say, ‘That project we want to fund for three years. That we are going to fund for two. That for one.’

Senator ABETZ—That is right.

Senator SIEWERT—That program could have been one of those programs that was funded for three years.

Senator ABETZ—Exactly.

Senator SIEWERT—And so it was guaranteed its ongoing funding.

Senator ABETZ—But they have investment plan money for five years.

Dr O’Connell—No. Those were three-year investment plans. You got in-principle approval that those were agreed with. They were not five years. You did not get five-year plans.

Senator ABETZ—All right. Three years full time.

Dr O’Connell—And your funding was then agreed on an annual basis.

Senator SIEWERT—So the regional groups could approve a project for three years providing it was reviewed and it performed.

Dr O’Connell—Yes.

Senator ABETZ—So if a body got that for three years, is that still in place or is that subjected to the 60 per cent cut as well? Therefore, some of these projects will have to die halfway through.

Mr Smith—As I indicated before, the decision around funding for regions for years two to five is still to be determined. What the government has said is that they have committed to 60 per cent of historical funding. The details are yet to be determined for years two to five.

Senator ABETZ—I understand all that. But we are talking about the transitional year, where they are only going to get 60 per cent. Now 60 per cent is not going to cover all their future commitments in relation to commitments that they had for two years or for three years et cetera. So where will they get the money from to keep those commitments? Will they be guaranteed or quarantined by the department from the 40 per cent cut?

Mr Smith—I do not think I have any more to say to what I have said before. The government is still deciding the arrangements for years two to five.

Senator ABETZ—But we have a transitional year, Mr Smith, of 12 months. Is that right?

Mr Smith—That is right.

Senator ABETZ—Twelve months, or one year, where the organisation will only receive 60 per cent of that which it had anticipated because of budget forward estimates et cetera. They have got projects underway. Telling us what they might get in years two to five is of no great assistance other than for the fact that the project might have collapsed during your transitional year. That is why I am concentrating on the transitional year. I can understand, Mr Smith, why you are wanting to get on to the future years. But this is going to be the crucial

period in which a lot of investment is, quite frankly, going to be wasted unless the government reconsiders its position or quarantines these projects that were planned on a three-year basis from the 40 per cent cut. Now is it going to be possible to quarantine or guarantee no cuts to these projects that were planned into the future?

Mr Quinlivan—No. It will not be possible.

Senator ABETZ—Thank you. I think that should have been the answer about 10 minutes ago.

Mr Quinlivan—Because there are election commitments to be funded under the program. It is not possible to fund all the—

Senator ABETZ—But, of course, one of the election commitments was not to tell every natural resource management group that they were going to have a 40 per cent cut to their funding. So that is very interesting how you see what an election commitment is.

Mr Quinlivan—That is unlikely to be the outcome.

Senator ABETZ—No. That is a matter of priority.

Dr O'Connell—It is accuracy we need. It is not the case that there will be a 40 per cent cut.

Mr Smith—Each region will receive 60 per cent of their historical funding. They have already been advised of additional funding to help them manage the transition. For some of those regions it is a very small amount and for some of them it is up to 90 per cent of their funding. On top of that—

Dr O'Connell—That is an additional \$31.8 million.

Mr Smith—That is right.

Senator ABETZ—Can we get details?

Senator SIEWERT—Could you rerun that line for me again. I am trying to clarify.

Mr Smith—So for the transitional funding, in other words, the money in addition to the 60 per cent, some regions have received a very small amount—say, \$50,000—and other regions have received quite significant amounts in many hundreds of thousands.

Senator SIEWERT—Okay. I misunderstood what you said. I thought you said 90 per cent.

Mr Smith—Up to about 90 per cent of the historical funding.

Senator SIEWERT—But how does that work when you are getting 60 per cent and then 15 per cent? To me, that adds up to 75 per cent.

Dr O'Connell—There is transitional funding of \$31.8 million provided to the 56 regional bodies based on a range of issues, such as—

Senator ABETZ—Not everyone gets 15 per cent. Some get 90 per cent and some get one per cent.

Mr Smith—A region would, say, access \$2 million per annum. Some regions might have only received an additional \$50,000 whereas another region might have received \$700,000 or \$800,000.

Senator SIEWERT—I get the money side of it, but I do not get how that adds up to 90 per cent.

Senator IAN MACDONALD—In some areas.

CHAIR—I encourage everyone to have their turn to ask their question. Senator Abetz did have the call. It will go to Senator Siewert. I have no problem with people supplementing each other. But when we have two at the table talking over each other and three senators firing questions at them like a machine gun, it does get very hard to hear what is going on. I do not know how Hansard are going! We need to limit it to one question and one answer and then flow on from there. Thank you.

Senator ABETZ—Dr O'Connell, you talked about an additional \$31.8 million. Let us be quite clear on this. If all the natural resource management bodies—the 56 of them—were to receive their full funding in this coming financial year, the government would have spent more money than the 60 per cent funding plus the \$31.8 million.

Dr O'Connell—The full funding under the current program is as we have stated it. Over the first five-year period, there is \$636 million provided for a secure baseline. That includes 60 per cent of the historic baseline funding. In addition, there is transitional funding of \$31.8 million spread across the 56 bodies.

Senator ABETZ—Right. And the question still is: the 60 per cent plus that additional funding, does that add up to more or less than that which had been anticipated by these groups?

Mr Smith—I would like to add one further aspect to this. There is 60 per cent, there is the transitional funding and then regions can also access money through the election commitments. So, for instance, under the reef rescue package, which is a \$200 million election commitment over the five years, there are six regions in Queensland on the reef that would be able to access those funds. There are a range of other election commitments that add up to something like about \$460 million. Regions will be able to access some of that money as well. All of those arrangements are yet to be determined.

Senator ABETZ—The maximum they can get is 90 per cent.

Mr Smith—No. That is not correct. Some of those regions that are well endowed, if you like, in terms of natural icons, they could access more funding under Caring for our Country than they could under the NHT. Other regions may not be able to access as much as they did before.

Senator ABETZ—In the transitional year?

Mr Smith—In the transitional year. That is all yet to be determined. But, yes, that is possible.

Senator ABETZ—In the transitional year. We are not talking about years two to five.

Mr Smith—And a good example could be those six regions on the Great Barrier Reef. That is just one example.

Senator ABETZ—That is all very interesting but irrelevant. I am dealing with it in a global context at the moment.

Mr Smith—I was providing an example of how—

Senator ABETZ—I am trying to get a handle on whether there will be as much money for NRM bodies around the country as there was previously.

Dr O'Connell—The funding is managed in a different way. There are more elements of competitiveness than perhaps there was previously. But overall, in terms of the commitments, say, between the last five years and the forward five years, there is in total something around about a 0.4 per cent difference between the NRM programs.

Senator ABETZ—Is that 0.4 per cent difference a plus or a negative?

Dr O'Connell—That will be less.

Senator ABETZ—Well, we finally got there. It has taken me all this time to find out that there is actually going to be less money spent on this.

Dr O'Connell—The sum of 0.4 per cent.

Senator ABETZ—In the context of a big Labor Party election promise to look after NRM bodies. Thank you very much for that. I can now understand why it was so painfully long. I have a stack of questions on the weeds menace. Do you have any other questions on NRM bodies, Senator Siewert?

Senator SIEWERT—I had quite a number on Caring for our Country, yes.

Senator ABETZ—As do I. What sort of time limit are we going to face on this?

CHAIR—I will help you out there. We are going to 11 o'clock tonight and we are adjourning on the dot.

Senator ABETZ—But in relation to fisheries, clearly, and forestry.

Senator IAN MACDONALD—We have fisheries and forestry. With the number interested, we should at least have three quarters of an hour. And there are at least three of us and perhaps more interested in NRM.

CHAIR—Well, members of the committee, we are adjourning at 11 o'clock. Work it out amongst yourselves. Manage it yourselves. It will be 11 o'clock on the dot.

Senator ABETZ—We will finish NRM at 10.10 pm.

CHAIR—Maybe you might want to caucus, Senator Abetz, with your colleagues while Senator Siewert wishes to ask some questions.

Senator ABETZ—Senator Siewert, are you happy with finishing NRM at 10.10 pm?

Senator SIEWERT—Yes.

CHAIR—Have a caucus.

Senator ABETZ—I will pass the call to her.

Senator IAN MACDONALD—There may be other people besides Senator Abetz, me and Senator Siewert who want to ask questions. If there are only those three, we could do 10 minutes on each and then go on to fisheries and forestry.

CHAIR—Before I go any further, I think the opposition senators can caucus amongst themselves. Senator Siewert is a full member of the committee and a deputy chair. If Senator Siewert needs to ask questions for longer, she will. Senator Siewert.

Senator SIEWERT—I will take 10 minutes.

CHAIR—Senator Siewert has sat here patiently for two days. She is the deputy chair. Senator Siewert, ask whatever questions you need to ask.

Senator SIEWERT—Can we go back to the 60 per cent historical funding. I want to be very clear about what that is based on. Is that the whole of the funding that the NRM group got, or is it based on an admin section they got? Is it based on the whole of the money that was delivered for their investment plan at the end of the three years? Is that what you mean by historical funding?

Mr Smith—The historical funding relates to the funding under the life of the NAP, the national action plan for salinity and water quality, and the Natural Heritage Trust.

Senator SIEWERT—Was it the first year funding, the second year or the third year?

Mr Smith—I will take it on notice. I have a feeling it is certainly more than those. It is about six or seven years of funding.

Senator SIEWERT—So you are averaging it?

Mr Smith—It is averaged over the life of those two programs.

Senator SIEWERT—NHT2 or 1?

Mr Smith—NHT2 only and the NAP. As you know, the NAP was a seven-year program that was extended for another year and the NHT2 was about a six-year program.

Senator SIEWERT—So you are going to get back to me and confirm whether it is an average for that period of time. Is that what you are going to do?

Mr Smith—That is right.

Senator SIEWERT—That would be appreciated. The 15 per cent I am still terribly confused over. You threw in that point about the 90 per cent. Are you saying that you get 15 per cent on top of your 60 per cent but it could be more than 15 per cent? I just do not understand how you get to 90 per cent.

Mr Smith—No. That is okay. Fifteen per cent.

Senator SIEWERT—Fifteen per cent. Everyone gets 15 per cent?

Senator Sherry—No. We have the 60 per cent. What is on top of 60 per cent?

Mr Quinlivan—The principle to keep in mind is that there was an understanding that each of these regional bodies will make a transition into the new program. They are doing it over this first year. The transitional task is more difficult for some regional bodies than others. The main thing that drives the degree of difficulty is the extent of support from other governments

and potentially other functions and tasks and sources of revenue they have. So that is the main principle that we have brought to bear in deciding on the allocation of these additional moneys. How significant is the transitional task for the individual bodies?

Senator IAN MACDONALD—I think it is 60 per cent across the board and then 15 per cent across the board, of which some NRMs will get one per cent, some will get 90 per cent and that will make up the total of 15 per cent. Is that correct?

Mr Quinlivan—That is correct. The principle I have just outlined is the basis on which the judgements will be made about the need for accessing additional funds.

Senator SIEWERT—I will have to get you to explain it to me later because I do not understand. If you are getting 15 per cent, it adds up to 75 per cent.

Senator IAN MACDONALD—Globally it is 15 per cent. But for each individual, some will get one per cent of that 15 per cent and some will get 90 per cent of the 15 per cent.

Mr Quinlivan—Perhaps I could just try a different way. For some regions, the Commonwealth money is a very significant part of their revenue. Therefore, we assess those as having a high level of need. In other cases, the Commonwealth moneys are a relatively small amount of their total revenue. Therefore, we assess them as having less need.

Senator SIEWERT—So the 60 per cent is not just the government funding. It is 60 per cent of their historical funding?

Mr Quinlivan—No. The 60 per cent is 60 per cent of the historical Commonwealth funding.

Senator SIEWERT—And the 15 per cent is 15 per cent across the board?

Mr Quinlivan—On average, yes.

Senator SIEWERT—Right. Thank you.

Mr Quinlivan—I hope that was right.

Senator SIEWERT—Can you clarify that to make sure it is.

Mr Quinlivan—That was a joke.

Senator SIEWERT—Not now. If it is not. Now I kind of get it. It took me a long time to get there.

Senator Sherry—We will even provide on notice for you some practical illustrations about how it is applied.

Senator SIEWERT—It is all right. I have got it now. It was just that comment at the end when you said, 'I hope that's right' that threw me.

CHAIR—It was not Mr Quinlivan; it was someone behind him.

Senator SIEWERT—I should take a step back. There are 56 regional groups. Do you have an idea now of how much each group is going to lose?

Mr Quinlivan—Well, as Mr Smith said, a decision has been made for the first year on the allocation of the 60 per cent plus the allocation of the additional 15 per cent, but there will be

future allocation processes, some of them competitive, some not, which will provide additional funds to regional bodies. No decisions have been made on those yet.

Senator SIEWERT—I appreciate that. But if it was the status quo they were not able to competitively compete for the other funding that you are talking about—in fact, some regional groups are not lucky enough to have icons—have you done an analysis of what each regional group wins or loses?

Mr Quinlivan—Well, we have made a careful analysis of the individual circumstances of the regional bodies in deciding the allocation of that additional 15 per cent. So I think the answer to your question is yes, because we made a careful assessment of their need.

Senator SIEWERT—Can you provide that information to the committee so we have an idea of which regional groups?

Mr Quinlivan—I think we would have to take that on notice because that information was generated with another department. In some cases, it could be quite sensitive to the future of the regional body.

Senator SIEWERT—That is exactly the point.

Senator Sherry—We will take it on notice.

Senator SIEWERT—Do you have an understanding of how many staff each regional group may lose?

Mr Smith—No. I think at the moment the regional bodies themselves are still working those matters through.

Senator SIEWERT—But there is an acknowledgement that staff will be lost?

Mr Smith—There is the potential for that, yes.

Senator SIEWERT—I am still very desperately interested in the future of the NRM groups. I want to go to the bigger picture issues around Caring for our Country and the approach that has been taken in terms of developing the framework. I would like to know who has been consulted, what that framework encompasses and when it will be released for public comment. It is being released on 30 June. Does that mean it is finalised, or is that just a draft that is released for public comment? That will do for a start.

Mr Smith—On the consultation process, the program has been developed in consultation with the states and territories. I understand there have also been some discussions with other non-government organisations. But I do not have full details of all those groups that were consulted and which groups were not and which groups were.

Senator SIEWERT—Can you provide a list of who has been consulted, please, from the NGO perspective?

Mr Smith—I can try to do that, yes.

Senator SIEWERT—You cannot tell me? I am taking that as read—

Mr Smith—I will take it on notice.

Senator SIEWERT—that you cannot provide it to me now. Have regional bodies been consulted?

Mr Smith—Regional bodies certainly have been consulted.

Senator SIEWERT—All of them?

Mr Smith—All of them.

Senator SIEWERT—And that is on the overarching framework for Caring for our Country?

Mr Smith—Yes.

Senator SIEWERT—Every aspect of that overarching framework—strategic goals et cetera?

Mr Smith—Well, since the announcement by the government, we have been in direct engagement with all regional bodies around Australia.

Senator SIEWERT—Direct engagement could mean a range of things—for example, talking about their future rather than actually the overarching strategic plan.

Mr Smith—It depends what you mean by consulted, Senator. The government announced the program and announced that it would have a certain amount of money over a five-year period with a goal and six investment strategies. That was a decision by government. We are now working through the details of those arrangements and, where they apply to regions and to states, we are consulting with them on those arrangements. A good example would be on the set of outcomes that are to be determined, as I mentioned. Those outcomes are to go to the Prime Minister by 30 June. There is a limited consultation process with the states, territories, regional bodies, science groups, NGOs and industry.

Senator SIEWERT—And they are on outputs?

Mr Smith—They are the outcomes. They are the five-year program outcomes, if you like.

Senator SIEWERT—For each of the six programs?

Mr Smith—For each of the six priority areas, yes.

Senator SIEWERT—It is just that information that is being released on 30 June?

Mr Smith—The commitment is for us to get it to the Prime Minister by 30 June.

Senator SIEWERT—I beg your pardon.

Mr Smith—At the latest, I expect it would be released in the Australian government's business plan for the program in September this year. It could well be released publicly before that.

Senator SIEWERT—So what are you asking the NGO groups? What directions have they been given for expenditure for the next financial year with their 60 per cent? I am presuming the 15 per cent is about transition and whether they are going to get rid of staff et cetera.

Mr Smith—The 60 per cent applies only to the 56 NRN regional bodies around Australia. So that is the only money, if you like, that the government has guaranteed.

Senator SIEWERT—Yes.

Mr Smith—Of the other money that is available through the program, for instance, there have been advertisements in recent weeks for the national reserve system and for Community

Coast Care grants. They are contestable moneys. All groups, including states, NGOs, industry, small community groups and regional bodies, can apply for that money.

Senator SIEWERT—While I appreciate what you have just said to me, it actually was not the answer I wanted. I will just pursue the question for a minute. The advertising that has already been carried out, that is outside the outcome process that you are developing for the Prime Minister by 30 June?

Mr Smith—No. All funding under Caring for our Country, apart from the initial component of the transition year, which is about to commence, will be directed towards those outcomes. But because the outcomes will not be known until September, and funding needs to flow from 1 July, we will have to come up with other mechanisms for directing the funding.

Senator SIEWERT—The question I actually meant to ask before was: what direction are you giving to the regional organisations about the use of the 60 per cent?

Mr Smith—We have asked the regions to draw on their current NRM plans and investment strategies and to put forward those activities that are directly related to the six national priority areas that have been identified by the government. So they have done all that. Some have done it and some are in the process of finalising it right now. Of those investment strategies, some are already sitting with ministers and some are in the process of going to ministers.

Senator SIEWERT—That is for the 60 per cent?

Mr Smith—That is for the 60 per cent.

Senator SIEWERT—For the next two to five years, is it envisaged that the same approach of investment planning and the development of investment plans will be continued?

Mr Smith—No. It will be a different approach. Come September we will have the outcomes and we will have the business plan. That will be the trigger for not only regional bodies but for all other groups to then say, ‘Okay, well, now we know what the Australian government is seeking investment in.’ So they will then be asked to direct their funding towards those areas. For instance, if a regional body was wanting to access funding, it would need to ensure that its activities line up against the identified outcomes by the Australian government.

Senator SIEWERT—So what happens to the projects and the massive amount of money that this country has already invested into NRM and those continuing projects?

Mr Smith—Well, the Australian government is not the only investor in NRM. The Australian government is just one of a range of investors. What the Australian government is saying under this program is that there is a limited amount of money. They are focusing the investment to a specific set of measurable outcomes yet to be determined.

Senator SIEWERT—You did not answer my question.

Mr Smith—What I am saying is that the Australian government under this program is saying they want to focus the investment.

Senator ABETZ—And you are still not answering the question.

Senator SIEWERT—You are still not answering the question. I am not for one minute saying that NHT2 or the other programs were perfect. But it seems to me we are throwing the baby out with the bathwater.

Mr Quinlivan—I do not think it is possible to answer the question in the abstract other than by saying that the outcome for individual projects will depend on their alignment with the new priorities that are being articulated.

Senator IAN MACDONALD—As a result, there will be clear—

Mr Quinlivan—Some will fit very neatly; some will not. It is not possible to make judgements at this point.

Senator SIEWERT—I am aware I am running out of time. Have you done an assessment of what the attitude of the regional groups is going to be and the people that are associated with those regional groups and whether they are going to walk away?

Mr Smith—Yes. I have spent considerable time. There is a meeting in Melbourne of the chairs of all 56 regions around Australia. They made some very welcoming statements about a program that had one clear goal and that had six national priorities. They welcomed the arrangements around a more streamlined approach by the Australian government.

Senator ABETZ—Do not verbal it. They loved the budget cuts.

Mr Smith—They were uncertain about what it means for them. But I think if you were in that room and you were listening to what they were saying, they were welcoming that approach.

Senator ABETZ—We were not in the room, but we know what they were saying.

Senator SIEWERT—Can you just let him finish.

Senator McGAURAN—Is that a clue what money you paid?

CHAIR—Senator McGauran, Mr Smith was halfway through his answer. With the greatest respect to Mr Smith and any of our officials, at least hear him out. Mr Smith, do you wish to continue? If you do not, I do not blame you.

Mr Smith—I do not have any more to add.

Senator ABETZ—What was the cost of getting the 56 chairs to this meeting, including airfares et cetera? Who paid for that?

Mr Smith—The Australian government paid half of that and the states paid the remaining half.

Senator ABETZ—So it did not come out of the NRM bodies' budget?

Dr O'Connell—This was the same process that we have had annually over the last while, yes.

Senator ABETZ—Yes. But this was a special meeting for this purpose?

Dr O'Connell—No. It was the annual chairs forum.

Senator ABETZ—It was just the normal one? All right. Fine.

Mr Smith—It goes back to back with the NRM Ministerial Council.

Senator ABETZ—All right. That is fine. Can I ask you about the administrative costs associated with this new regime. Has any assessment been made of the time and expense of these groups trying to rejig? Have you also calculated—and I think it is a very important point that Senator Siewert was making—the loss of confidence in that there will not necessarily be the money? Most of the good ones are now walking already, seeking employment elsewhere and leaving NRM behind because they know that, at worst, they will get 60 per cent, but a lot of them know that—given the budget cuts—they will not be given the sort of funding they have had in the past.

Mr Smith—There has not been any assessment, to my knowledge. We are very keen to ensure, as much as we can, a smooth transition. That is going to be difficult given the changes in the program, but we are saying, for instance, that we want to learn from the transition from NHT1 to NHT2, which was very difficult. Some of the things that have been taken into account, for instance, are providing regions with a guaranteed level of funding and setting up arrangements so that we have funding agreements quickly in place with the states and the territories rather than arguing—or negotiating, if you like—for years, which happened under NHT2. At the moment we are on track in all states and territories to have a funding agreement so that funding can flow on 1 July. So there are some specific actions that are being taken to ensure as smooth a transition as possible.

Senator ABETZ—It is very un-smooth.

Senator IAN MACDONALD—I went through the setting up of the previous process. You will note that I have not been to this estimates for two years for obvious reasons. We went through this with all you guys. I know what you all think and so I am not going to embarrass you by lumping on you the decisions the new government has made out of inexperience. I do not expect you to comment on that, but Senator Sherry might like to. It is quite clear that the process of catchment management at a local level has now been subsumed by an inexperienced—perhaps I should not say that to be provocative—has been subsumed by the new government's idea of these six national priorities. Senator Sherry, is that your assessment?

Senator Sherry—I believe that the witnesses have very well laid out the new criteria.

Senator IAN MACDONALD—Thank you, Senator Sherry. You are not going to enter into it. Because of the time, can I just ask three very simple questions? Senator Siewert asked what jobs have been lost. We got the bureaucratic answer—that is not a derogatory term. It is what you would say if you are protecting your present minister, which is what you are required to do. Could we get a detail in writing of the actual job losses throughout country Australia that this 60 per cent has caused? We can all at this table give you a start if you cannot count them elsewhere because the job losses in regional Australia are quite enormous. Could we, on notice, get you to provide for us the job losses that you were able to ascertain from the 56 NRM bodies? Is that okay?

Dr O'Connell—Over what period would you be wanting this?

Senator IAN MACDONALD—From the change of government to the time you get the answers to us, which is within two or three weeks of today. There will continue to be job losses and I am already aware that there have been substantial job losses to date.

Dr O'Connell—We need to be very clear about precisely what you are asking. What sort of job losses are you talking about: direct employees funded by government funding or are you—

Senator IAN MACDONALD—Each NRM body has a budget out of which they pay their CEO, their board members and their staff.

Dr O'Connell—Their budgets are not all funded by the Commonwealth. In many cases their budgets are only marginal.

Senator IAN MACDONALD—There have been substantial job losses. All I am asking you to do is a quick survey of the 56 bodies, come back to us and tell me how many jobs that were there on 23 November 2007 are not there now?

Mr Quinlivan—There has not been any change in their funding so far. They may be anticipating changes and they may be correct or they may be quite wrong in anticipating those changes.

Senator IAN MACDONALD—You would know, Mr Quinlivan. They are all directors of the board and they have to plan for their future in accordance with the corporate responsibility of board directors. So they are sacking people they know they will not be able to fund through to the area. You may be right. Maybe there have not been any job losses, but, if that is the case, it will not take you long to ring around the 56 and say, 'Okay there have been no job losses.' I am sure you will find differently, so what I am asking is that you give us those, on notice, by the end of the question period.

Dr O'Connell—I am not sure that I can follow through on your request without it being a little bit more specific. We cannot reasonably look to capture an account of all job changes between then and now when they are unrelated to our funding.

Senator IAN MACDONALD—Let me be very specific Dr O'Connell. Ring the Northern Gulf catchment's NRM, ask them how many they had employed on the 20 November 2007, and how many they have employed now. Maybe the answers will be an embarrassment to me, but I am prepared to take the risk.

Dr O'Connell—I think the issue is what relationship would that have to our program changes?

Senator IAN MACDONALD—It is a different question. Just get an answer for me, please.

Senator Sherry—Let us cut through this. You want the number of positions as of the day after the election and the number of positions as of today and maybe we can get a projection. I will take that on notice; I know what you want.

Senator IAN MACDONALD—Would you take another two questions on notice because time is running out. Regarding states contribution to NRM bodies, could we get on notice a detail of that. I asked this last time and got the equivocal answer which we used to get in the past, but I really want to know what the states have contributed to the NRM bodies. Take that however you will, but please come up with some answers.

Senator Sherry—I had anticipated you there. I had actually just mentioned that. Or do you mean—

Senator IAN MACDONALD—Senator Sherry it is your problem now.

Senator Sherry—That is the price of responsibility. I have agreed to take this on notice; it has been taken on notice on behalf of the minister and the research will be done.

Senator IAN MACDONALD—You will find your Labor state colleagues, Senator Sherry, are very mean when it comes to NRM management.

Senator ABETZ—They do not know we have got cooperative federalism now.

Senator IAN MACDONALD—My third question is this: please assure me that the arrangement that applies in Queensland and Western Australia and perhaps in other states in relation to natural resource management bodies, as opposed to state organised subsidiaries of their departments' catchment management groups, will continue unchanged.

Mr Smith—As you have rightly said, Queensland and WA have community based arrangements compared with the other states, which have statutory. I do not think the Australian government is in a position to make any assurances around that. Those arrangements are purely for those states and territories.

Senator IAN MACDONALD—No, no, come on Mr Smith. We went through all this eight years or however long ago. They all should have been the community model in my view, but back years ago the department erroneously accepted that state governments could appoint the catchment management authorities and they became instrumentalities of state governments. In Queensland and Western Australia they were genuine community based organisations that were very well run, in spite of my initial reservations, that you guys all convinced me was the right way to go. The Commonwealth does have a role in that. I should not be putting you in a difficult position. All I am seeking, perhaps from the minister, is an assurance that the arrangements for appointment of NRM bodies in at least Queensland and Western Australia will not change.

Senator Sherry—I will have to take that on notice.

Senator IAN MACDONALD—Of course. Thank you, they are my only questions.

Senator MILNE—I would like to go back to how this new structure is going to operate under a research and development council. I see there is a responsibility by Land and Water Australia to undertake research planning as well as implementation of research planning. They also take responsibility for whole-of-landscape planning. We have a climate change manager over here; we have a whole lot of climate programs; and we are going to have a new council responsible for strategic planning.

CHAIR—We are still in Natural Resource Management, Senator Milne, so is your question to Land and Water Australia?

Senator MILNE—What I am trying to understand is how Land and Water Australia fits in to this new structure. It seems to me the minister is bringing in a new level of strategic planning for research. In his own speech in Melbourne he said he was appointing all these

people to look at this new strategic thing. I would like to know where Land and Water fits into it and where Mr Gibbs fits into it.

Mr Quinlivan—Land and Water Australia is one of the R&D corporations in the portfolio. The minister envisages the council providing advice on the direction and priorities of R&D generally across the portfolio, so they will be caught in that sense, as will all of the other R&D corporations. Separately from that, but consistent with it, the department has its own policy and research roles through ABARE and the BRS and we have a collective responsibility in the executive of the department and in the R&D council of doing all of that in a coordinated way. Separately from that again, the Department of Climate Change has an overall coordinating role for climate change related work across the government, as the department of water has for coordinating water related work across the whole of the Commonwealth. The council is working within this portfolio but within a much bigger picture in relation to water and climate change.

Senator MILNE—Is it essentially usurping the role that is already there from Land and Water Australia in terms of strategic planning for research and coordination of research?

Mr Quinlivan—I do not believe so. The minister is obviously signalling that he wants the R&D corporations and the department generally to be more active in this whole-of-sector, whole-of-economy, whole-of-government area. I do not particularly see that as a reflection on the performance of Land and Water Australia in the past. It is just a new way of approaching that problem.

Senator MILNE—I was not reflecting on the role of Land and Water Australia in the past. I am reflecting on whether a new group of people has been brought in over the top of everyone else to have yet another go at strategic planning. Will leave it there. Thank you.

Senator SIEWERT—One of the priorities of Caring for our Country is natural resource management in remote and Northern Australia. What definition are you using for ‘remote’ because remote—and I am not trying to be funny—has different contexts? Do you call any regional area remote or would pastoral country, for example, be what you would normally call remote?

Mr Smith—The term ‘remote’ has not been defined. It is meant to cover at least the area north of the Tropic of Capricorn, but it could go down well below that. The arrangements for pursuing that priority will be developed in the transition years. At this stage there is no clear determination about what ‘remote’ is, but the intent is that it is the north and perhaps down to Central Australia.

Senator SIEWERT—The priority is going to be natural resource management in remote and Northern Australia. So five of WA’s NRM groups are, in fact, not remote. We have only got six.

Mr Smith—As I said, we have not determined exactly what remote is at this stage.

Senator SIEWERT—This is a really significant issue because, if you are not actually funding anything that is outside metropolitan Perth, you are going to be cutting off, in years 2 to 5, five of our six natural resource management groups from applying for any funding—this

is in Western Australia and the same will apply in other states—for natural resource management funding.

Mr Smith—What is intended under that priority is to, in the transition year, look at the arrangements in remote and Northern Australia—whenever that is determined—and look at what is working and what is not working, and see if we can make improvements to those arrangements.

Senator SIEWERT—These are the priorities for Caring for our Country: a national reserve system; biodiversity and natural icons; coast environments and critical aquatic habitats; sustainable farm practices; natural resource management in remote and Northern Australia; and, community skills, knowledge and engagement. I thought, from our discussion earlier, that they were the priorities that Caring for our Country focused around.

Mr Smith—Sorry, I missed the very last sentence.

Senator SIEWERT—Community skills, knowledge and engagement. They are the priorities of Caring for our Country. The goal of Caring for our Country is an environment that is healthy, better protected, well managed and resilient and that provides essential ecosystem services in a changed climate. The program will focus on achieving strategic results and investment in six national priority areas. I understood those six national priority areas, from our discussion previously and from everything I have seen, are what the program is based on. So I ask again, will natural resource management groups, after year 1, in areas other than remote and Northern Australia, be able to access funds for natural resource management?

Combing **Mr Smith**—Yes.

Senator SIEWERT—But it says here: ‘in remote and Northern Australia’. You just told me your definition of ‘remote’—

Mr Smith—Remote and Northern Australia is a priority area. I talked before about outcomes. At the moment it is anticipated that there will be numerous outcomes under each of these priorities, and it is those outcomes that would then help focus the investment. The priorities, if you like, are sort of headings for investment.

Senator SIEWERT—That is what I figured. But how do you get around the fact that here you are saying ‘in remote and Northern Australia’, and you just told me that ‘remote’ is probably anything north of the Tropic of Capricorn?

Mr Smith—No, I said it is at least that, and it could be down to Central Australia. It is yet to be determined.

Senator SIEWERT—Down to Central Australia. I am not trying to be difficult here; I am trying to work out what the government is setting as its priorities.

Senator Sherry—We have not set it yet. The witness has just said that it has not been finalised yet. When it is finalised, we will let you know.

Senator SIEWERT—So you put the word ‘remote’ in there for no reason?

Senator Sherry—We will let you know when it has been finalised.

Senator SIEWERT—‘Remote’ has a definite definition. Why did the government put ‘remote’ in there if you cannot tell us what that means?

Senator Sherry—Understand—and the witness has given you an indication of what the definition will be, but the definition is not concluded to the final latitude or the final mile as yet.

Dr O’Connell—I might be helpful or I might not. If your understanding is that NRM can only occur within remote and Northern Australia as a result of these priorities, I think that is a misreading. Rather, remote and Northern Australia is one priority, but all other parts of the country—

Senator SIEWERT—It is the priority that is directly linked to NRM. It is one sentence.

Dr O’Connell—I think we understand where the mistake arises.

Mr Smith—I now understand your interpretation.

Senator SIEWERT—It is in every document that I have seen.

Mr Smith—The whole program is about NRM. What this priority is saying is that, effectively, in the transition year the Australian government will be exploring the current arrangements in remote and Northern Australia and looking at improving them, where it is possible.

Dr O’Connell—It is certainly not intended to be exclusive for the rest of the country. The whole purpose here is that NRM is available across the nation.

Senator SIEWERT—Where do we find that information? That information is not publicly available. That is not explained. There is very little detail in any of the budget documents. It is not consistent with what we have just been told, either, in terms of what the national strategy is and the plan that is being worked around.

Dr O’Connell—I think that the base funding for natural resource management bodies—which is what we are talking about—is a clear indication that natural resource management is intended to be funded across the country through this process.

Senator SIEWERT—That is through the transition year. I am sorry if I have not been making myself clear. I am actually interested in the future of this program overall.

Dr O’Connell—The secure funding for the regional natural resource management organisations goes right through the five years.

Senator SIEWERT—The 60 per cent?

Dr O’Connell—That is intended to be the base funding for those NRM regions. The point I am making there is that natural resource management across Australia is going to be funded through this program.

Senator SIEWERT—The 60 per cent is guaranteed for the five years.

Mr Smith—Sixty per cent across the nation, yes.

Senator SIEWERT—Five years for each regional group.

Dr O'Connell—There is \$636 million as a baseline funding for the regional NRM organisations over that five years, then there is an additional \$75 million, which is to assist the transitional process.

Senator SIEWERT—I accept that. The point is that every group is guaranteed 60 per cent for five years.

Mr Smith—No, that is not right.

Senator SIEWERT—I did not think so.

Mr Smith—In the first year that is the case. In years 2 to 5 it will be averaged across the nation.

Senator SIEWERT—Yes. That is what I thought.

Mr Smith—So some regions will receive more and some, maybe, less.

Senator SIEWERT—I would really appreciate a very clear statement about whether, into the future—because this is what it says on the website and it is what I have seen in the documentation—natural resource management in remote and Northern Australia is a priority just for year 1, or permanently.

Mr Smith—It is a priority across the life of the program—the first five years of the program.

Senator SIEWERT—Could you clarify one more thing about the Landcare program? Is that now rolled into this? Could they take it on notice?

Senator ABETZ—We have now gone 15 minutes past. Whilst I understand what you said about senators asking questions, with great respect, on the basis of numbers in the Senate, I think the Greens have now asked more than their fair share under NRM. I gave the call over to Senator Siewert and put a whole lot of my questions on notice on the basis that we would finish this at 10.10 pm. We have gone an extra 15 minutes and what I am recommending is that we finish off so that we can move on to Fisheries and Forestry.

CHAIR—I will give you an answer on that, Senator Abetz, I have no problem. But in terms of numbers, Senator Siewert is the deputy chair and I have sat here, as have Senator Siewert and other senators as full members of this committee and participating members, since nine o'clock yesterday. The last thing I could be accused of, this committee could be accused of, is outweighing the numbers towards the Greens. That could not be further from the truth. We had a similar arrangement last night. I thought we had an arrangement where we could with the support of opposition senators and government senators. It was thrown out the window at the last minute and we wasted an hour and half this morning on nonsense. I am more than happy, if it pleases the committee, to come to an arrangement but I cannot tell senators how many questions they can ask and how many questions they cannot. So, on that, Senator Siewert still has the call and when Senator Siewert finishes the questions then we will take it from there.

Senator SIEWERT—I do take the point. This is, however, an extremely important program and I have been sitting here very patiently for two days. Could you please take it on

notice and provide me with information about the future of the Landcare program? Is it rolled into this or, if it is not, what is its ongoing funding?

Senator Sherry—We will take it on notice.

CHAIR—Next on the list is Land and Water Australia. Do any of the senators have questions of Land and Water Australia? If they do not then I will thank Natural Resource Management, thank Land and Water Australia and call Fisheries and Forestry to the table. While Fisheries and Forestry are coming to the table, can I get an indication around the table of who may wish to ask questions of Fisheries and Forestry and of course AFMA? If we can keep it to six minutes each, we will be able to wrap up at 11 o'clock. If it goes over, we will come back on Friday. Let's do Forestry first, then Fisheries and then AFMA.

Senator IAN MACDONALD—The only difficulty is Mr Chairman, if everyone has got six minutes I would rather roll my Fisheries and Forestry questions into my six minutes.

CHAIR—I think that is honourable, Senator Macdonald.

[10.30 pm]

Fisheries and Forestry

Senator ABETZ—Are we doing Fisheries and Forestry together? Can I refer to the article on the front page of today's *Australian* and confirm that the \$5.75 million that was referred to was the projects which the department had recommended against funding previously?

Mr Grant—You are referring to the projects in the Gippsland Lakes?

Senator ABETZ—Yes, that is right. On the front page of the *Australian*—

Mr Grant—They were projects that were considered in the term of the last government. They were considered by an advisory committee—

Senator ABETZ—Can you just please keep the answers very brief. The question is: were they rejected or was departmental advice to reject those projects?

Mr Grant—The projects were assessed by an independent assessment panel and the panel chose to fund some of those projects but not all of them.

Senator ABETZ—The \$5.75 million I am referring to is all for projects that were not recommended?

Mr Grant—The \$5.75 million is made up of extra payments committed by the government to projects that were considered—

Senator ABETZ—And rejected.

Mr Grant—The \$5.75 million was used to fund projects that were not recommended for funding by the advisory committee that existed under the OBA system under the previous government.

Senator Sherry—Under the previous government.

Senator ABETZ—Thank you. I would assume that the advice did not change. Can I also confirm that this money was from the Securing our Fishing Future funding?

Mr Grant—Yes.

Senator ABETZ—I also want to ask about the third round of onshore business assistance. What was the size of the third round of onshore business assistance?

Mr Grant—It was \$1.1 million for 14 projects.

Senator ABETZ—How many applications? Fourteen. How many of those were funded?

Mr Grant—There were fourteen funded. There were more applications than that.

Senator ABETZ—All right. How many applications were there?

Mr R Murphy—As I recall, in round 3 we received in the order of 60 applications.

Senator ABETZ—Sixty applications, thank you. That is all we want to know; we do not need all the other information. I will not turn to the abalone industry. The Australian government committed \$146,000 to support Australia's abalone industry. Can I be given an indication as to whether that funding has been spent or is in the process of being spent on the abalone herpes disease?

Mr Grant—This was money that was promised through the fisheries research fund to provide assistance to a Commonwealth-state process to investigate—

Senator ABETZ—That is right.

Mr Grant—That money has been paid over to the FRDC, who are coordinating input to that process. So the money is with the FRDC.

Senator ABETZ—So that is progressing?

Mr Grant—It is.

Senator ABETZ—I will now turn to forestry and the Tasmanian community forest program. Has any funding been cut out of that?

Mr Grant—No, no funding has been cut out of that.

Senator ABETZ—Thank you. There was a review of Tasmanian forest contractors implemented. That was to report in November. Has that review been received?

Mr Bartlett—Not to my knowledge.

Senator ABETZ—When are you anticipating that review?

Mr Bartlett—I will have to take that on notice.

Senator ABETZ—To your knowledge, are forestry MISs being put under special consideration by the Australian tax office?

Mr Grant—What do you mean by special consideration?

Senator ABETZ—Will they now be under close scrutiny by the Australian Taxation Office?

Mr Grant—You would have ask the tax office that. I am not—

Senator ABETZ—Yes, but you are not aware that managed investment schemes for forestry have been placed under closer scrutiny by the tax office.

Mr Grant—I am not aware of that, no.

Senator ABETZ—Mr Bartlett, with your knowledge of the forest sector, you are not aware of that?

Mr Bartlett—I am not aware of that.

Mr Quinlivan—The particular tax treatment is legislated now in any case. It is not a matter for the tax commissioner's discretion. I am not quite sure what you are referring to, but it would not be about their operation as managed investment schemes.

Senator ABETZ—That is a great answer, thank you. There is a nuisance in Tasmania who likes placing advertisements. Part of the advertisement says, 'Plantation managed investment schemes promoted and protected by Senator Abetz, the former minister for forests, will now be under close scrutiny by the Australian Taxation Office.' You have confirmed that they are now legislated schemes, and that will not be occurring. Do Forestry or you, Mr Bartlett, have any views in relation to the cuts to the CSIRO which mean that we will now have only one area for dedicated forestry research, the CRC for Forestry?

Mr Bartlett—No, I do not have any views.

Senator ABETZ—No views? Minister, do you think that this is going to be helpful for Forestry?

Senator Sherry—I will take it on notice and discuss it with the minister.

Senator ABETZ—Thank you.

Senator Sherry—In response to your first question, the projects that you asked about—the \$5.75 million which was cause for comment in the *Australian* today—were in fact Rudd government election commitments made prior to the last general election. We are implementing our election promises.

Senator ABETZ—Mr Rudd said that he would not be funding projects which were rejected by departments, and he has broken that promise.

Senator Sherry—Election promises were made during the campaign.

Senator ABETZ—Can you tell us, either now or on notice, what is happening with the FV *Taruman*, which has been rusting away at Hobart's port?

Senator MILNE—I want to speak about the Tasmanian Community Forest Agreement. At the last Senate estimates I asked Dr O'Connell about whether you had informed the former minister, Senator Abetz, of his fiduciary responsibilities in relation to the handing out of government money. You said that you wanted to take that on notice, because if you had informed the minister then that would be a serious problem for the minister and if you did not then that would be a serious problem for the department. You took it on notice because it was a serious answer and then, to be quite frank, insulted my intelligence by giving me an answer that referred to the new minister when all of the questioning last time was about the previous minister. Why did you do that? I will come back to that. I want to turn now to the audit report that came out after the last estimates.

Mr Grant—On that point, I recall your questioning at the last estimates. My clear understanding was that you were asking about advice provided to the new minister. If that was my misunderstanding, then I apologise. But that is how I read the questioning at the time.

Senator MILNE—I have no idea how you could have come to that conclusion when all the questioning was about the grants up the November election and how many were approved between the election and the government taking office, during which time Minister Burke had not been sworn in. I cannot see how you could have possibly come to that conclusion. I am not going to waste my time on that now.

Senator ABETZ—The Auditor-General—

Senator Sherry—Do you want a response to that? The officers have explained that a mistake was made. Do you want a response?

Senator MILNE—No, because the Auditor-General has now confirmed that Senator Abetz was not told of his responsibilities and therefore has not breached his responsibilities. I would like to ask this of the department: who has taken responsibility for failing to inform the minister? This is important. The Auditor's report said that there were no operating procedures developed for administering the programs; the assessment process was not transparent and not consistent with the commonly applied standards of grants administrations; the advice provided to ministers did not accurately reflect where assessments were not completed by the department, the Tasmanian Department of Economic Development or the independent assessor and where the scope of the assessment was restricted by the committee. That is pretty damning. Who is taking responsibility? In the regional grants process, people were forced to take responsibility. Who is taking responsibility for the complete maladministration of this fund?

Dr O'Connell—I have only had a short look, but it does look as though the context of your question would have made it clear that it did not refer to Minister Burke but to the previous minister. On that basis, I apologise for the department misinterpreting the question when they came to draft the answers. I am happy to undertake to provide a corrected answer to you.

Senator MILNE—I just said that the Auditor-General has provided the correct answer and that is: the department did not tell the minister. I am asking: who in the department is taking responsibility for the maladministration of this program? According the Auditor-General's statement, there was a complete failure to adhere to all the guidelines. They are all listed here. The department's chief executive instructions on procurement were ignored, the better practice guide for advisory committees was ignored, the chief executive instruction on grant management was ignored and on it goes. It goes right down to the point where the department approved grants for second-hand machinery and do not even have recorded the make, the age or what type of machine it was, so how could you possibly know what you funded on the ground? Who in the department is taking responsibility for this complete failure?

Mr Grant—The department provided a response to the Auditor-General's report. The department has accepted all three of the recommendations that the Auditor-General made in that report and is implementing procedures to address the recommendations made by the Auditor-General to improve the program.

Senator MILNE—But somebody must be accountable.

Senator Sherry—I followed Auditor-General's reports pretty closely in opposition. It is not unusually for an auditor's report to be critical of a particular department's administration

and make a series of recommendations. Then the department accepts those recommendations. I get the view that you want a head to roll somewhere.

Senator MILNE—They did roll in the regional—

Senator Sherry—It does not mean that heads do roll. The department has acknowledged and accepted the recommendations.

Senator MILNE—Somebody has to be accountable.

Senator Sherry—The department has accepted accountability. They have accepted the recommendations and in future those procedures will be in line with the Audit Office recommendations.

Senator MILNE—I have a series of specific questions in relation to this that I will put on notice.

Senator SIEWERT—I want to ask about the Indonesian fishing boats—the ones that were destroyed. Minister Burke made a statement to parliament about them and said that they will be compensated, because their boats were destroyed last month and should not have been. How did it occur that the boats were destroyed in the first place?

Mr Hurry—There were nine boats involved in this group. Four were destroyed on the way in and one was subsequently destroyed in Darwin harbour when it started to sink.

Senator SIEWERT—How were they destroyed on the way in? Was it assumed that they were illegally fishing?

Mr Hurry—It would have been considered dangerous to continue to tow them because of the weather. They started to break up. We would have burnt them at sea.

Senator SIEWERT—So that is why they were—

Mr Hurry—That is just the normal process in operating in north Australian waters.

Senator SIEWERT—So there were nine involved?

Mr Hurry—We brought in 33 vessels over a two-week period. After we apprehended them and went through the investigation, nine were found to have been fishing for swimming species and not trepang as we thought they were. We basically followed normal procedure. We go through a process of paying them restitution for the value of the boat and repatriating them back to their ports.

Senator SIEWERT—So that is the normal process. So if you apprehend fishers who you think are illegally fishing you destroy their boats and, if they are subsequently found not be illegally fishing, you compensate them?

Mr Hurry—That happens very rarely. There have probably been one or two cases in the past. With these nine, they were fishing in a way that was different to what we had normally encountered in north Australia. I have brought some maps along, if they help. They were fishing north of the Australian border in an area—

Senator SIEWERT—I would appreciate it if you could circulate them. How much have they been compensated for?

Mr Hurry—From between \$5,252 and \$12,673 for the boats. It depended on the size and the condition of the boat and the amount that was negotiated with the fishers concerned. We ended up buying all nine boats, so we did not just pay them repatriation for the five that had been destroyed. The others four were sold to the government as well and leaving, so we ended up with all nine vessels.

Senator SIEWERT—Have you refined your processes so that does not happen again?

Mr Hurry—To the degree we can. I have issued an amendment to the operating instructions in North Australian waters so that there is a different set of processes followed, I suppose, that make the officers on board their boats conscious that there needs to be both sedentary species on board and one or two other indicators that these guys are fishing for sedentary species.

Senator SIEWERT—How long were the fishers in the Darwin detention centre.

Mr Hurry—I would have to take that on notice. It is probably more a question for Immigration, but we could probably get the figures for you.

Senator SIEWERT—That would be appreciated. The Queensland fin fishery: I am sure you are aware that there is controversy raging over the potential for sharks to be taken for fins in the Great Barrier Reef Marine Park. I am getting blank looks.

Mr Hurry—If it is a Queensland state fishery, it is a Queensland government fishery and it would be an issue for the Queensland government. There is a tuna fishery that operates off the Queensland coast out of Mooloolaba that in the course of taking tuna probably takes shark as well. We monitor it very carefully. There have been some prosecutions for the illegal take of shark fin in that fishery and, from memory, there was a recent one.

Senator SIEWERT—Could You take on notice to provide me with the details around how many people have been taking?

Mr Hurry—I can give you the information on the last prosecution that we had and whether there have been any previous ones. If it is a Queensland state shark fishery then it is an issue for the Queensland government, but I can provide you with the details on the Commonwealth fishery that operates out of those waters.

Senator SIEWERT—That would be appreciated.

Mr Grant—There have been some close negotiations between the Department of the Environment, Water, Heritage and the Arts and the Queensland government about trying to manage the fishery and its interaction with the Great Barrier Reef Marine Park, so you might talk to the environment committee as well.

Senator SIEWERT—I will be following that up tomorrow. I did not quite hear the first question that Senator Abetz asked, so I apologise if this question has been asked: has there been a decrease in funding for IUU surveillance?

Mr Hurry—No.

Senator SIEWERT—Could you provide on notice details of the funding for that particular line item?

Mr Hurry—Yes, Senator.

Senator SIEWERT—And compared to last financial year.

Mr Grant—Can I just clarify that: do you mean the whole of the illegal foreign fishing package, which is a government process across the board involving a whole lot of other agencies, or just the surveillance component?

Senator SIEWERT—Just the surveillance component of it.

Mr Hurry—Which Customs or Defence have responsibility for.

Senator SIEWERT—Yes.

Senator IAN MACDONALD—If you read the Customs estimates—and we went into this last night—there have been cuts.

Senator SIEWERT—Thank you.

Senator IAN MACDONALD—I will waste 30 seconds of my time to say that this is an inappropriate way to have a serious discussion on forestry and fisheries.

CHAIR—I am very happy to come back on Friday, Senator Macdonald. But at your wish and your colleagues' wish you specifically asked me if it could be done so we could finish at 11 pm, to which I said that I am happy to come back on Friday. But if this is the way you want to do it—no worries.

Senator IAN MACDONALD—I am conscious of that and I acknowledge that, Chair. I am simply saying that, for the committee as a whole—and I am not part of the committee, as you know—giving fisheries and forestry just 20 minutes creates a problem. I make a recommendation to the committee that you should better organise you time in the future. That is a general gratuitous comment that has wasted 90 seconds of my time. It leads me to a very brief question. Is the new R&D forestry organisation up and running and operating successfully?

Mr Bartlett—Yes, it is.

Senator IAN MACDONALD—Minister, would you approve of my speaking—and none of my questions have a political element, would you believe—to the forestry people to get some more detail about that?

Senator Sherry—I will have to refer that to Minister Burke.

Senator IAN MACDONALD—That applies to a few others. I had a lot of questions for AFMA about the orange roughly quota, but in three minutes it is pointless going ahead with them. So again I seek the minister's approval to speak to AFMA about that. I have had some issues raised with me by constituents and I want to go through those. Similarly, I wanted to congratulate the department and AFMA on their fisheries surveillance and their international work, and I did want to have an opportunity to question Mr Kalish tonight but, in 30 seconds, any questioning would be ridiculous. So, again, I seek permission to speak directly to these people, with or without representatives of the minister. None of those are political but instead pursue some genuine policy interests I have, which may or may not be of interest to Australia and whoever the government might happen to be. My questions on the CSIRO are political, but they have been asked by someone else and I will have to pursue them perhaps in a different estimates at some other time.

Senator SCULLION—I have some supplementary questions to the questions asked by my colleague, Senator Siewert. I have put AFMA on notice that I may be asking some questions, and I understand you may have even provided a photograph of these fish traps. For the benefit of those people who are not across the detail, I understand that there was some confusion with a fish trap—or so it has been given to me by the minister, and I would acknowledge that he rang me personally at the time to explain what had happened. I would appreciate that perhaps on notice or your providing the photograph of it—I do not really need it at the moment.

My real concern was that this is all about the relationships, and the people in AFMA know just how important it is to maintain a relationship with Indonesia. Fisheries generally is not about managing fish; it is about managing people. We just know what a great gaffe this can possibly be. Mr Hurry, I was miffed, I have to say, at what I would have thought would have been such a simple process of being able to establish that what we are trying to prevent being taken is trepang—and I am sure that was not the species they were thinking about. The other was a really speedy trepang that moves at about two centimetres an hour. In regard to having onboard a vessel what was effectively a fish trap made of bamboo or wicker that was to somehow trap something that moved at those speeds, given the vast experience of AFMA officers—to make this sort of a gaffe—can you throw some light on why that happened?

Mr Hurry—Briefly, I accept your comments on this. It is our understanding that when we brought the boats in a number of boats had actually set their traps and they set them using the same gear that we traditionally associate with fishing for trepang, which is compressors, hookah gear, flippers and masks. So, a number of the traps were down and there were only a couple of boats left that had traps left on them. There was also the complication that a couple of these boats had live coral trout on them but also had trepang in their wells. I guess in the minds of the fisheries officers on the boats the question is: are they fishing for trepang or are they fishing coral trout; what is going on with these boats? You apprehend them and bring them in and run an investigation on them. Nine of the 33 were principally targeting swimming fish using these traps.

I can understand the issue for the fisheries officers on the boats. One of the things that we have gone back to clarify is the actual take of species. If you are in that area of water above that provisional line, then make sure there are trepang on the boats that you apprehend as well as compressors or fish traps or trepang spears, so you know exactly what it is the people were targeting. That will limit any potential fallout on this in the future.

Senator SCULLION—In your response to Senator Siewert you indicated that we always look for a couple of indicators. One of them with trepang is almost invariably salt, because that is a significant part of it.

Mr Hurry—Yes, that is exactly right.

Senator SCULLION—Salt is very rarely used in that sort of quantity for any other product, so, in the absence of having salt on board, one would have thought that was a bit of an issue. I can understand having new AFMA officers and I understand there is a whole range of fairly new recruits in that area. Have you extended the process so that if you are a bit doubtful you can take a digital photograph at sea? I know your platforms out there have the

capacity to send it back to extremely experienced officers. Was that utilised and the opportunity taken at the time?

Mr Hurry—Not on this one, Senator. What we have done in redrafting a set of operating instructions up there is to draft a set which we will review in two months time to see how workable they are. This was just a process of fishing that we had not come across before on the water. I think it was just a reaction to a number of people who came from Macassar and had come into Kupang. They had heard there was good fishing in this area and come into that water. With the price of trepang the way it is—and we have noticed a real increase in the amount of trepang vessels that we have apprehended this year—I suspect that trepang will continue to be a problem for us up there. But we are conscious of this issue, we have redrafted our operating instructions and I am reasonably comfortable we will be right into the future.

Senator SCULLION—In view of the impact on the very special relationship with those people whom we rely on to joint manage this particular stock, I understand—and I have heard it second-hand—that the law of the sea actually details quite prescriptively how we should go about compensating vessels. Is that correct?

Mr Hurry—I think the law of the sea says that we should compensate where they have been taken in this process.

Senator SCULLION—Somebody said to me, ‘It’s the law the sea; that is why it is an exact amount.’

Mr Hurry—No. My understanding is there is no formula for it. But on the relationship issue: the Indonesian ambassador was in Australia and actually spoke to Peter Venslovas, our northern regional manager, last week and was quite pleased with the way this had actually worked out and the fact that we had engaged the Indonesian consul and vice-consul, who had participated in the negotiations that we had with the fishermen about reparation for their boats et cetera. It had worked well, they were comfortable with the process and I think it was a reasonable outcome. They have appreciated the operational nature of this as an issue. I am sure the relationship is on a reasonably good footing, and I would expect it to stay that way.

Senator SCULLION—Indeed. I have also spoken to the same individuals, but I will not go into that too much. I just think it is extremely important that we see this as a different circumstance in terms of any compensation because, as you would well know, when this gets out of hand in Australia the media will pick this up extremely quickly. We have had some very nasty historical incidents of that. I look forward to you, perhaps on notice, providing me with the series of changes you have made in the operating procedures. Certainly I would like to see the capacity, if there is some doubt, to ensure that we are sending back photographs to those people who may have more experience. Perhaps you can give us an update on the exactly training regime for the new recruits in AFMA.

Mr Hurry—We can do that, Senator Scullion.

CHAIR—Senator Macdonald, do you wish to add any more on notice?

Senator IAN MACDONALD—I sought the minister’s approval to get some information directly.

Senator SCULLION—Chair, because of the time constraints and some of the management issues we face, we will be putting a whole suite of questions on notice.

CHAIR—I thank officers from Fisheries and Forestry and the officials from the Department of Agriculture, Fisheries and Forestry. I thank Hansard and the secretariat for their efforts.

Committee adjourned at 10.58 pm