



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

MONDAY, 21 FEBRUARY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE RURAL AFFAIRS AND TRANSPORT**LEGISLATION COMMITTEE****Monday, 21 February 2011**

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

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Faulkner, Ferguson, Fierravanti-Wells, Fielding, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Macdonald, McEwen, McGauran, Marshall, Mason, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Back, Bob Brown, Boswell, Colbeck, Fielding, Heffernan, Hutchins, O'Brien, Macdonald, Milne, Nash, Parry, Siewert, Sterle, Williams and Xenophon

Committee met at 9.01 am

AGRICULTURE, FISHERIES AND FORESTRY**In Attendance**

Senator Ludwig, Minister for Agriculture, Fisheries and Forestry, Manager of Government Business in the Senate and Minister Assisting the Attorney-General on Queensland Floods Recovery

Executive

Ms Rona Mellor, Acting Secretary

Dr Rhondda Dickson, Deputy Secretary

Mr Phillip Glyde, Deputy Secretary; and Executive Director, ABARES

Dr Colin Grant, Acting Deputy Secretary, Biosecurity Services Group

Corporate Finance/Corporate Policy/Corporate Services

Ms Anne Hazell, Chief Operating Officer

Mr Bill Withers, General Manager, Governance, Contracts and Services Branch

Ms Karen Nagle, General Manager, Audit and Evaluation Branch

Ms Kate McRae, General Manager, Human Resources Branch

Mr Steven Foley, Chief Information Officer

Ms Fran Freeman, Executive Manager, Corporate Policy Division

Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary Branch

Mr Matthew Dadswell, General Manager, Portfolio Strategy and Coordination Branch

Ms Jenny Barbour, General Manager, Corporate Communications Branch

Mr Darren Schaeffer, Chief Finance Officer, Corporate Finance Division

Ms Vanessa Berry, Deputy Chief Finance Officer, Budget and Management Accounting Branch

Ms Amy Fox, Deputy Chief Finance Officer, Accounting and Operations Branch

Ms Lisa Hind, Acting General Manager, Levies Revenue Services Branch

Ms Tanya Howitt, Senior Director, Budget Group, Budget Management and Accounting Branch

Ms Nicole McLay, Senior Director, Business Finance group, Budget Management and Accounting Branch

Wheat Exports Australia

Mr Ted Woodley, Chair

Mr Peter Woods, Chief Executive Officer

Biosecurity Services Group (includes Australian Quarantine and Inspection Service; Biosecurity Australia; Product Integrity, Animal and Plant Health; and the Australian Plague Locust Commission

Mr Russell Phillips, Acting Executive Manager

Ms Nicola Hinder, General Manager, Partnerships Branch

Mr Bob Murphy, General Manager, Risk Branch

Ms Louise Clarke, General Manager, Sustainable Biosecurity Funding Branch

Ms Deb Langford, Acting General Manager, Legislation Branch

Ms Louise van Meurs, Acting Executive Manager, BSG Plant Division

Dr Mikael Hirsch, Principal Scientist, Plant Biosecurity

Dr Vanessa Findlay, General Manager, Plant Biosecurity (Horticulture) Branch

Mr Bill Magee, General Manager, Plant Biosecurity (Grains and Forestry) Branch

Ms Lois Ransom, Chief Plant Protection Officer

Ms Fiona Macbeth, Senior Manager, Office of the Chief Plant Protection Officer

Mr Chris Adriaansen, Director, Australian Plague Locust Commission

Mr Rob McGahy, Acting General Manager, Plant Quarantine Operations Branch

Ms Kylie Calhoun, Acting General Manager, Plant Export Operations Branch

Ms Lynne O'Brien, Executive Manager, BSG Regional and Business Services

Mr Greg Read, Executive Manager, BSG Food Division

Dr Mark Schipp, General Manager, Food Exports Branch

Dr Narelle Clegg, General Manager, Residues and Food Safety Branch

Mr Dean Merrilees, General Manager, Export Standards Branch

Dr Ann McDonald, General Manager, Export Reform Branch

Ms Karen Schneider, Executive Manager, BSG Animal Division

Dr Mike Nunn, Principle Scientist, BSG Animal Division

Dr Andy Carroll, Chief Veterinary Officer

Dr Robyn Martin, General Manager, Animal Biosecurity Branch

Dr Bob Biddle, General Manager, Animal Health Programs Branch

Ms Lee Cale, General Manager, Animal Quarantine and Export Operations Branch

Ms Jenny Cupit, General Manager, Biological Quarantine Operations and Marine Pests Branch

Mr Tim Chapman, Executive Manager, Quarantine Operations Division

Mr Jonathan Benyei, General Manager, Cargo Branch

Mr Peter Moore, General Manager, Operational Resourcing and Infrastructure Branch

Mr Wayne Terpstra, General Manager, Co-Regulation and Support Branch

Ms Tina Hutchison, General Manager, Passengers and Mail Branch

Climate Change

Mr David Mortimer, Executive Manager
Ms Julia Gaglia, Acting General Manager, Climate Change Policy Branch
Mr Andrew McDonald, General Manager, Farm Adjustment Branch
Mr Stewart Noble, General Manager, Drought Policy Review
Mr Tom Aldred, Executive Manager, Forestry

Australian Bureau of Agricultural and Resource Economics and Sciences

Mr Paul Morris, Deputy Executive Director
Dr Terry Sheales, Chief Economist
Dr Kim Ritman, Chief Scientist
Dr Jammie Penm, Chief Commodity Analyst
Dr Helal Ahammad, Chief Analyst
Mr Peter Gooday, General Manager, Productivity, Water and Social Sciences
Mr Bruce Bowen, General Manager, Agriculture and Food Branch
Ms Jane Melanie, General Manager, Resources, Energy and Trade Branch
Dr Gavin Begg, Acting General Manager, Fisheries and Risk Analysis Branch
Ms Annette Blyton, General Manager, Business Strategy and Systems

Sustainable Resource Management

Mr Ian Thompson, Executive Manager
Mr Gordon Neil, General Manager, Fisheries Branch
Ms Michelle Lauder, General Manager, Landcare and Regional Delivery Improvement Branch
Ms Carol Cribb, Acting General Manager, Communications and Reporting Branch
Mr Paul McNamara, General Manager, Grants and Sustainable Agriculture Branch
Mr Barry Longstaff, Director, South Australian Team

Australian Fisheries Management Authority

Dr James Findlay, Acting Chief Executive Officer
Mr John Bridge, General Manager Corporate Governance
Mr Peter Venslovas, General Manager Operations
Ms Sally Troy, Executive Manager Fisheries Management
Mr David Simmons, Chief Finance Officer
Mr Mark Farrell, Chief Information Officer

Trade and Market Access

Ms Jo Evans, Executive Manager
Mr Chris Parker, General Manager, Multilateral Trade Branch
Mr Paul Ross, General Manager, Bilateral Trade Branch (Americas, South East Asia, Sub-continent, NZ and the Pacific)
Ms Paula Svarcas, Acting General Manager, Bilateral Trade Branch (North Asia, Europe, Middle East)

Agricultural Productivity

Mr Allen Grant, Executive Manager
Mr Simon Murnane, General Manager, Livestock Industries and Animal Welfare Branch
Mr Peter Ottesen, General Manager, Crops, Horticulture and Wine Branch

Mr Greg Williamson, General Manager, Agricultural and Veterinary Chemicals and Farm Leadership Programs Branch

Mr Richard Souness, General Manager, Food Branch

Mr Matthew Worrell, General Manager, Research and Development and Food Security Branch

Australian Pesticides and Veterinary Medicines Authority

Dr Eva Bennet-Jenkins, Chief Executive Officer

Mr Tony de la Fosse, Program Manager Corporate Services

Dr Raj Bhula, Program Manager Pesticides

Mr Allen Bryce, Program Manager Veterinary Medicines

Rural Industries Research and Development Corporation

Mr Craig Burns, Managing Director

Mr Andrew Baker, General Manager, Corporate Division

Ms Anwen Lovett, Executive Manager

Ms Courtney Wong, Finance Manager

Wine Australia

Mr Andrew Cheesman, Chief Executive

Mr Andreas Clark, General Council

Meat and Livestock Australia

Dr Ian Johnson, General Manager, Livestock Production Innovation

Mr David Palmer, Managing Director

CHAIR (Senator Sterle)—I declare open this public hearing of the Senate Rural Affairs and Transport Legislation Committee. The Senate has referred to the committee for examination the particulars of proposed additional expenditure for 2010-11 and related documents for the Agriculture, Fisheries and Forestry portfolio. The committee has fixed Tuesday, 12 April 2011 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business this Friday, 25 February 2011. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The extract read as follows:

Public interest immunity claims

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

- (c) orders that the following operate as an order of continuing effect:
- (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
 - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
 - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
 - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
 - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

As agreed, I propose to call on the estimates in the order shown on the printed program. I now welcome Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, Ms Rona Mellor, Acting Secretary of the Department of Agriculture, Fisheries and Forestry, and officers of the department.

[9.03 am]

Corporate Finance/Corporate Policy/Corporate Services

CHAIR—Minister, do you or Ms Mellor wish to make a brief opening statement?

Senator Ludwig—No, thank you, Chair.

CHAIR—Thank you, Minister. We will go straight to questions.

Senator COLBECK—Can you give us a potted version of what you see will be the impact on the department's budget from the recent extreme weather events that we have seen across the country?

Ms Mellor—We do not see any impact on the budget. We are running as we are running.

Senator COLBECK—No impact on the budget?

Ms Mellor—On the current budget, no.

Senator COLBECK—So there will not be any impact on the government's potential inputs for research and development corporations? There will not be any impact on the government's costs for things like exceptional circumstances? There is no expected impact in the agricultural sector from the recent weather events?

Senator Ludwig—I think you have to be clear about this. We are talking only about our department. If you wish to talk about RDCs, you should direct your questions to them specifically because some of them, as you know, are corporations and not departments.

Senator COLBECK—Yes, but you make—

Senator Ludwig—Let me finish. What I think the acting secretary is talking about is the agriculture department that you have before you now. So, when you then refer to issues like exceptional circumstances, they are not directly part of this budget.

Senator COLBECK—They are not under the department's budget?

Senator Ludwig—No, they are not administrative expenses, but I am sure the department can—

Senator COLBECK—The department administers EC, obviously; it is listed in the department's portfolio budget estimates as a line item.

Mr Schaeffer—There will be a minor impact in relation to our levy collections of administered funds. It is still too early to tell exactly which moneys relate to which pays in which area, but we expect there will be a minor shortfall in expected revenues.

Senator COLBECK—Have you had any communication with the RDCs to get any sense of where that might be, even based on the work that is already been published out of ABARES?

Mr Schaeffer—We are doing some work in that space, but the question of the actual contact with the RDCs might be better off directed to Mr Grant when he appears later.

Senator COLBECK—At a chief financial officer level you have done absolutely no work at all on what the impact on your budget might be and you have not made any inquiries down through the department as to what the impacts might be on the budget from these extreme weather events?

Mr Schaeffer—No, we have done some work in that area and we are still collecting that information.

Senator COLBECK—But you do not have any idea what that might be? So you have not made any comparisons with the predictions that have been made by ABARES as to what

might be happening with crops or anything of that nature? I just find it amazing that you are not actually looking at this as a department.

Senator Ludwig—Hang on a minute. Your question was impact in this department.

Senator COLBECK—Yes.

Senator Ludwig—I think there has been a little bit of a confusion here.

Senator COLBECK—There is no confusion at all, Minister. I want to know what the impact from the extreme weather events is on the department's budget and on the administered items.

Senator Ludwig—That is an additional question about—

Senator COLBECK—If you want to try to narrow down the definition of what I am asking, that is fine, Minister. We can play that game all day.

Senator Ludwig—No. I am just making sure that the questions that you ask of the people sitting in front of you can be answered accurately so that there is no confusion. I think that is reasonable.

Senator COLBECK—I thought it was a very reasonable question to get a sense of what the impact on the budget was going to be from the recent extreme weather events. We have all seen the pictures and we have all heard the discussion. The opposition, at least, has looked at the work that has been done by ABARES on projected impacts on crop reports. We have had interactions with some of the industry groups to talk about what is going to be happening. I am just surprised that there does not seem to be any sense of where this is all heading and what the impact might be. We have talked about some minor impact in levy takings, but that is the only discussion we have got.

Ms Mellor—It is fair to say that, in relation to the broad range of things that we manage, we have obviously looked at what ABARES is saying. Levies is one thing. When I answered you before I was talking about the departmental expenses. I will ask Dr Dickson, who has been doing some other work in this area, to assist you.

Dr Dickson—The two parts to your question I think can be answered in relation to levies—that is, it is too early to know what impact it might have on gross value of production, and ABARES could probably fill you in further when they come to the table and talk about background work they are doing.

Senator COLBECK—Yes, we will talk to them about their projections.

Dr Dickson—The other one you mentioned is drought exceptional circumstances, which is quite a separate stream of policy and funding to the national disaster recovery arrangements, which are the supporting payments that are made for the disasters. In relation to the impact on drought EC it is unrelated and, on the levies revenue, it is too early to say. There are no other areas in the department's budget that there would be any impact.

Senator COLBECK—So you would not expect an increase in demand, for example, for rural financial counselling services, based on the fact that you have got huge swathes of the country under water and farmers under financial pressure from that? You do not expect any change in the demand for those?

Dr Dickson—I understand—and this is something probably the department of regional Australia could tell you further when they are on tomorrow—that Queensland have provided some additional services for rural financial counsellors, the network that they support.

Senator COLBECK—Is this department providing any additional assistance to farmers through rural financial counselling services?

Dr Dickson—No, it is not.

Senator COLBECK—So what is this department doing to assist farmers in respect of the floods?

Dr Dickson—ABARES, who will be coming on later, have been providing lots of information and analysis specifically on the impact of the floods and the cyclone on agriculture.

Senator COLBECK—But that is not providing assistance; all it is doing is analysing the impacts and letting the department know what has happened. What I am asking is: what assistance is this department providing to the rural sector from the impact on the floods?

Senator IAN MACDONALD—If I can add, Senator Ludwig was up in the north after the cyclone making pronouncements and, clearly, your department therefore has a role. I, like Senator Colbeck, was interested in just what role the department will play in the rollout of cyclone and flood relief.

Senator Ludwig—Those announcements were made under the National Disaster Relief and Recovery Arrangements, which relate to my role as assisting the Attorney-General in flood recovery in Queensland, not as this department.

Senator IAN MACDONALD—So the department will play no role in the delivery of the relief announced to primary producers?

Senator Ludwig—That is right, because it is not the delivery agency for that. The responsible department is Regional Australia, which I think is now established in Queensland—I can check on those facts—as the Queensland Reconstruction Authority. That will be the delivery agency effectively for all of those matters. As you can appreciate, the Commonwealth will be a substantive funder of that through the National Disaster Relief and Recovery Arrangements—75 per cent of that will come from the Commonwealth. I am sure you have already seen commitments of up to \$5.6 billion right across Australia for that.

Senator IAN MACDONALD—Thanks, Senator. You have shortened my appearance at this stage of this committee because if you have got nothing to do with it, I will not waste any more time.

Senator Ludwig—Those broad questions would come under Regional Australia, under that department, for those questions.

Senator IAN MACDONALD—I was just interested, as Senator Colbeck is, on what part your department was playing. But you tell me none, so—

Senator Ludwig—I did not say ‘none’. What I said was—

Senator IAN MACDONALD—If it is not none, what is it?

Senator Ludwig—It does what it generally does in the agriculture area: it provides support to farmers; it provides ABARE reports; it provides a range of that type of work which would continue specifically. But in terms of the specific question you asked, which related to the announcements that I have been making in North Queensland, on Yasi and so on, then the answer I gave stands.

Senator IAN MACDONALD—I assume your department is doing something; you have clarified that. The question still stands, which Senator Colbeck has asked: what role is your department playing?

Senator Ludwig—I can answer that. Dr Dickson has been answering that—

Senator IAN MACDONALD—She has talked about ABARE—

Dr Dickson—I was going to go on to say that the department is also involved, as are a number of agencies across the Commonwealth. The Australian government's response has been coordinated by the Attorney-General's and the department of regional Australia and that is where the main question should be directed, as the minister said. But our department is involved with them, with the department of infrastructure, the department of environment, FaHCSIA—all the other agencies—in working together to develop the Australian government response. In that process we provide advice on the impact of the floods and cyclones on our particular sector, just as other agencies provide advice on theirs. All of that information is going into the consideration for government on the response, but—it is not our agency's responsibility to deliver or be the policy holder for that response.

Senator IAN MACDONALD—So what exactly is your department doing?

Dr Dickson—We are involved in many of the agency meetings across the Commonwealth, providing information advice to Regional Australia and to Attorney-General's on the agriculture aspects of the disasters.

Senator IAN MACDONALD—Questions about impact on the banana and sugar industry would come to you, or to Regional Australia?

Dr Dickson—Questions on impact would come to us, but questions on the nature of the Australian government's response, which is delivered by the department of regional Australia, should go to them.

Senator IAN MACDONALD—Do you have all the statistics, details, projections—and I am being a bit parochial here—for the cyclone in North Queensland? Do you have the details, the facts and figures, on the impact on the banana and sugar and horticulture industries in the north and the projections of what the impact might mean on revenue and income to the farmers and to the government?

Dr Dickson—ABARES has been collecting that information and providing preliminary advice, so they will be appearing a bit later on the program and will be able to answer those questions.

Senator IAN MACDONALD—Apart from that, the department per se, the mainstream department, is not really involved?

Dr Dickson—No, other than through the whole-of-government processes outlined.

Senator IAN MACDONALD—But giving advice on the impact, I assume, of the floods on agriculture in the south-east of Queensland and of the cyclone in the coastal areas?

Dr Dickson—That is right. Within the whole-of-government process, you are asking?

Senator IAN MACDONALD—Yes.

Dr Dickson—Yes, it provides advice on that and also on issues and concerns that are raised within the sector. We also provide advice through the whole-of-government process on those.

Senator IAN MACDONALD—Things like biosecurity and trade, I guess, we would ask about in those relevant areas of the department, although I note, with pleasure, that the Prime Minister followed Mr Abbott's commitment that biosecurity arrangements would in no way be lessened and the likelihood of foreign bananas coming in would remain as it was before—very, very strict quarantine. I was pleased to hear the Prime Minister confirm Mr Abbott's commitment there. Was the department involved in that?

Senator Ludwig—I am sorry, I missed that. When did Mr Abbott make that commitment?

Senator IAN MACDONALD—About a week before the Prime Minister—

Senator Ludwig—I just cannot recall which date. Do you know which date?

Senator IAN MACDONALD—Yes, I do know the date.

Senator Ludwig—Is that before or after I responded to the issue?

Senator IAN MACDONALD—I think it was before, Senator Ludwig.

Senator Ludwig—I missed that day.

Senator IAN MACDONALD—I cannot actually give you the date. Someone will have a calendar, but it was the Saturday immediately following the cyclone, when Mr Abbott was in the Tully area, looking at the farm which a week later the Prime Minister had a look at, and Mr Abbott announced that very strict quarantine would apply.

Senator Ludwig—I would have thought the quarantine rules would have applied regardless—and I do know that the quarantine requirements would apply, regardless.

Senator IAN MACDONALD—As you know, Minister, the thing that concerned the banana growers, more than the cyclone damage, was the prospect of the government succumbing to retail pressure to allow other bananas into the country and bypassing some of the very stringent security arrangements. I was delighted to see you make that announcement and, as I say, I was delighted to see the Prime Minister confirm it later on. It is really the best news the industry could have about a matter that they were very frightened about. Does the department generally have an input into all that?

Ms Mellor—Obviously we do, and, as the minister has said, the biosecurity rules, the quarantine rules, are not impacted by natural disaster; they stand as they stand.

Senator IAN MACDONALD—That is, of course, very appropriate, but the department would be aware of the tortuous history of biosecurity in bananas, going back many years, which has been resolved, but there was a real fear that retail pressure would force perhaps a relaxation of those rules. So I was delighted to hear that and delighted to hear the department is across that and keeping up the pressure.

Senator COLBECK—Is there a potential additional cost to the government for EC, or is the government making any consideration of offering EC to those affected by the floods? I should not say just floods, because it is more than that; the recent extreme weather events and what is the potential that might come from that, as far as cost?

Senator Ludwig—When you talk about EC, are you talking about exceptional circumstances which were enacted in Cyclone Yasi for category D—which included a range of measures which I and the Deputy Prime Minister announced—or are you talking about exceptional circumstances as it currently relates to drought? I am not being—

Senator COLBECK—I think you are being pedantic, minister, because exceptional circumstances does not necessarily just relate to drought, it relates to exceptional circumstances; that is why it is called ‘exceptional circumstances’ instead of ‘drought circumstances’.

Senator IAN MACDONALD—Just to help, you will recall that, unusually, exceptional circumstances was provided for the very severe floods in the Gulf Country last year—just to give you an example of what Senator Colbeck is talking about.

Senator COLBECK—I am not discriminating, Minister; I am interested in the potential impact or the cost to the budget of exceptional circumstances as it might be applied to the flood events. You have made a specific reference to the announcement that has been made in relation to Yasi; I am interested in the numbers on that. But I am also interested in any numbers or consideration in relation to the other extreme weather events that have occurred as well.

Dr Dickson—Senator Colbeck, I just wanted to make it clear that exceptional circumstances, drought assistance, which I understand is what you are talking about, is not meant to be the automatic response to a disaster; it is the Natural Disaster Relief and Recovery Arrangements.

Senator COLBECK—I understand, Dr Dickson, that there are announcements that have been made in relation to that and they are being administered by the Attorney-General’s portfolio—

Dr Dickson—Yes.

Senator COLBECK—and Senator Ludwig has some specific appointments and ministerial responsibilities that he has been given in relation to that, and he has made that clear as part of the other question. But, as Senator Macdonald has quite rightly said, EC was granted in the circumstance of a flood event last year. I am asking what consideration—

Senator Ludwig—Just to be clear, that was under the drought policy; that was not a flood in North Queensland—that was activated as exceptional circumstances outside of that. It actually was exceptional circumstances, which, as a consequence of the widespread rain which then remained flooded in that area—

Senator COLBECK—If you want to race around with pedantics and waste our time all day, Minister—I am just asking what consideration you have now? If you want to put a circumstance around it, that is fine. I am asking what consideration the department is making now.

Senator Ludwig—Okay.

Dr Dickson—As you know, Senator Colbeck, there are quite separate and specific criteria that apply to exceptional circumstances, so it is a very different approach, but I might ask David Mortimer to talk to you about the circumstances that led to the flood in the Gulf of Carpentaria and then, more generally, what the process is right now.

Mr Mortimer—Senator Colbeck, the assistance was given to the flooded area in the gulf after it became clear that the situation there was prolonged, and the water essentially stayed around for many months and ended up killing off the pasture and washing the pasture out. Exceptional circumstances was separated from NDRRA, in terms of policy arrangements, back in the late 1980s, for a variety of reasons. It was considered that NDRRA was the best way to deal, immediately, with major disasters, but that drought and related exceptional circumstances issues required a more considered point of view.

What happened with the gulf situation was that there were initial calls for EC assistance; the government at the time said, 'No, EC is actually designed for not only when there is an exceptional event but when there is a clear, sustained, long-term impact on income.' So there was a period of about 12 months after that event to assess what the impact of the widespread flooding was—and, in that time, the graziers in the area did a couple of musters of the stock—to see just what the impact was on the stock, on stocking rates; in other words, whether the farmers, the graziers, would be able to get the income from their stock. After some 12 months, when the outcome was fairly clear—that the flooding certainly was unusual, which resulted in their income being affected over and beyond what was normal—the assistance was given.

What that means now, in terms of where we are at, is this. The flooding is very recent; it has been happening in the last couple of months. The government has given NDRRA assistance. That ranges from direct income support through to concessional loans, and all that is being made available to farmers. Those measures, in broad terms, are similar to what is given to EC recipients. So that is there for them here and now. If, after a period of time, it is clear that the event has resulted in a sustained income impact on the people, over and beyond what can be dealt with through the immediate response, then you might be in a situation where exceptional circumstances could be considered. But it does require two key things: a rare and severe event—a one in 20 to 25 year event—and a sustained, prolonged, downward impact on farmers' incomes.

Senator COLBECK—So there is a monitoring process that is continuing in relation to the potential longer-term impact?

Mr Mortimer—Yes, there is monitoring being done and that is being done by the state and the farmers' organisations, which is the way the exceptional circumstances arrangements operate. Plus, of course, we are monitoring it through the ABARE information. ABARE has made a number of publications and made comment on what the impacts on production are, particularly, as I say, on crops—there has been quite a bit of information on that—but also on the livestock industry and other industries.

Senator COLBECK—The simple answer in that context is that it is too early to get an assessment of whether there might be a budget impact, because we are not far enough into the

event to make that assessment, but there is monitoring going, as you say, at a state level, because that is where the responsibility for the claim comes from.

Mr Mortimer—That is right, and that is a fair, simple response.

Senator COLBECK—In relation to rural financial counselling services, you have indicated that Queensland has made some additional allocations. There has been no consideration of additional allocation into these services from the Commonwealth?

Mr Mortimer—We have not had specific requests, as far as I am aware, for any increased allocation. There is a considerable network of financial counsellors across the country, including in Queensland. That funding is there, that network is in place and, as far as we are aware, that, along with the Queensland top-up, is meeting the need.

Senator COLBECK—My understanding is that the current contracts are due to expire in June of this year. What is the situation with the rollover of those contracts?

Mr Mortimer—The current contracts, as you say, are due to expire. The government is considering what measures it might take in terms of re-examining the arrangements and the particular service providers, and that will be announced as soon as a decision is made.

Senator COLBECK—So there is some doubt as to the future of the services and how they are provided then?

Mr Mortimer—No, there is not doubt; it is just that, periodically, the government extends the contracts and, when it does that, it considers its approach in terms of what it wants to do.

Senator COLBECK—Is there any consideration being given to discontinuing the service?

Mr Mortimer—I cannot say what is being considered or is not being considered. Whenever a government comes to these issues, it just looks at all the options.

Senator COLBECK—We are in a climate of looking for budget savings, obviously, across government. Is rural financial counselling potentially one of those budget savings?

Mr Mortimer—You are asking me to speculate, Senator.

Senator COLBECK—I can ask the minister; he is at the table.

Senator Ludwig—You will have to wait for the budget. I am not going to speculate on what may or may not be in the budget. You know that answer as well as I do. There are certainly contracts up to 30 June.

Senator COLBECK—I know the answer, Minister, and I expected the answer, but you are in a situation where you have just had one of the most significant adverse weather events across the country in the rural sector. There are farmers all over the country who are in difficult circumstances. You have got a service that has obviously provided a high-quality service for a long period of time. You have uncertainty over the employment of the people who actually provide those services, including the incapacity to offer a contract that might run beyond 30 June, in a circumstance where there is enormous stress. Surely the government can give some assurance about what might be going to happen with respect to these services.

Senator Ludwig—My response is always clear about these matters: it is a matter for the budget. I am not going to pre-announce any decisions that relate to budget measures. That is

always clear. It is certainly not going to be a matter that I am going to break a long-standing rule about. What I can say, though, is if you look at the response around the Natural Disaster Relief and Recovery Arrangements, that is the appropriate way of dealing with this major event. The event is certainly unprecedented when you look at the scale of the impact right across North Queensland and Cyclone Yasi, right down to the Lockyer Valley, right down into New South Wales, particularly around northern New South Wales and Tenterfield, and when you then go down to Victoria and the unprecedented nature of those events and then you go across to Carnarvon. It certainly has not left too many states or territories untouched by these events that happened in January 2011.

What I can say, though, is that in all of this, if we use Queensland as just a snapshot example, they have set up a Queensland Reconstruction Authority. That reconstruction authority, through this department and others, provides input into that to provide the assistance that is required because it is not only the rural area, it is also the community and the small businesses, primary producers, right across all of that area. The response is widespread. For example, just to give you a small snapshot, the rural counsellors are working in the Lockyer Valley to support the horticultural industry, as is Centrelink in other areas, as are the financial counsellors. Forgive me if I get their names wrong but there are a range of rural counsellors and rural workers out of Centrelink that are also deployed.

Centrelink has deployed significant staff around social security work as well. So all of that is from the Commonwealth, but it is also responding to the state requirements. The state in Queensland, as a small snapshot, has also got the communities department, which is deployed right across the area and is providing support to rural communities, urban communities and peri-urban communities. All of that has been coordinated in Queensland under the Queensland Reconstruction Authority, which is developing the roadmap forward because of the scale and the unprecedented nature of that.

It is work that is being coordinated and dealt with through that process. They will call on resources as is required. So the rural financial counsellors, I have no doubt, are well occupied in assisting primary producers at this point in time in getting them back on their feet, back into their paddocks and back onto their land to continue their production.

Senator COLBECK—So you cannot rule out that they will become a budget saving?

Senator Ludwig—As I have indicated, these are matters for the budget and I am not going to speculate on what may or may not be in the budget. You know that answer. If you were in my place, you would answer exactly the same way.

Senator COLBECK—Has the department been asked to provide any amount of savings to try to deal with all-of-government savings that are currently being sought?

Ms Mellor—Senator, any advice we give to government is a matter between us.

Senator COLBECK—I did not ask what the advice was; I asked whether you had been asked to provide advice—a different question. Have you been asked to provide savings to the budget?

Ms Mellor—Naturally during a budget process we are asked to provide a range of advice and that remains a matter between us.

Senator COLBECK—No, I am asking whether you have been asked to provide any advice relating to budget savings measures to assist the government with its current quest for savings to meet the costs of the Queensland floods—I won't say Queensland floods because it is too specific, but you know what I mean. I am asking: have you been asked to provide budget savings?

Ms Mellor—We have not been asked to provide budget savings on something so specific as Cyclone Yasi, if that is what you are asking.

Senator COLBECK—I am sorry for giving that impression. The government is obviously looking for budget savings to fund the costs of reconstruction across government. I am asking: has there been a specific request for the department to provide savings to contribute to that effort?

Senator Ludwig—I know that is just another way of asking about the budget. Quite frankly, I am not going to speculate—

Senator COLBECK—No, I am asking has there been—

Senator Ludwig—I am not going to speculate—

Senator COLBECK—It is a legitimate question, Minister. I don't want to know what the advice is on whether there any savings or not. We have already dealt with one issue and people will speculate on that one way or the other, as you would expect. I am asking: has there been a specific request? I am not asking about the advice. That is a legitimate question and you know that as well as I do.

Senator Ludwig—The government is under tight budgetary measures. If you look at the range of calls on the budget, including the natural disaster where we said we would fund a third from savings, a third from future projects and a third from the levy, clearly there is a requirement for savings across all portfolios. But if you want specifics, then I am not going to provide them here.

Senator COLBECK—I am not asking for specifics and you know I am not.

Senator Ludwig—Of course, if you want to generally talk about financial issues then the department of finance is the appropriate place to raise it. What I have said is that I am not going to speculate on matters—

Senator COLBECK—It is not question time, Minister. This is budget estimates and this is where you do answer questions.

Senator HEFFERNAN—Just say yes if you have been asked, for God's sake.

Senator COLBECK—Senator, it is not a hard question.

Senator HEFFERNAN—No-one is going to get the sack. Just answer the bloody question.

CHAIR—Senator Heffernan, we don't really appreciate you chipping in with your two bob's worth. You will get the call when it is your turn. Senator Colbeck.

Senator HEFFERNAN—Talk about bloody bureaucratic speak.

CHAIR—Senator Heffernan, if you are not happy, you can certainly go and annoy someone else in another committee. Senator Colbeck, you have the call.

Senator COLBECK—Thanks, Chair. In that context let's move on to the government allocations to DAFF as a percentage of government funding. In an answer to a question on notice from the supplementary budget estimates in October, CFD03 and CFD01, tables were provided showing the total funding for DAFF portfolio of \$3.81 billion in 2007-8, equating to 1.36 per cent of general government sector, decreasing over the forward estimates to \$1.64 billion in 2013-14, equating to just 0.42 per cent of the government sector. On any assessment, this is a massive reduction in the funds for the DAFF portfolio. It just raises the question of what priority this portfolio has in the overall government priority list.

Mr Schaeffer—Senator, it is a bit hard to tell from just those numbers. There are a number of pluses and minuses to those numbers which will bring it back broadly in line with the original. You might remember that, through COAG processes, all financial transactions with the states are now sitting with the Department of the Treasury, so the Department of the Treasury numbers are not in those numbers. We also had some years where we had some exceptional circumstance type initiatives that were one-offs, like equine influenza. We had the dairy adjustment levy ceasing and those sorts of things, which are quite big in nature, bring it back somewhat in line with those original percentages.

Senator COLBECK—What year did the dairy adjustment levy cease?

Mr Schaeffer—I believe it was in 2008-09, but I would have to check for you.

Senator COLBECK—What is a fair number in that case for the relationship for the portfolio in context of total government expenditure?

Mr Schaeffer—We would have to take that on notice for you and we would have to back-calculate it for you, but we can certainly do that.

Senator COLBECK—So you could do that on an annual basis on those years?

Mr Schaeffer—Yes.

Senator COLBECK—The department really has had a pretty significant shift in its responsibilities. A lot of the stuff has been taken out of the department and put into other departments. The department of environment is effectively calling the shots on things like fisheries and forestry these days. The department really does not get much of a say in that. When I have asked questions in the past of the department about what they are actually doing to advocate for the fisheries—

Senator Ludwig—Sorry, is there a question here or just a statement?

Senator COLBECK—There will be.

Senator Ludwig—Then would you mind cutting to the chase. It is your time.

Senator COLBECK—If you stop interrupting and going on with question time type answers instead of estimates type answers, we might get somewhere. I am really seriously questioning where the future for the portfolio is. We asked questions about marine parks and fisheries and the department was not doing anything to advocate for the industry. We asked

questions about forestry and the department was not doing anything to advocate for the forest sector. My question is where the responsibility—

Senator Ludwig—I reject that. So there is your answer to your question.

Senator COLBECK—You ought to go back and read some *Hansard*, Minister, and you might find out what is going on. I want to get a sense of the importance of the portfolio in the long term priorities of the government.

Senator Ludwig—I reject your assertion. This department plays a central role right across agriculture, fisheries and forestry. It is the key policy department that does that work. In addition to that, it is strongly supported by ABARES. It has a range of corporations. In addition to that, it has the RDCs—15 in all—which provide significant support for the rural community. If you look at the administered expenses and the exceptional circumstances of the drought policy whilst we went through eight or nine years of severe drought during that period from—correct me if I am wrong about this—

Senator COLBECK—You said a minute ago that EC—

Senator Ludwig—You asked the question. Let me finish.

Senator COLBECK—So it is okay for you to interrupt me but not the other way around.

CHAIR—Senator Colbeck, I would urge you to just listen to the minister's answer. It might not be what you want to hear, but I would do the same if the minister was talking over you, Senator Colbeck.

Senator COLBECK—But the minister said at the outset that EC was not part of the administered figures for the portfolio—so they could go anywhere.

CHAIR—I would suggest you let the minister finish and then you can ask the next question.

Senator COLBECK—If the minister wants to be pedantic on this, we can do the same thing.

Senator Ludwig—If you look at the eight or nine years of exceptional circumstances drought policy, this government provided from November 2007 right through to December 2010—I am happy to be corrected—about \$2.5 billion. This department has played a strong role in the rural community right across its policy development area. We can add biosecurity, which has played a significant role in assisting the rural community. We can contest that and you can contest that, but there are the facts.

Senator COLBECK—Although the plan is to make biosecurity almost a separate entity to DAFF. Biosecurity is becoming something of its own and it could end up in any department. It could end up in the Department of Foreign Affairs and Trade. Have there been any changes to the budget or proposed implementation of election commitments since the supplementary budget estimates?

Mr Schaeffer—There have been a range of measures and other variations.

Senator COLBECK—Can you give us the details and the reasons for those changes?

Mr Schaeffer—There have been some new measures since the 2010-11 budget. There was an introduction of a passionfruit marketing levy, which is \$72,000 per annum. There is a measure for drought exceptional circumstance assistance for primary producers of \$13.5 million over three years.

Senator COLBECK—What is that specifically related to?

Mr Schaeffer—That assistance provides interest rate subsidies and income support to assist viable farm businesses and families who have been adversely affected by prolonged drought. There is further drought exceptional circumstance assistance for small businesses of \$1.2 million over three years. There is the illegal logging policy implementation, which is \$4.2 million over four years. Then there are several measures since the pre-election fiscal outlook. There is a measure of \$8.8 million over four years for better regulation of agriculture and veterinary chemicals. There is \$1.5 million over four years for the National Food Plan. There is \$2 million over two years for the Regional Food Producers Innovation and Productivity Program, which is a reduction in funding.

Senator COLBECK—I think we did ask some questions about that at the last estimates.

Mr Schaeffer—There is a further reduction in funding for Tackling Climate Change—Australia's Farming Future of \$1.3 million for ceasing a re-establishment grant component of the program, and there is \$20 million in 2010-11 to assist the Tasmanian forestry policy contractors. There is also an initiative, mostly relating to the Department of Climate Change and Energy Efficiency, of which we have a \$6 million component, for the Carbon Farming Initiative establishment, which is \$45.6 million over four years. And there is a measure for the Northern Australia Sustainable Futures program of \$6 million over three years.

Senator COLBECK—So there has been no change in any of the timelines on those since we last discussed these issues in budget estimates in November, I think it was?

Ms Mellor—The timelines are all the same.

Senator COLBECK—Have there been any changes in the number of ministerial staff? At the last hearing I think your answer was that you were still finalising two positions.

Ms Freeman—Currently, Minister Ludwig has been allocated 12 ministerial staff by the Prime Minister, excluding electorate staff, and two departmental liaison officers, for the Agriculture, Fisheries and Forestry portfolio.

Senator Ludwig—One of those is for the Manager of Government Business in the Senate, so 12 is not right. The department one is for the Manager of Government Business, so it is 11 plus one.

Ms Freeman—Also, for the record, when Minister Ludwig took on the additional role of Minister Assisting the Attorney-General on Queensland Floods Recovery, there was an additional personal staff member allocated along with an additional DLO.

Senator Ludwig—Thirteen in total.

Ms Freeman—Yes.

Senator COLBECK—So that is effectively up a couple since last time, but because of your appointment to the flood—

Senator Ludwig—Yes. I think Minister Burke had 11, but that excluded one for my manager's role and then one for the new role in assisting the Queensland flood recovery. So there are two extra in that sense.

Senator COLBECK—So there is a personal staffer plus a DLO since the supplementary estimates?

Senator Ludwig—Since the last time we were here, yes.

Ms Freeman—If you are interested, Parliamentary Secretary Kelly has been allocated three ministerial staff, excluding his electorate staff, and one DLO.

Senator COLBECK—So he has got three plus one?

Ms Freeman—Yes. That was the same. I think you might have asked that question at the last estimates.

Senator COLBECK—Yes. Can I get an update on advertising and communications campaigns?

Ms Freeman—In any particular aspects, Senator?

Senator COLBECK—In a question on notice you took last time, you said that there were no official advertising campaigns.

Ms Freeman—That is correct.

Senator COLBECK—I am also asking about communications campaigns and what campaigns are in the planning process.

Ms Freeman—The department has not undertaken any communication campaigns since the last estimates. They currently have two information campaigns, as determined by the Department of Finance and Deregulation's interdepartmental communications committee, which require communications and advertising. Those are for the Western Australia drought pilot and the Australia's Farming Future initiative. I can run through the details of those, but there is also a range of non-campaign advertising, for example, for the seaport section of the biosecurity quarantine operations. We have got a range of moneys spent for biosecurity awareness for the autumn moon festival and Chinese New Year, for example. There is a range of communication activities for issues such as the Australian plague locust outbreak, the myrtle rust outbreak, chestnut blight and Asian honeybees, just to give you a snapshot.

Senator COLBECK—Can you give us specific details of what you are doing on the myrtle rust?

Ms Freeman—Certainly. I might take that one on notice, if that is all right. I can get that to you by the end of today, though, if you like.

Senator COLBECK—Yes, that would be fine; if we can come back and perhaps deal with that when we get back to myrtle rust, which I am sure we will get to.

Ms Freeman—Yes, certainly.

Senator COLBECK—And Asian honey bees?

Ms Freeman—Yes.

Senator COLBECK—Do the same. If we can get details of the rest on notice, that would be fine; not necessarily today, but on notice.

Ms Freeman—Yes.

Senator COLBECK—Can you tell us how much has been spent on media monitoring since supplementary budget estimates?

Ms Freeman—Total expenditure for the department from 1 October 2010 to 1 February 2011 was \$93,752.

Senator COLBECK—Who has access to that information?

Ms Freeman—Basically, the department manages that and then provides that service to the minister and to the parliamentary secretary.

Senator HEFFERNAN—Is that \$3,000 a day?

Ms Freeman—I would have to check what the costs are for.

Senator HEFFERNAN—I must get into that business—3,000 bucks a day.

Senator COLBECK—Is it available to anybody else?

Ms Freeman—The clips are provided daily to departmental officers and then the clips are distributed electronically to the minister and to parliamentary secretaries at no additional cost. There has been, as I understand, some interest from some other, for example, RDCs, who have wanted access to them, but, under the existing licensing arrangements, as I understand it—and I can take that on notice to be sure—they are not able to be given them.

Senator COLBECK—That is the licensing arrangement the department has with the media monitoring company?

Ms Freeman—Yes, correct, but I can confirm that, if you would like.

Senator COLBECK—So what is the limit of availability? Could the shadow minister, for example, request access to those clips?

Ms Freeman—I would have to take that on notice. I genuinely don't know.

Senator COLBECK—How much a day, Senator?

Senator HEFFERNAN—\$750. That is good money, isn't it? I might do that: read the papers, keep an eye on things and then flog it out to 50 people. That would be thousands a day.

Senator COLBECK—When you are getting me that information, could you also find out if there is a scale of additional costs for broadening the availability of those clips? I am aware that in other portfolios they are provided outside the minister's office. You might find whether the contract you have is a standard government contract for a department.

Senator Ludwig—It might be that you are harking back to the previous government—that is, the Howard era. It is interesting that, from 2006-07 it was about \$536,000; in 2007-08, when Labor came in, it was \$466,000, somewhere in that range. Since then, I have been driving it down: Minister Burke was \$263,000, in 2009-10 it was \$283,000, so it sort of plateaued but it was certainly about a third less from 2010 to now when it is about \$156,000.

We have been ensuring that we don't have the high expenditure that was characteristic of the previous Howard government of \$536,000.

Senator COLBECK—It depends on who has—

Senator Ludwig—That means we have ensured that we are cognisant of the costs of media and—

Senator COLBECK—I appreciate you are cognisant of the costs, but it is easy to save costs by restricting access to information. My recollection is, and I may be wrong, that the department of immigration does make those clips available; I believe that I have seen or received them. I appreciate the fact that you are reducing costs; that is an appropriate thing for a minister to be considering.

Ms Mellor—Senator, we have not been asked before and, as Ms Freeman said, we will take it on notice.

Senator COLBECK—No aspersion; I am asking a simple question because it is something that I have seen through other portfolios and obviously it might be interesting. You have indicated that the RDCs have made requests to get access to them because they have an interest. I do not know whether the reduction in cost is commensurate with a reduction in access. If you could find that out for me, I would appreciate it.

Senator Ludwig—We will take it on notice.

Senator COLBECK—Thanks, minister. Have there been any changes to staff access to online social media in recent times?

Ms Mellor—Senator, we have had some policy change and development on the access to social media.

Ms Freeman—There is a draft social media policy in the department currently. As the department looks to track in line with policy 2.0 that was instituted, and we have had a range of—

Ms Mellor—It is the gov 2.0 policy.

Senator COLBECK—Okay. So it is like Vegemite 2.0?

Ms Mellor—No.

Ms Freeman—DAFF has been progressing the use of social media, so we have had, for the Plague Locust Commission, a Twitter account, which currently, from memory, has approximately 114 members who have been using that to find out regular updates of the Australian plague locust. Also, looking for the upcoming ABARE's Outlook Conference, we have been looking at having a Twitter and a Facebook account. A draft social media policy exists within the department.

Senator COLBECK—That is still in a draft form?

Ms Freeman—Yes, it is.

Senator COLBECK—Have there been any breaches of the department's information and communications technology security, let's say, since budget estimates?

Ms Mellor—Do you mean as a result of the social media policy?

Senator COLBECK—It is not implemented yet, as I understand it. It is still in draft.

Ms Mellor—No, but there are trials.

Senator COLBECK—Have you had any adverse experiences?

Ms Freeman—Not that I am aware of.

Senator COLBECK—That is a good answer. Can you give me an update on the graduate program?

Ms Hazell—Seventy-six graduates started in January for the department for this year.

Senator COLBECK—That is effectively a return to a full graduate program?

Ms Hazell—Yes, it is.

Senator COLBECK—Have there been any specific changes to the program that have been implemented since your year off?

Ms Hazell—No specific changes to the program, once they have arrived. We did streamline our processes for recruiting and we do much more of the application lodgement online now.

Senator COLBECK—It is basically been around the process rather than the actual program itself?

Ms Hazell—Yes.

Senator COLBECK—Can you give me an indication of your current departmental vacancies and—

Ms Hazell—I would have to take that on notice. I do not have a list of current vacancies with me.

Senator COLBECK—If you could take that on notice and also give me an indication of any vacancies that have been open for an extended period of time. Can you do that?

Ms Hazell—Certainly.

Senator COLBECK—Minister, you talked about your work in reducing the costs for media monitoring. What are you doing in respect of the ministerial office mobile phone bill? How many mobile phones do you have allocated to you, Minister?

Ms Freeman—I can answer that one, Senator. Basically, as at 3 February this year, Minister Ludwig and his staff have 13 BlackBerrys and 13 mobile data cards for use with laptops, consistent with the ministerial entitlements. No mobile phones have been provided.

Senator COLBECK—As of which date?

Ms Freeman—3 February 2011.

Senator COLBECK—You have got two officers in the office who do not have communication devices?

Senator Ludwig—There is reception staff.

Senator COLBECK—A different section; those related to the A-G portfolio?

Senator Ludwig—No, reception. They sit at the front counter. They have a phone, a hard line.

Senator COLBECK—You have got two working in reception.

Senator Ludwig—There is one, but we can check on that. I suspect there is also one under the Attorney-General portfolio.

Ms Freeman—Yes, this is just in terms of what DAFF has.

Senator COLBECK—This is just DAFF?

Senator Ludwig—Yes.

Ms Freeman—This is what DAFF has provided to Minister Ludwig's office.

Senator COLBECK—That is fine.

Ms Freeman—Just to be clear, Senator, that does not apply to equipment provided to DLOs.

Senator COLBECK—Which would be on departmental account?

Ms Freeman—Yes, that does not come under the ministerial entitlements.

Senator COLBECK—Can you give me the expenditure on communications devices—you have said they are all BlackBerrys—since, say, the election?

Ms Freeman—I will take that on notice.

Senator COLBECK—There are 13 BlackBerrys and internet access for 13. Any iPads?

Ms Freeman—There are three iPads currently with Minister Ludwig's office.

Senator COLBECK—Three iPads.

Ms Mellor—Senator, in answer to a question you asked earlier about expense with tabled amounts in the House, between 3 December 2007 and 24 November 2010, the total communications device usage costs for the minister and ministerial staff was \$130,113.21. We do have some limitations in our corporate finance system, so we are not able to disaggregate beyond a monthly figure down to individual devices et cetera. There are fluctuations from month to month around purchase of handsets, for example. So some months go up just because we buy the hardware as well.

Senator COLBECK—I will leave it as a question on notice for you to give me the figure since the election, which will include a hardware cost and appointments.

Ms Mellor—It is all in those figures, yes.

Senator COLBECK—That answer will be disaggregated by month?

Ms Mellor—By month, yes, but not by handset versus other costs.

Senator COLBECK—It is up until when?

Ms Mellor—From 3 December 2007 to 24 November 2010.

Senator COLBECK—I am looking for the latest info, the starts, post election.

Ms Mellor—Post the last election?

Senator COLBECK—Post the 2010 election.

Ms Mellor—Yes, understood.

Senator COLBECK—I have got a few other questions, but I will put the rest on notice.

CHAIR—If there are no further questions, we will move to wheat exports.

[10.05 am]

Wheat Exports Authority

CHAIR—Welcome Mr Woodley and Mr Woods. We will start with questions from Senator Heffernan.

Senator HEFFERNAN—Thanks very much, ladies and gentlemen. This recent harvest has seen a lot of complaints about the handling of the crop with the difficult harvest. As we all know, it started late and we had everything from forward sales of wheat that was not harvested, which has caused some trouble, to the behaviour at the silos. In particular, I would like to refer to Viterra in South Australia. I declare an interest here, Chair. I am a wheat farmer and I delivered plenty of grain this harvest—and none of it was feed, by the way. They used a method of appraisal which was rather unique where visual sprouting was calibrated against mechanical methods—the falling numbers machine, with which you would be familiar—every 1,000 tonne of receivals. This is largely a subjective assessment as individuals come with different visual conclusions. You might look at a bit of grain and think you see two sprouts but there might be 10 et cetera. So they do a falling numbers test. There is considerable evidence that the test is better than the visual.

Are near monopolies—and I am referring to the likes of Viterra in South Australia—using their power in the supply chain to intimidate and discourage competition? There could be a difference \$80 a tonne. GrainCorp at Junee test every load. A lot of blokes complain about the load that has been tested because the grain in every paddock varies in quality, depending on the soil type whether it is low or high et cetera. Some blokes in Junee got back in the queue to retest their falling numbers—and came up with the same number, in most cases. In South Australia, they said there was too much delay in the system to do a test on every load. For an individual grower, there could be hundreds of thousands of dollars difference in the value of the wheat. Do you think there is something we should do about it? Because it is a monopoly and you have no choice, is it something that we need to address?

Mr Woods—I will have a crack at that one, Senator. It certainly was an unusual year the way it unfolded, with rain across most of Australia. Certainly, it is a concern for everyone if farmers are losing money on falling numbers and they are not being tested. What we need to look at is the GTA specifications. If there is no falling numbers machine available on site then it comes down to a visual assessment. My understanding is that a lot of sites did not have them. I do not know why. But we do know that there is a review happening. Viterra have commissioned an independent review and we hope that all these things will be looked at.

Senator HEFFERNAN—In the meantime, the farmers just wear the loss and the monopoly picks up with the blended—as you know, a big quid in wheat is blending the lower grades with the better grades to come out with a medium which gives you a profit. The excuse that was used in places where there were these machines and they still weren't doing the

tests—every thousand tonnes, for god’s sake—is that it was too much delay. I took the *Land* newspaper to Junee to show them: ‘You don’t have to have a delay; you have a line-up at the sample stand, and, depending on whether it is early in the morning, it might be 100 trucks. They move on after the sample stand to get to the weighbridge, but then you can have the second queue between the weighbridge and the sample stand and it all moves together.’ Instead of this—

Mr Woods—Yes, I have worked at Junee and delivered there myself.

Senator HEFFERNAN—So there is no need for delay. There is no delay; it is a continuous process if you do it that way. The delay is not an excuse; it is a strategy to avoid the test. You would agree that there is no need; if there is a machine on site, you can manage the trucks so it is a continuous flow.

Mr Woods—You should be able to manage the trucks.

Senator HEFFERNAN—You just have a second queue.

Mr Woods—But remember, Viterra is not the only organisation out loading grain.

Senator HEFFERNAN—We will get to that.

Mr Woods—There are lots of exporters out loading grain.

Senator HEFFERNAN—In your view, is the supply chain working efficiently?

Mr Woods—The ports are operating much better than they were a couple of years ago and everyone is learning out of examples that came out of the first harvest. This is now the third harvest, and I think it is getting better and better.

Senator HEFFERNAN—That is a matter of appraisal. Can or should receipt standards be standardised across the country? What I am going to say here is: if Viterra wheat is mixed in with AWB wheat in South Australia, and it does not perform because of the visual appraisal—and the one-in-1,000-tonne test is completely off the mark and so the heap is allegedly AH9, it turns out to be feed 1—who should pay the penalty?

Mr Woods—That is a pretty tough question, and of course all of this is way outside our remit. We accredit exporters and look at ports.

Senator HEFFERNAN—Yes.

Mr Woods—As you know, we have been told keep clear of—

Senator HEFFERNAN—But the standard of export of wheat is your bailiwick and so you have to take notice—this is not personal. WEA has to, in effect, somehow have supervision of the wheat standards; otherwise the industry could fall into disrepute.

Mr Woods—We do not—

Senator HEFFERNAN—As a wheat export authority, are you going to continue to tolerate a system which is almost of sight and not science?

Mr Woods—At any stage we will assess exporters and bulk handlers who have accredited—or associated entities who are exporters—against our fit and proper standards at any time, and we have the power to suspend or cancel if we think that they are not meeting the standards that they were assessed by.

Senator HEFFERNAN—To that end and for that outcome, should we as a government and this committee give consideration to standardising the testing of wheat?

Mr Woods—That is a policy decision and not our bailiwick.

Senator HEFFERNAN—If you were in charge, would you?

CHAIR—That is hypothetical, Senator Heffernan. You are pushing that one.

Senator HEFFERNAN—But doesn't it make sense?

CHAIR—You have pushed—

Senator HEFFERNAN—What do you think, Mr Chairman?

CHAIR—We will have a private meeting at 10.30, and I am happy to have a chat with you, Senator Heffernan.

Senator HEFFERNAN—Righto. Okay.

CHAIR—But I encourage you to ask your questions when they are—

Senator HEFFERNAN—You would agree there is a flaw in the system?

Mr Woods—I do not need to comment on that question at all.

Senator HEFFERNAN—Don't be a sook.

Senator Ludwig—That is badgering the witness.

Senator HEFFERNAN—Anyhow, there is a flaw in the system, and it needs to be addressed. It is not a laughing matter. The difference in the price from visual appraisal to a mechanical test can be \$80 a tonne in a load of wheat, so it is a serious problem.

Mr Woodley—Can I just make two comments. Firstly, WEA is not involved in quality testing of grain.

Senator HEFFERNAN—No, but you are in charge of the system.

Mr Woodley—We are in charge of an accreditation scheme.

Senator HEFFERNAN—Yes, and the accreditation system is flawed. Thank you.

Mr Woodley—I do not believe that is the case.

CHAIR—That is a matter of opinion.

Mr Woodley—The other comment I would make is that I think that in terms of the operations of Viterra during the harvest—and it wasn't only falling number issues that were raised; there were other logistical problems—

Senator HEFFERNAN—Yes.

Mr Woodley—As you alluded to, this was probably one of the biggest harvests in South Australia anyway, so you would expect a few more problems than normal. I think we are all pleased that Viterra has acknowledged that there have been some problems, and we are all pleased that Viterra has set up this independent review.

Senator HEFFERNAN—Yes, but also to their discredit. You wake up that morning and say, 'Oh, by Jove, it's a big harvest; we haven't made any preparations,' which is what

happened in South Australia, and, 'Oh, it is eight o'clock. Gee, I'm tired and I need a drink. We'll knock off.' At Junee they shut the bridge at 10 and worked till two o'clock in the morning and they are back there at seven in the morning—with different shift; no-one is working their bloody head off in South Australia: 'Oh, no, it's comfortable and relaxed.' All of that stuff needs sorting out. Senator Nash, have you got—

Senator NASH—Thanks, Senator Heffernan. I just wanted to make a comment. You said it was not your bailiwick area, but in your letter, Chair, in the report, it refers to the primary objective of the legislation being

- To promote the development of a bulk wheat marketing industry that is efficient, competitive and advances the needs of wheat growers.

I think that covers exactly what Senator Heffernan has been asking you about, as you say in your letter.

Mr Woodley—Yes, I accept that they are the objectives of the act, but our specific role, really, is administering the Wheat Export Accreditation Scheme, and that is—

Senator NASH—You do have this as your paragraph that you refer to, so obviously you think that is what your aim should be.

Mr Woodley—No, I am saying that our primary role is to administer the scheme, and that involves assessing applications for accreditation and granting accreditations where we believe those particular companies are fit and proper, and then monitoring their performance.

Senator HEFFERNAN—I only have four questions; by the time I get to it there will be a self-evident conclusion.

CHAIR—It is not the four questions that worry us, Senator Heffernan; it is the preamble that you go through to get to them.

Senator HEFFERNAN—Competitors cite AWB and EP Grain. 'When necessarily it has to go to the Viterra system to access the loading belts'—you would understand that—'it must undergo a full reassessment, incurring another full round of costs.' Right? So it gets onto their belt, they retest it and charge the grower. 'There is also the charge to cover shrinkage'—when, in fact, if the product has been stored for any time in AWB, it is already shrunk. 'This delivers a direct benefit to the virtual monopoly, thus undermining competition.' My question is: are the costs of redelivery to the predominant operator a significant deterrent to fair competition?

Mr Woods—That is an area of redelivery and delivery to port via other bulk handlers or by growers themselves; it is something that the ACCC monitors and is part of the access undertakings.

Senator HEFFERNAN—What does the current policy say? We are not looking for a yes or no answer. What is the obligation of the current policy in the redelivery?

Mr Woods—The redelivery, in my understanding, is different in every case for bulk handlers.

Senator HEFFERNAN—What is it in South Australia?

Mr Woods—I am not exactly sure of the specifics—

Senator HEFFERNAN—Can you take that on notice?

Mr Woods—We can, but at the moment Viterra have their draft agreement out. The ACCC have published that and asked for questions on it, so they are considering that at the moment and that is their role, not ours.

Senator HEFFERNAN—But you can see the problem: if the grade in Viterra's delivery is a guessing competition—one test in 1,000 tonnes is a guess; there is a huge variation in every paddock, for god's sake—and they have all this stuff which is a guessing competition and then they are delivering non-guessing wheat in to average the pool, you can see where the profit goes. The recent Wheat Export Authority report finds: 'One of three companies, allowing a third company access to the shipping stem, have met compliance to allow fair access'—only one. 'In South Australia, Viterra charge \$5 a tonne for booking a slot on the stem. Consequentially, a 50,000-tonne vehicle requires a deposit of \$250,000 to book loading time. If the company does not meet the booking time'—and there are all sorts of reasons why those things happen—'they forfeit the fee to Viterra. In Viterra's case, they too pay the fee but, if they default, they pay the fee to themselves. This has allowed them to overbook'—obviously, they can be very generous with their bookings because any fault just neutralises itself within their books—'with a serious penalty to others.' There should be the same penalty for the owner defaulting on the shipping booking. Representatives of the grain industry suggest the fee be paid to an independent account and then periodically disbursed on a pro rata basis to those who have met the schedule. Are charges being levied by the virtual monopolies against marking competitors? Does that materially disadvantage the competitors, in your view?

Mr Woods—Senator, there are probably two parts to that answer. The first part is that, yes, 33 per cent of bulk handlers did have a clean bill of health. We had one bulk handler, Viterra, which we did an audit on, and we had a public media release along a number of areas that we were looking at—booking of the shipping stem, not updating it in time; cancellations; and all those sorts of things. We had a technical breach by another exporter, who did not publish his shipping stem for a number of days in a row. Therefore, we said, 'Well, you haven't met your compliance there.'

Senator HEFFERNAN—As a result of that not meeting compliance, what was the penalty?

Mr Woods—There was no penalty. They actually had not informed us, but they had informed exporters, that there were changes to the stem and why that had happened. We will be monitoring that in the future. As for the charge or the booking fee in South Australia: yes, that is exactly right. There is a \$5 fee and, if you do not have a vessel meet or book ship grain, you lose the \$5; if you cancel you lose the \$5. In Western Australia it is \$20. It comes down to what an individual company sees is necessary to try and stop frivolous applications but not set the amount so high that small exporters cannot afford to book slots on the stem.

Senator HEFFERNAN—You are missing the point. This encourages a monopoly, because there is no penalty to Viterra. They can book three-quarters of the space and time and they do not incur a penalty. True?

Mr Woodley—The claim is putting it from one pocket into the other pocket.

Senator HEFFERNAN—That is the same penalty.

Mr Woodley—A number of people—

Senator HEFFERNAN—Do you think that is fair?

Mr Woodley—have raised this issue and a number of exporters have raised this issue.

Senator HEFFERNAN—Do you think it is fair?

Mr Woodley—In the case of Western Australia, recently one of their senior managers said that was an issue that they were looking at because they could understand the criticism and that particular claim. Whether you resolve it in the way that you are suggesting or in some other way, there are probably other ways of administering the penalty. The purpose of the penalty, as Peter says, is largely to dissuade frivolous—

Senator HEFFERNAN—I understand that, but the system encourages a monopoly.

Mr Woodley—I think that, the way it is presently administered, that particular criticism can have some logic to it. We believe that those particular issues are issues that are being discussed with the other exporters and, hopefully, between the exporters and the port terminal operators, a satisfactory and appropriate response is being made.

Senator HEFFERNAN—Thanks for that. Mr Chairman, I can see an inquiry into this coming on because obviously these are not the answers that the growers require. This is actively encouraging predatory behaviour by a monopoly situation in South Australia; there is no question about it. For all sorts of reasons, things go wrong. One guy has to cop it—usually a smaller guy. The big fella does not cop it, so he can just play the game.

Mr Woodley—The guys you are talking about are accredited exporters. It is not growers.

Senator HEFFERNAN—Yes, I understand that.

Mr Woodley—It is between accredited exporters.

Senator HEFFERNAN—I understand that, but they are seriously disadvantaged, you would agree, under that system.

Mr Woodley—That was one of the issues we looked at when we did the audit of Viterra and, as we said in our joint press release, the audit did conclude that there were areas for improvement, including tighter administration of excess booking vessels. That is the issue you are raising: more timely cancellation of bookings—

Senator HEFFERNAN—But the system stinks. Why don't we—and you—recommend changes to the system? Have you not got the power or the will?

Mr Woodley—I think, in this system, our audit has identified some of the issues that you are raising, and Viterra have indicated that they are making changes to the system to address—

Senator HEFFERNAN—I will have a little punt with you that they do nothing unless we make them.

Mr Woods—I think what you are seeing here, Senator, is the flexibility and nimbleness of WEA. If we see an issue we try to do an audit and try to have a change of behaviour. What you are discussing is changes to how the ACCC looks at things.

Senator HEFFERNAN—Hopefully we will highlight this in an inquiry. ‘The owner of the facilities in South Australia’—that is Viterra—‘have full knowledge as to what is in its stock. Other companies and individual growers in warehouse options, apart from relatively minor storage at AWB and EP Grain ... This is a large marketing advantage, enabling them to sell parcels of wheat knowing whether it is available and who to approach to accumulate the package. No other marketer holds this advantage.’ Duh. ‘Full holdings should be reported in real time as they are accumulated to enable fair competition.’ That would obviously be relatively simple, as the former owner of the system, AusBulk, was previously providing this information.

So that begs the question, which follows on to all this other monopoly behaviour: is there sufficient transparency in the handling system? Could you outline the policy—and I might ask that if you could take on notice the answers to all of these questions you come back with the defined policy that we are dealing with, rather than a conversation here. There must be a written policy somewhere.

Mr Woods—It is called the Wheat Export Marketing Act, Senator. The Wheat Export Marketing Act is our policy.

Senator HEFFERNAN—Yes. I would like the detailed—

Mr Woods—That tells us not to go near upcountry. It says the ACCC does ports.

Senator HEFFERNAN—But the ACC, I have to say, are the blokes that thought Incitec Pivot ought to merge, when there was 73 per cent of the wholesale market and 100 per cent of manufacture and it was a monopoly. The excuse was, ‘Oh, we don’t have the power.’ Garbage! We ought to give them the power.

In that system, one bloke knows where all the cards are and who is holding all the cards. AusBulk used to provide that information to everyone so everyone could have a shot at the market and bid for a tender somewhere—and there are a lot of tenders in the international market now—knowing they could get the supply from here, here and here. But that no longer happens; only Viterra can. Given that system, is there is sufficient transparency in the system?

Senator HEFFERNAN—Why wouldn’t they go near it?

Mr Woods—We believe that it would be adding transparency to the whole industry if, on an aggregated basis at a silo level, those stocks were published.

Senator HEFFERNAN—It is all on the computer every day; you just push the button and you know what is there if you can access the button. What was wrong with the Productivity Commission? Were they burdened with too much coffee at morning tea? Why couldn’t they see it—too many bureaucrats?

Mr Grant—Senator, I think you should talk to the Productivity Commission, really. That is an issue for the Productivity Commission.

Senator HEFFERNAN—I just thought I might incite him to say something that got him into trouble!

Mr Grant—These areas are really outside the Wheat Export Authority’s—

Senator HEFFERNAN—Thank you. ‘Viterra, and Genesee and Wyoming, have an exclusive rail freight agreement. They lease track from the owners, Great Southern Rail. There have been reports that, when third parties have sought access to the track to operate their trains’—this sounds a little bit like Gina Rinehart some years ago—‘Genesee and Wyoming have threatened to charge enormous access fees, in one particular case an access fee of \$27 a tonne, when that is by far greater than the full freight.’ If you are paying the full freight, the access is more than the freight. ‘This has been off the record, as no business is being done in this hostile environment. Considering this is a natural monopoly, access fees should be publicly available. This would provide a huge embarrassment to those companies and put pressure on fair rates.’

Understanding the system and being in charge of making sure that our wheat export is all hunky-dory, do you think competitors have fair access to freight options?

CHAIR—Before you answer that, Mr Woods, we have a couple of minutes before the morning tea break. So if we can get your answer we will then go to a break and come back in continuation.

Senator HEFFERNAN—Yes. This is my last question.

CHAIR—Okay. I have heard that before but I will take it on face value. This is Senator Heffernan’s last question.

Senator HEFFERNAN—Do you think that is a fair system? Is there fair access?

Mr Woods—Under our powers, WEA look to have open, transparent and fair access at ports. It is not in our legislation, nor in our remit, to look at upcountry or rail.

Senator HEFFERNAN—Under the current policy—

CHAIR—Senator Heffernan, you said it was your last one. We can go to the break and come back, because Senator Back has questions as well. There are other staff who need to take a short break for other reasons.

Senator HEFFERNAN—Are they all busting for a cup of tea? ‘Old men’ syndrome.

CHAIR—I will let that one go through to the keeper. We will take a 15-minute break and resume at 10.45. Thank you.

Proceedings suspended from 10.29 am to 10.44 am

CHAIR—You have finished, Senator Heffernan? Thank you.

Senator HEFFERNAN—Obviously, Mr Chairman, in handing over to the honourable Senator Back, I would like flag the fact that the questions raised this morning of the WEA, in my view, raise the need for a Senate inquiry.

CHAIR—Okay.

Senator O’BRIEN—You have to lobby outside the room.

CHAIR—Senator Back, you have questions of the WEA.

Senator BACK—In the 2011 Doha Round I understand that there has been a move to give developing countries, such as India and the Philippines, the right to lift import tariffs above the agreed WTO ceiling. Are you aware of this?

Mr Woods—I am not aware of changes in Doha. It is not something that we monitor. It is an area for policy and DAFF.

Senator BACK—Would it be an area that you would take an interest in?

Mr Grant—Potentially. If the end result of the Doha was that there was an agreement that countries could increase tariffs and other arrangements to protect their domestic industries, then yes, we would certainly be interested in that from an industry development perspective.

Senator BACK—I think the Minister for Trade, Dr Emerson, has made mention of a special safeguard mechanism that would protect farmers in the event that countries like India and the Philippines were able to lift their import tariffs. Are you aware of any statement to that effect?

Mr Grant—I am not aware of the detail of that. Our Trade and Market Access people, who are coming on later today, will be able to help you with that.

Senator BACK—I will pick it up then. A year ago, going back to one of the questions Senator Heffernan asked, gentlemen, we were talking about the question of the exporters and the shipping systems and the slots available. There was a comment to the effect that it was too early to be able to see how the scheme was settling down. Can you give us an indicator now of what has been done? In the case of Western Australia, four million tonnes versus 16 million tonnes is probably helping to address that. But in other ports, has there been the competition, the pressure, the queuing?

Mr Woods—Every year shapes up to be different and, as we can see, the year we have gone through has definitely been different with lots of rain and floods. That causes changes the whole time. For example, with the floods in Queensland, a number of ships had to be moved out of port that were due to load grain and we have now got issues with rail lines down and therefore it is difficult to get grain to port. Generally, what we do, and we have reported it in our report for growers, is monitor the stem—that it is changed every day, that vessel cancellations are happening in a timely manner, and that is updated onto the stem. All that appears to be happening relatively well. We were concerned in South Australia, which is why we conducted an audit on Viterra.

Senator BACK—From the information you have just given us, there seems to have been a reduction from 42 to 36 countries importing wheat between 2008-09 and 2009-10. Which are the countries that have stopped importing from us? Can you give us any background as to the risk to trade as a result of those reductions?

Mr Woods—No, I can't in that respect. But what I will say is that there was a reduction from some 42 to 35 or something in the last marketing year. But every year the number of countries that import Australian wheat varies. If you look back to 2007, there were only 19 and yet in 2006 there were 21 or 22. I think the telling story is actually page 8, figure 6, of our report, where we look at the number of consignees, and we have used the consignee as an indicator for a buyer of Australian wheat. Since liberalisation/deregulation of non-bulk wheat and bulk wheat, those have gone up. If you look at bulk wheat in particular, I think we have gone from 114 to 160 buyers of Australian wheat. We are getting more than one buyer in every country. So I think our penetration is much better than it used to be.

Senator BACK—It is too early to give us the figures for the current season?

Mr Woods—Yes.

Senator BACK—But the trend?

Mr Woods—Consistent, as far as I am aware, but these are annual figures, so therefore we cannot see changes on a monthly basis because it does fluctuate.

Senator BACK—I have only got a couple of other questions. From my readings, I think there were 290 notifiable matters reported to you from seven accredited exporters in the 2008-09 season. Your assessment, as I understand it, was that there was no further action required. Can you just share with us what the nature of the 290 were, what categories they fell into and what they related to?

Mr Woods—Notifiable matters for us is a means of monitoring what is happening within an exporter's organisation. Exporters report changes in their executive, so an executive under our act is a director, the CFO, CEO, company secretary. So if there are changes in those we need to be notified. We also get notified of changes in financial positions. We get notified changes in export proposals, and there are a whole raft of things that we ask exporters to keep us aware of. Normally, they will provide us with advanced notice, a phone call saying, 'We have had a change and we look at doing this.' I would just put forward a correction. I think you might have said there were 200-and-something notifiable matters. On page 26 of our report, you will see that there were 57 notifiable matters reported by 15 exporters.

Senator BACK—Right. I don't know where that figure came from. Thank you very much. Finally, the Productivity Commission has recommended that wheat exporters be abolished by September this year. Can you give us your response to that recommendation?

Mr Grant—Perhaps I can handle that from a policy perspective. The government is considering the Productivity Commission's report, all the details of that, and determining how it will respond to the Productivity Commission report. Until that happens, there is really not much more we can say.

Senator BACK—September is only a matter of a few months away. In the event that there was to be a major change, when would that have to be put into place to ensure continuity?

Mr Grant—To ensure continuity, nothing would have to be put into place, because the act would continue as it is currently established. If you wanted to change it, you would have to change the legislation and you would need to go through the parliament to do that.

Senator BACK—If the act remains unchanged, what changes?

Mr Grant—Nothing changes if the act is not changed.

Senator BACK—If the government were to reject the Productivity Commission's recommendation, we would see the status quo preserved.

Mr Grant—That is correct.

Senator BACK—If the government determined to change or to accept the Productivity Commission's recommendation, what would be the effect of that?

Mr Grant—It really depends on how the government responded to the Productivity Commission, whether it accepted all its recommendations or part of its recommendations. There are a range of options for the government to consider. But, clearly, any change to the current system—a significant change—is likely to require amendments to the Wheat Export Marketing Act.

Senator BACK—I have a final question with regard to accredited companies dealing in wheat exports. Can you just give us some indication of your requirements in terms of a company proving its creditworthiness to be able to operate as an accredited exporter?

Mr Woods—Finance is one of the requirements in our act. It is certainly something that we look at very, very closely and that the board looks at prior to granting an accreditation. We ask for an export proposal: where the company believes it will be exporting to, the tonnages and those sorts of things. We also look at them forecasting for us their peak funding requirement, when they believe they will be buying that grain, whether they are buying it from growers or the trade, how they will be paying for it or pools—those sorts of things. We run our own calculations off those figures to make sure that they have sufficient financial facilities to meet those requirements. To check that, we ask them for copies of all their financial documents.

Senator BACK—Of the 18 that were accredited for 2009-10, can you now or on notice give us a breakdown of those that are Australian-based, those that are agents of multinationals?

Mr Woods—We can do that, but there are a number of Australian entities and a number of multinationals.

Senator BACK—On notice you can give us a breakdown?

Mr Woods—I can read them out now if you like.

Mr Woodley—But just to answer the question, it has to be an Australian company or cooperative for us to be able to accredit them. They, in some cases, as you have alluded to, are part of a wider group, some of them international groups, some of them Australian groups, but it is an Australian company that we accredit.

Senator BACK—That is one of the conditions, in fact—they have to have formed an Australian corporate structure?

Mr Woodley—Australian company or cooperative.

Mr Woods—They have to have an ABN and an ACN and have legal title here in Australia.

Senator NASH—I think it might have been you, Mr Woods, who made a comment that the ports were operating more efficiently or better than they have been in the past. Can you just give us a bit of an idea of what sort of criteria you are basing that judgment of the improvement on?

Mr Woods—In the initial year of accreditation we conducted shipping stem audits on all the bulk handlers and a number of recommendations were made by the auditor that the bulk handlers, the port operators, picked up. In the last 12 months we have audited Viterra and they have identified some issues, as did the auditor, and they have said that they will be implementing changes and those recommendations will be implemented. We are seeing less

of the issues that we did in the first year of ships sitting out of port incurring huge amounts of demurrage. So I would say that ports are operating better.

Senator NASH—You say you saw less of the issues than you saw in the first year. How did that compare to previous years in terms of the operations?

Mr Woods—In previous years there was one exporter, there are now 26. So of course there were going to be some teething problems.

Mr Woodley—I think the problems were largely in Western Australia, where they had the biggest or second biggest harvest ever. Also there were problems with finishing in that particular harvest. So I think the problems with ports were largely isolated to Western Australia.

Senator NASH—Obviously those issues have been identified and been worked upon. But what actually is the improvement?

Mr Woods—The improvement is, depending on the bulk handler, in how they are receiving nominations for the shipping stems. As you have seen in Western Australia, they have decided to move to an auction system so that certain periods of access to ports are auctioned. Everyone has adequate time to look at those and say, ‘Well, we need to ship in this period so we want to get that slot,’ and they pay for it.

Senator NASH—I understand obviously that a lot of the issues we want to ask questions about are not your responsibility, and I am quite well aware of that. I think Senator Heffernan’s idea of an inquiry is an excellent one. Certainly anecdotally coming back there are some concerns about the ability under the new system to reassure buyers that the quality is there, that we will have consistency of quality. Is that anything that is raised with you at all? Obviously it is not your bailiwick, but just anecdotally, given that you do do the exporting arrangements?

Mr Woods—We have never had anyone write to us and complain about quality issues. What I would say is that it is the same people and the same companies doing the testing up-country, doing the out loading. When a company sells grain to someone, the buyer has the option of hiring an independent surveying company, superintendent’s company, who check the quality samples. In nearly every case the letters of credit or the cash against documents does not happen unless the bank or the buyer is satisfied with the test specifications that are taken independently and provided to them. So they are receiving what they are paying for.

Senator NASH—Obviously previously the AWB was undertaking long-term arrangements, obviously a very different set of arrangements. Are you finding any issues around what I would call more short-term opportunities being taken by exporters rather than the long-term relationship-building scenario that we used to have?

Mr Woods—We have no details on any of that.

CHAIR—Are there any further questions of Wheat Exports Australia? If there is not, thank you, gentlemen. I now call Biosecurity Services Group.

[11.01 am]

Biodiversity Services Group

Senator HEFFERNAN—Could you explain to us the current import requirements on green prawns?

Dr Martin—There are various options. If they are uncooked prawns, they have to either come from countries that are free of certain diseases, or zones; otherwise, if they have their head and shell off, they are tested for white-spot and yellow-head virus.

Senator HEFFERNAN—With tail on?

Dr Martin—They can have the tail on, but the rest of the shell is removed and the head is removed. They can also be imported if they are classified as highly processed, which means that they are breaded or battered or marinated.

Senator HEFFERNAN—If they are in that state, they are not tested?

Dr Martin—They are not tested.

Senator HEFFERNAN—Are we still turning a blind eye to the supposedly marinated but not impregnated green prawns, so we do not have to test them?

Dr Martin—Marinated prawns have been assessed as being able to come in. They have to be inspected to ensure that they are marinated and that they are suitably—

Senator HEFFERNAN—But the marinade that just washes off, as I demonstrated here one day, is still happening and we are still saying, ‘But she’ll be right, mate.’

Dr Martin—There is an extensive inspection regimen and I think it is that 25 per cent of consignments that are inspected.

Senator HEFFERNAN—But does the inspection include washing them, so that they are just genuine fresh prawns?

Ms Cupit—The inspection does not include washing—

Senator HEFFERNAN—Isn’t that a bit stupid? I can go to the setup now in Sydney and buy them and wash them and they are green, fresh prawns. Why wouldn’t the department understand that? How long ago did I raise it here? They are dinky-di green prawns; they are not impregnated; they are allegedly marinated, but they are not.

Ms Cupit—The marinade must come to at least 12 per cent of the total product, as in weight, so it is a fair—

Senator HEFFERNAN—Yes, but it is not. Sure, it is in the carton—you can see it swishing around—but it is not in the prawns.

Dr Martin—Senator, the marinade does not have to be impregnated, which is what you are saying, but it has to cover. ‘Marinade’ does not mean to be impregnated.

Senator HEFFERNAN—But when you chuck them in the tub, as they do with these big packets, and swish them around and then you put them into the process, whether it is the Chinese prawn cocktails or whatever it is, they are fresh prawns. Is not that a flaw in the system? Duh?

Ms Cupit—The prawns are also shelled and deheaded, so most of the diseases which you are considering here—

Senator HEFFERNAN—But that is not the point. They are dinky-di green prawns that are not tested. Have a think about it again.

In September 2010 a BSG officer mistakenly released a consignment of raw, peeled prawns intended for human consumption that had tested positive for white-spot syndrome virus.

Can you tell us the circumstances surrounding that and whether that person got their head cut off?

Mr Chapman—When we became aware of that mistaken release of prawns which had tested positive to white spot syndrome virus, we engaged the interim Inspector-General of Biosecurity, Dr Kevin Dunn, to do a comprehensive review, which had two parts—

Senator HEFFERNAN—And he said, ‘Under existing clearing arrangements, a similar error could occur again.’

Mr Chapman—Dr Dunn found that the mistake had been caused by human error and that was—

Senator HEFFERNAN—How long have I been banging on about that in this committee: science versus human error?

CHAIR—I think, Senator Heffernan, let us just let the officers answer.

Senator HEFFERNAN—Yes, righto. I am pretty cranky about this, as you can see.

Mr Chapman—The second part of the review was what the likelihood was of it entering a high-risk pathway and of then causing an outbreak of white spot virus in Australia. He found that the likelihood of it entering a high-risk pathway was extremely low and the risk of it causing the establishment of white spot virus in Australian prawns was negligible. He made a number of recommendations as to how we could improve our processes to diminish, but, obviously, we can never totally eliminate, the possibility of human error. He made seven recommendations. One of those requires new IT, and that has been factored into broader IT future directions. The other six recommendations have all been considered—

Senator HEFFERNAN—We will get to the recommendations. In simple language that a prawn farmer can understand, could you explain to me how he made the mistake? Did he forget to test? Did he come to work with a hangover? What went wrong?

Mr Chapman—The interim inspector-general considered a range of factors, such as complexity, the tiredness and so forth—

Senator HEFFERNAN—But that is not farmer talk. What went wrong? Did he not test the labels? Was the test faulty? Simple, short syllables, simple explanation: what went wrong? Forget about the inspector-general.

Mr Chapman—In simple terms, when the test reports came back, embedded in the answer were some positives as well as a series of negatives; he overlooked those.

Senator HEFFERNAN—He did not read the report?

Mr Chapman—I assume that he read the report.

Senator HEFFERNAN—But he had a hangover.

Mr Chapman—He inadvertently released the prawns.

Senator HEFFERNAN—As a consequence of that and the risk to the industry, the inspector-general said, ‘These releases were found to be because of human error,’ and in stage 2 of the review the interim inspector-general said, ‘Under the existing clearing rate, it could happen again.’ What does the inspector-general mean by that, that the bloke might not read it again?

Mr Chapman—I think the inspector-general was quite clear. He said that, while you have manual processes that rely on humans, which we obviously employ—

Senator HEFFERNAN—All human endeavour—failure.

Mr Chapman—Humans are susceptible to error.

Senator HEFFERNAN—That is very understandable; none more than me. The review did not state how much of the 20-tonne shipment was able to be recalled. Do we know now?

Mr Chapman—I think the review did state that, Senator; it said 3½ tonnes were recalled.

Senator HEFFERNAN—Were recalled?

Mr Chapman—Yes.

Senator HEFFERNAN—It did state that, did it?

Mr Chapman—I believe it did, Senator. If it did not, I can advise you now that 3½ thousand kilos were recalled and were re-exported.

Senator HEFFERNAN—That is better. Were re-exported?

Mr Chapman—Yes.

Senator HEFFERNAN—Strangely enough, 40 per cent of the prawns that go into Japan out of a certain region in China are rejected for antibiotics; they are re-exported and sold to someone else to eat as well. One of the great problems facing the human race is low induction, through the food chain, of antibiotics, which builds bacterial resistance. Do we test these prawns for antibiotics?

Mr Chapman—I do not believe that is a requirement.

Senator HEFFERNAN—But should it not be? Under the world trade agreement operations, if we can demonstrate a threat to human, plant or animal health, you can set aside the rules. I would have thought, given the history of imported prawns into other countries, and Japan does test them, where 40 per cent in some consignments is rejected and sent to a country which has a higher tolerance rate of antibiotics, which is crazy, it should be mandatory to test these prawns for antibiotics.

Ms Mellor—It is not mandatory under the current rules that we operate on behalf of FSANZ.

Senator HEFFERNAN—I understand that, and there is a Chinese magic wall between—

Mr Read—Sorry, can I just come in? With the testing of imported seafood, in relation to fish products we test for fluoroquinolones and malachite green; crustaceans, including prawns, are tested for fluoroquinolones and nitrofurans.

Senator HEFFERNAN—What is that in ordinary white fella language?

Mr Read—They are tested for any—

Senator HEFFERNAN—Antibiotics?

Mr Read—Yes.

Senator HEFFERNAN—They are tested?

Mr Read—Yes.

Senator HEFFERNAN—But it is not mandatory?

Mr Read—Yes.

Senator HEFFERNAN—It is mandatory?

Dr Clegg—Five per cent.

Mr Read—It is, and that is why I am correcting the record: it is mandatory that we test for them.

Senator HEFFERNAN—For these prawns that accidentally got out into the system, would there be a certificate of inspection and a result for antibiotics?

Ms Mellor—There would be an inspection—

Senator HEFFERNAN—Could you table that?

Mr Read—Sorry. In relation to the test programs that we apply, there are two levels of tests, depending on whether it is a high-risk test, which is a 100 per cent sampling, so every one of those consignments would be tested for. In relation to green prawn product, it would be at the five per cent test rate, and that product would be tested for—

Senator HEFFERNAN—Is it five per cent of what comes into the country or five per cent that comes from a particular region?

Mr Read—It is a one-in-20 random slice.

Senator HEFFERNAN—There could be regions, like that region in China that provides a 40 per cent failure rate into Japan, that are never tested under our system?

Mr Read—During 2010, there were 589 tests for antibiotics applied to 345—

Senator HEFFERNAN—I am not asking you that. Under the system that we have got, there are regions that could possibly be never tested?

Mr Read—All global regions have a chance of being tested.

Senator HEFFERNAN—Have a chance of not being tested, at the same time.

Mr Read—One in 20.

Dr Clegg—But the more you import, the greater the chance.

Senator HEFFERNAN—Yes, I understand that. The imported prawns that got out—no one got their head cut off. I suppose he had a glass of wine and said, ‘Oh, gee, that was a mistake.’—went to the various outlets, could have been Coles and Woolies. We do not know whether they were used as fish bait, we do not know whether they were in Coles when they got washed to sea in Brisbane. There is a risk, is there not, that those prawns would get into the system?

Mr Chapman—The risk was assessed as being extremely low.

Senator HEFFERNAN—Based on what?

Mr Chapman—Based on the assessment of who the prawns were sold to and based on the fact that they were generally prawn cutlets, that they were high-end, quite expensive prawns. They were actually sold to restaurants and to the catering industry so the assessment was that it was extremely unlikely, extremely low-risk, that they would be—

Senator HEFFERNAN—Did you say they were prawn cutlets? They were not raw, green, peeled prawns?

Mr Chapman—There were a range of products but they were, as I said a high—

Senator HEFFERNAN—Could you give us the details of the range of products?

Mr Chapman—Yes, we can provide that.

Senator HEFFERNAN—Thank you. Could you also give us the outlets that they were sold to? Because, if you do not know, you have not done your job, and we want to know because we are going to do our job.

Mr Chapman—When we sought to recall the prawns—as you are aware, we became aware of the mistaken release about three weeks after it had occurred and immediately initiated a recall action. We sought information from the importer as to where the prawns had been sold and the importer assisted us in the recall of the prawns, but, as I said—

Senator HEFFERNAN—Where did the prawns come from?

Mr Chapman—These prawns came from Malaysia.

Senator HEFFERNAN—You just said two minutes ago that the assessment was that there was a very low likelihood it would get into the system. Bear in mind that that day in Cardwell I caught the guys fishing in the prawn water with prawns they had bought at the supermarket, but you say that will not happen with this—which is a rubbish answer. If you can categorically say the risk was low because of who they were sold to, then you must be able to tell us who they were sold to. Could you take that on notice and provide us with a list of the outlets where those prawns finished up?

Mr Chapman—I cannot really add much to what the interim inspector-general said in the second part of his report.

Senator HEFFERNAN—Yes, but you can go to the interim inspector-general and ask him, based on his assessment of the low risk because of where they finished up, where they did finish up and to account for the 17 tonnes of prawns that got into the system? If he can make that assessment he must know where they went.

Mr Chapman—His assessment was based on a number of factors.

Senator HEFFERNAN—I bet it was.

Mr Chapman—I was going to say the role of the inspector-general is to do an independent review of issues—

Senator HEFFERNAN—Our role is to protect the prawn industry here. These are infectious. By the way, just so you know, there is a report out now which says that even cooked prawns still carry the disease. Are you aware of that?

Mr Chapman—I was not aware of that.

Senator HEFFERNAN—There you go, you might be about to learn something, if I can find it. From the Kochi India world agriculture society conference:

The icon states that no import permit is required and that prawns must be cooked at 70 degrees centigrade and at temperature for 11 seconds. New research proves otherwise. Tests carried out on cooked, infected shrimp at 100 degrees for periods of 30 minutes have still shown signs of the virus being active. Intramuscular post injections into live healthy WSSV free shrimps resulted in 100 per cent mortality.

Have you taken that into consideration in your import risk analysis?

Dr Martin—When the risk analysis was done the options that were considered included cooking and the cooking option was not a total inactivation.

Senator HEFFERNAN—That is right.

Dr Martin—It was that there was less likelihood that those prawns would be used as bait. So there is some inactivation—it depends on the virus. Some viruses are quite susceptible to heat and others are less so.

Senator HEFFERNAN—Do you think it is alright to import prawns that have a disease we do not have on the assumption that there will be no human failure? We have just demonstrated gross human failure and no-one got the sack, I noticed. It could have put the whole industry to ruin. You say that is okay because the risk is low, but you cannot measure it. If you cannot tell me where those prawns were sold from the wholesaler, then the department has a serious credibility problem because the inspector-general has said there is a low risk because of where they finished up. If you cannot tell us where they finished up, he is guessing.

There are tragic, unexplained circumstances. There is a photo here, which I can table if you want to, of Coles. Everything in this particular Coles supermarket was washed out into Moreton Bay. The water is up to the top of the roof. If they happened to have those prawns they would be in Moreton Bay. These are unintended consequences that you admit can be repeated. We have got a lot of work to do. This is a serious breach of our quarantine. On notice, you will tell me where those prawns finished up.

Ms Mellor—We will do our best to get you all that information.

Senator HEFFERNAN—On behalf of the prawn farmers and the beautiful prawn farm that suffered all the damage at Cardwell, and the hatchery up there that also suffered damage, if we are going to have a stable industry can we look at why we are not testing imported green

prawns that are allegedly marinated? You can just tip them in a bucket and wash the marinade off and treat them as green prawns? Why don't you do it?

Dr Martin—It was looked at as part of the import risk analysis. It was recognised that the risk was not zero, but the risks were managed by being marinated, as it is a highly processed product that will go off for consumers to use.

Senator HEFFERNAN—But it is not highly processed at all, it is a fraud—f-r-a-u-d. The system is a fraud. I have been to the places and the people have said, 'Bill, for God's sake, do something about them; this is a fraud.' We are blind-eyed. Do we test those marinated prawns for antibiotics after they are washed? Some of these prawns are bred in the by-product of sewerage.

Dr Martin—If people actually know where marinated prawns are being washed off, then that is—

Senator HEFFERNAN—But I have brought them here, put them on the table, and demonstrated to you—how long ago, Chair? Two years ago?

CHAIR—It just seems like yesterday, Senator Heffernan.

Senator HEFFERNAN—I think that you have got a lot of work to do, and I think that it is absolutely spitting in the face of the prawn farmers.

Senator MILNE—I wanted to go to the issue of the Asian honey bee incursion in Australia. I wanted to confirm that the arrival of the Asian honey bee in Cairns was in fact a breach of our biosecurity, inasmuch as I understand that it arrived in the mast of a yacht. What action was taken on that?

Dr Grant—I am going to turn to Dr Carroll, who was managing the issue from the Commonwealth's point of view at that time, but you are correct that the first known incursion came in on the mast of a boat.

Dr Carroll—The first infestation that was discovered was in the mast of the yacht, which had been there for some time. Based on ageing of the nest and some other nests that were found, it appears likely that that was not the first incursion; that was just the first one we came across. I believe there were two other incursions or nests on Admiralty Island, I think it is called, which pre-date what was found in the mast. Where the absolute first incursion occurred, we have no degree of certainty over at all. Whether they have flown in from a passing vessel or whether they have come in on a vessel or a yacht, there is no way of determining at this stage.

Senator MILNE—So having said that, what action are we taking to inspect boats coming in? We will get to whether we are trying to eradicate it or not at the moment, but subsequent to the known incursion what action was taken to step up the surveillance?

Mr Chapman—All vessels arriving in Australia are required to submit a pre-arrival report to us between 12 and 96 hours prior to arrival. There is a specific question on that pre-arrival report which is, 'Have any insects, including bees, been discovered onboard during the voyage?' That is because we identify bees as a high risk. The first mitigating measure we have comes from the reporting of the vessel and we do inspect vessels coming from high risk destinations, or vessels which have not had a good compliance history. Of course, we have a

much more intensive inspection if that pre-arrival report answers yes to any of those questions. It is a combination of reporting and inspection for high-risk vessels.

Senator MILNE—With the vessel in question here, was that process in place before that or subsequent to that? If it was before that, did that vessel in question identify the problem?

Mr Chapman—The process has been in place for some time. The problem we have is we do not know where the bees came in so it is not possible to say that it came in on any particular vessel, if indeed it did come in on a vessel. We do not know what the cause of the incursion was.

Senator MILNE—I understand that and I heard what Dr Carroll had to say. What I am asking is did the particular boat which clearly had Asian honey bees fill out a form or was it a boat moored in Cairns for a long time and so had not come in and filled out the form? I am trying to establish whether it filled out the form appropriately on that occasion.

Mr Chapman—The vessel where the bees were found in the mast was a yacht which I believe had been in dry dock for quite a period of time—about 18 months.

Senator MILNE—That answers that question.

Dr Carroll—It is quite possible, maybe even probable, that the vessel was infested after it arrived.

Senator MILNE—Yes, that is exactly what I am taking from your answer—that the infestation elsewhere, given the propensity of the bee to establish itself in built constructions or environments, it is possible it came there. Just to get to the honey bee incursion overall, I understand that the national management group met at the end of January to consider advice provided by the Consultative Committee on Emergency Plant Pests and on the Asian honey bee incursion in North Queensland, and decided that it was not technically feasible to achieve eradication. Clearly was not a consensus decision, yet this committee is meant to make decisions by consensus. Why was that not done on this occasion?

Dr Grant—You are correct; we met on 31 January and made the decision on the basis of the scientific assessment of the bee that it is not eradicable. The discussions that took place were lengthy and, at the end of the day, it was agreed, subject to the fact that the program has not ceased yet—in fact, it continues until 31 March under current funding; we are working up through the period since then and we have another meeting coming up very soon—we are looking at what actions now can be taken post the decision that it is ineradicable. The three states that had some concerns about the decision of eradicability agreed at the end that it was the case that it was not eradicable, but the only thing that they sought was a continuation for six months to gain more information. The prevailing view at the end of the meeting was that that would not answer any more detail than we had already.

Senator MILNE—I understand the lack of consensus was around this question of whether it is technically feasible or not to eradicate, and that there were entomologists who argued that it was too early to make that decision and that more time was needed to see whether we could get on top of the honey bee problem. Is that the case? Was there evidence from entomologists to say that it was too early to make that decision?

Ms Ransom—The sentiment in consultative committee around information was that, with additional surveillance, detection and destruction of the Asian honey bee through the latter parts of last year, there had been both an increase in the number of hives that had been found but also the number that had been destroyed. Several entomologists felt that there would be a benefit in continuing with that program to gain the information to provide more certainty about whether it could be eradicated or not. Certainly there was not a great deal of confidence that eradication would have been technically feasible. The number of hives that have been detected over the area of detection, the number of individual bees that have been found that were indicative of hives that had not been yet detected, the ongoing detection of hives within and around the Cairns area, indicated that there was still a reasonable population. The confidence in being able to find those and destroy every last Asian honey bee was such that that was the basis of the recommendation to NMG.

Senator MILNE—Given that there was a dispute, if you like, or a difference of opinion as to whether it was eradicable, and given that under increased surveillance more nests have been found and destroyed, can you tell me whether the bee has gone beyond the restricted area which had been established within which the eradication effort was being attempted?

Ms Ransom—There have been at least two detections of Asian honey bee outside of the 50 kilometre restriction zone around the Innisfail area.

Senator MILNE—How far outside the 50 kilometre restriction zone?

Ms Ransom—I do not know the distance off the top of my head; maybe five kilometres or thereabouts.

Senator MILNE—Not significantly beyond the restricted area, given the size of Australia in that context. According to the beekeepers around Australia, this bee, if it gets away, will cost us multimillions in public health amenity, because it is quite aggressive, and also in terms of our natural environment, because it will displace native bees. Is that true? Does it have a propensity to cause public health problems because it is aggressive and does it displace native bees?

Ms Ransom—The information that was put in front of the consultative committee indicated that the bee certainly has a sting and it will sting people. I don't believe there is enough information within the Australian environment to indicate what its impact on the natural environment and native bees would be. I can't answer those questions.

Senator MILNE—My contention is, like the cane toad, people start off thinking, 'Oh well, we can't eradicate it,' and then afterwards we calculate the cost which, in biodiversity terms alone, is incalculable almost of what you are actually talking about here. Given that we know what happened with the European wasp and the amenity in public health terms and public amenity terms, but until we know the impact of the Asian honey bee on displacing native bees and the impact on pollination, on nectar feeders, for example, is it not incredibly short-sighted—pollination alone—to end the funding for the eradication effort if there are no bees being found five kilometres beyond the restricted zone at this point?

Ms Ransom—The restricted zone itself is a radius of 50 kilometres. The infested area is covered with extremely thick native bush. Access is incredibly difficult. In addition, the authorities in Queensland have, laterally in the program, worked with transport industry to

limit the possible spread of this bee as hives on train carriages, containers and so forth. But there is a period of something like at least three years in which that was not done. We have found the bee around the margins of the 50 kilometre radius control zone. We don't know where else it may have gone. The committee that I chair is charged with determining the technical feasibility of eradication and, based on the ability to find the bee and under those circumstances with the technology we have available in terms of trapping, we are all agreed that it was either incredibly difficult or not technically feasible to do that.

Senator HEFFERNAN—How many traps did you put out?

Ms Ransom—Initially there were very few traps. Trapping technology has improved through the program.

Senator HEFFERNAN—How many is a few? Two?

Ms Ransom—I would have to ask Queensland for the exact numbers over the period of time. These bees are not strongly attracted to traps and so they are very difficult to pick up.

Senator HEFFERNAN—In response to Senator Milne's excellent questioning, you say you do not know the answers to those earlier questions.

Ms Ransom—About environmental impact?

Senator HEFFERNAN—If you do not know the answer on the biting and what they do et cetera to do other bees, who does and are you trying to find out the answer? If you do not know the answer, why are we here?

CHAIR—Senator Heffernan, Senator Milne has the floor. You have had a chance.

Senator HEFFERNAN—It does beg the question; who does know the answer?

Senator MILNE—In the context of this, what assessment has been done by anybody in the department of environment biodiversity section or whatever on what information they have provided about the impact on nectar feeders across Australia and pollination if this bee gets away?

Dr Grant—The issue of eradication is one based on technical capability, scientifically assessed technical capability, to eradicate the incursion—in this case, the bee. It is not based on what the impact will be. We attempt to eradicate, regardless of what that may be. In that context, it is very hard to know what the impact will be in a new environment. It is not a feature that is taken into consideration in looking at the eradicability of the pest.

Senator MILNE—With respect, I asked these questions about myrtle rust years ago before it actually became a problem and everybody said the same thing. My issue here is that cost benefit needs to be taken into account in determining how big the eradication effort should be. There is, clearly, no agreement on whether it is technically feasible to eradicate. Was the decision by those states that voted to accept it as being endemic and not eradicable made because of the financial requirement that they would have to put into the eradication effort?

Dr Grant—There was no vote as such. There was a long discussion, as I indicated, and three states initially came to the view that some additional work might be useful. But, at the end of the day—and it was on that day, 31 January—the decision was taken that the bee was

not eradicable. The positions taken by each jurisdiction on their funding was not the issue either; it was the technical assessment of the eradicability of this pest.

Senator MILNE—Who is going to take responsibility for that decision that it was technically not eradicable when there are other entomologists who say that it is?

Dr Grant—The jurisdictions contribute through the national management group. The representative on that group is the senior officer responsible for biosecurity in each jurisdiction and, in this case, including the Commonwealth, the secretary of the department.

Senator MILNE—On 31 March the funding runs out and it is up to Queensland whether they fund any further efforts—is that the fact of it?

Ms Hinder—At the moment, the program is due to complete on 31 March. As Dr Grant also indicated, there is going to be a meeting held with senior biosecurity officials and representatives of the Australian Honey Bee Industry Council to determine what activities, if any, will be undertaken beyond that 31 March period. That does not mean necessarily that coordinated action will cease. What it does mean is that we do need to have a look at the program, in light of the technical feasibility of eradication, and determine what actions could be considered to undergo further consideration at the national level. Underneath that as well, there will certainly be further actions, which Queensland are considering, as the combat jurisdiction at the state level.

Ms Mellor—The clear difference is that once a decision is taken that something is not eradicable, the cost sharing arrangements under deed stop. Then there is a question about what ongoing action for suppression, containment, control et cetera the host jurisdiction or others might contribute to.

Senator MILNE—I understand that. The key question is this technical decision on whether it is eradicable or not, and that is often based on the amount of resources you can throw at it.

Ms Mellor—No, that decision is completely science based. That decision sits separately from the decision around cost sharing under the deed.

Senator MILNE—Will you table or make available to the committee the technical report from those who say it is not eradicable as well as the technical report or evidence given by the entomologists who say that it is too early to say whether it is eradicable or not? History will show what the cost of this decision will be.

Ms Hinder—There is a report from the consultative committee on emergency plant pests. We will take that question on notice, but I imagine there would be no difficulties in providing that to the committee.

Senator MILNE—Thank you. I would like to ask the minister what view he takes of this, given the likely cost to the community and the environment of this bee getting away.

Senator Ludwig—The issue around the likely cost, as shown by the evidence on the record, is always a serious matter. However, we are now faced with the technical report which has indicated that it is not eradicable. I would take on advice the information that the technical committee actually provides to me—as I should. However, I am happy to look at this issue and read the technical report, as well as those both for and against. Of course, the committee

has met and I take advice from the committee. The committee will meet again on 31 March, or before then.

CHAIR—Thank you. Senator Xenophon.

Senator XENOPHON—I have a couple of questions following on from the theme of Senator Heffernan and also Senator Milne. How do you determine whether a food falls under the low-risk or the medium- to high-risk categories? You may want to take that on notice.

Ms Mellor—We will just bring up a few experts to the table.

Mr Read—The answer to that question would be that it is based on advice from the Food Standards Australia New Zealand in terms of risk categorisation.

Senator XENOPHON—How regularly do you get that advice?

Mr Read—That advice is not a regular event; it is as and when issues are identified, new food streams come to the fore or events that maybe—

Senator XENOPHON—Is there any regular review of this or is it when you become aware of a problem?

Dr Clegg—We meet with them monthly. We have teleconferences with them at least that often, and it is usually more frequently than that.

Senator XENOPHON—Is the inspection rate set at five per cent initially for all foods that are imported? You may want to provide some further details on notice because of time constraints.

Mr Read—No. As we just said, certain foods will be identified as high risk, which would be inspected at 100 per cent of consignment.

Senator XENOPHON—What does 100 per cent mean?

Mr Read—If it was a consignment of ready-to-eat seafood then that consignment would be sampled against a particular sample plan and the appropriate analysis run over the samples that are extracted. With that particular program, they would hold that product, run the test results, confirm the test results if they were negative and then release that product.

Senator XENOPHON—You check for diseases and chemical residue. Do you check for everything? What do you check for?

Mr Read—Based on the advice from FSANZ. That will depend on the nature of the food and the risks of concern.

Senator XENOPHON—You would not check for banned chemicals necessarily?

Mr Read—No.

Dr Clegg—No. It is about the food safety risks that FSANZ has identified that has made that food a high-risk food that must be sampled at 100 per cent initially.

Senator XENOPHON—Hang on. Does that mean that if a food has a banned chemical in it or excessive levels that would set off the alarm bells?

Dr Clegg—No, that does not mean it is a high-risk food.

Senator XENOPHON—What about consumers who are ingesting this stuff?

Dr Clegg—It does not mean it is a high-risk food. FSANZ have not advised us—

Senator HEFFERNAN—Just a high-risk health hazard.

Dr Clegg—No, they have not advised us of that.

CHAIR—Let us give Dr Clegg the opportunity to answer the question because we are all interested in this.

Dr Clegg—When they are talking about food safety risk, they are talking about the possibility of that food making you acutely sick, a reaction that is going to make you ill almost immediately; so if you eat bad prawns. We are testing for those food-borne pathogens that could give you gastroenteritis and that are commonly associated with those foods. They are the medium to high food safety risks we are talking about.

Senator XENOPHON—Dr Clegg, you are aware of the work—and I think Senator Milne and Senator Heffernan have been on about this—about the risk of antibiotics in the food chain—streptomycin, gentamicin. You are familiar with the work of Professor Peter Collignon, who has been a quite eminent expert on this.

Dr Clegg—Yes.

Senator XENOPHON—It is not going to make you sick immediately but it could cause a significant public health problem if we build up our resistance to antibiotics, won't it?

Dr Clegg—FSANZ is aware of that.

Mr Read—Just to build on that theme, in terms of antibiotic testing, I mentioned earlier a couple of the compounds that we do test for with seafood and my understanding with malachite green and fluoroquinolones is they are not permitted for use in Australia, so that is an example of compounds of concern, in terms of human health, that we do apply those tests for.

Dr Clegg—And at the five per cent level. Because they are not a medium to high food safety risk. FSANZ is the agency that puts a food through their model and works out whether it is medium to high risk and then everything else is classified as low risk. They have not advised us that testing for antibiotic residues, in any food, is a medium to high risk. They are looking at it, though, because Ms Mellor has asked them to. She asked them last year, following on from the concerns in the media and the questions that we have had in estimates about this.

Senator XENOPHON—So we are not testing at the moment for gentamicin, streptomycin?

Dr Clegg—Routinely, as high risk, no.

Senator XENOPHON—We would test five per cent or not even five per cent?

Dr Clegg—Some foods are tested at the rate of five per cent, looking for particular chemicals. An example that Mr Read just gave you was seafood, crustacea. We are looking for fluoroquinolones and nitrofurans. Both of those are antibiotics. They are not permitted to be used in Australia in seafood. They are used overseas in other countries but Australia has not provided permission for those antibiotics to be used in Australian seafood for the very reason you mentioned earlier: the risk of antimicrobial resistance occurring.

Senator XENOPHON—Generally, if you have some fruit and vegetables from overseas that have got a banned chemical in them, so it is banned and there are some traces of it or it is above the levels—

Dr Clegg—The MRL.

Senator XENOPHON—of chemicals that are currently the permissible levels, what would that flag? What would that do? It won't make you immediately sick but you will build up a chemical residue. Some of these are endocrine destructors; they are pretty nasty things. What does that trigger if there is such a batch of food or a batch of produce that comes in? What does AQIS do about that?

Dr Clegg—Five per cent of consignments are being tested.

Senator XENOPHON—Right.

Dr Clegg—If we test your consignment and we identify that the residue of a chemical exceeds a level that we have in our screen of 49 chemicals, from then on future consignments will be referred at the rate of 100 per cent and we will test them. You have to re-establish a history of compliance. If you do not pass the test, you cannot continue to import and distribute. We have to test it. We do it under a holding order. The food has to be held by the importer and, if it fails the testing, then it needs to be re-exported or destroyed.

Senator XENOPHON—It doesn't necessarily mean the tests are taking place, though, does it?

Dr Clegg—Sorry?

Senator XENOPHON—It doesn't mean that the tests are taking place. We have got to get to the threshold of where the five per cent are being tested. You don't test five per cent of all batches that come in.

Dr Clegg—No, it is the one in 20. When a consignment comes in, it has got a one-in-20 chance of being selected. If you are selected and you fail, then future consignments from that supplier will be tested at the rate of 100 per cent.

Senator XENOPHON—Are you satisfied that the one-in-20 testing regime covers it? Do we know if they are coming from the same part of one country or from different parts of one country? How do we know?

Dr Clegg—It is where our Australian importers sourcing their goods. Basically, it is a probability exercise. It is a one-in-20 chance of being sampled. The more an importer imports from a particular location, the more opportunity we will have to sample and test it. If you increase the rate of imports from a particular area, those are going to in the long term, based on probability, have more samples tested and we will know whether they are passing or failing. The results that we have got up on the imported food website at the moment show that there is at least a 98 per cent compliance for all consignments of food that are tested, so it is not bad.

Dr Grant—Senator, can I just come in? It is important to recognise that, internationally, it has been agreed that the five per cent testing regime gives you a 95 per cent confidence limit of finding the problem that you are testing for if it is there. So a five per cent regime of testing

gives you a 95 per cent confidence limit. This is not a zero-risk, zero-sum game. It is about a risk-managed process. That internationally agreed testing regime is used all over the world.

Senator XENOPHON—Can you advise, on notice, how many consignments in 2010 were tested and, of those, how many failed?

Dr Clegg—Sure. Yes, we can do that.

Senator XENOPHON—Also again on notice, how much was actually spent on testing consignments?

Dr Clegg—We probably will not be able to provide you with that information because the importer is required to choose a lab from our list and they pay the cost to the lab directly, so it is outside of our financial system.

Senator XENOPHON—Do you ever audit that to make sure it is robust, that there is not any—

Dr Clegg—Sorry, what do you mean?

Senator XENOPHON—It is in this sense. Is there any independent assessment so that that testing regime is accurate? I am not pinpointing any particular lab but if a lab's testing techniques were wanting in any way, or there was an inadequacy in their processes, is there some auditing to ensure that such labs are doing their job properly? Have we got confidence in the outsourced testing?

Dr Clegg—Yes, we have, because the labs need to be NATA accredited; that is, accredited by the National Association of Testing Authorities. That is used throughout Australia to accredit labs, to demonstrate the standards that need to be applied are being applied, that they have the appropriate equipment and personnel on site, and ability to keep records, to satisfy the clients that are using their services. You need to apply to NATA to be accredited. You need to meet all of their standards and then you are audited on an annual basis.

Senator XENOPHON—Finally, Chair, I know that Senator Heffernan and I share a similar concern about New Zealand apples that I think Senator Heffernan wants to raise. I understand *Today Tonight*, on the Seven Network, are going to broadcast details tonight of a number of tests that they carried out. That was done through, as I understand it, an accredited laboratory. If their own testing indicates levels of banned chemicals or excessive levels of chemicals, what steps will you take to follow that through? Will that trigger some response from AQIS? If that is in the public domain, will you be making your own inquiries to follow that through? You will have to wait until 6.30 tonight, though.

Dr Clegg—When food is tested, after it has been cleared by AQIS, it is—

Mr Read—Sorry, I think the simple answer to that is FSANZ are the risk managers.

Senator HEFFERNAN—We have that FSANZ Chinese Wall again.

Mr Read—FSANZ are the risk managers, in terms of providing advice on those chemicals. If the story does highlight issues of concern, they will be the area that will be concerned with advice to us as to the imports.

Senator XENOPHON—But that will not necessarily trigger any additional testing?

Mr Read—It could do; it depends on the advice.

Dr Clegg—The decision-maker will be the state food authority in which that food was taken and sampled. Every state has a state food authority and food for sale in Australia needs to meet the standards in the Australia New Zealand Food Standards Code. If there is evidence that food for sale does not meet the food standards code, then the state food authority can make a decision about whether they feel that that is a risk to public health and safety—if the food needs to be recalled, if the importer wants to do a voluntary recall—but it will be at that level.

Senator XENOPHON—Is it in the public domain which chemicals are banned and the limits of various chemicals?

Dr Clegg—I suppose it is by default, but what is in the public domain is which chemicals are registered. The APVMA has a list of what chemicals are approved.

Senator XENOPHON—If it is not on the approved list, then—

Dr Clegg—It is not approved.

Senator XENOPHON—ergo, it is banned?

Dr Clegg—Yes.

Senator XENOPHON—If it is on the approved list, you would have details of the levels of those chemicals that are acceptable.

Dr Clegg—For foods—they will be within the Food Standards Code. If you are talking about food for consumption, yes.

Senator XENOPHON—I am just trying to understand the process. You are saying that it is really up to state authorities. It will not be up to AQIS to say, 'Information has been received in terms of excessive levels' or 'banned chemicals'; it will not trigger testing by AQIS?

Dr Clegg—We will be discussing any results that come out with FSANZ and they may give us advice.

Senator XENOPHON—How long will that take, generally?

Dr Clegg—It does not take long. It usually takes a maximum of about a week.

Senator HEFFERNAN—If the test shows something, does it go automatically into a computer to avoid having the same problem of the person who was too tired to read the report on the prawns? Or do we risk the same thing: 'Oh, I overlooked it, sorry'? Is there some automatic way, if it fails the test, for it to get put into the computer so that—bing!—it comes up as a problem?

Dr Clegg—Our testing is done by AQIS. The labs report the results back to us electronically.

Senator HEFFERNAN—Does someone have to read it or does it come up as a shining light?

Dr Clegg—You still have to read it and check it, yes. You still have to read it and check it.

Senator BOSWELL—I do not have any questions. Senator Milne raises a very serious issue about these bees. I recall that about eight or nine years ago we had a similar problem with a fruit fly. Some exotic fruit fly came into North Queensland and it was eradicated. It was eradicated because people put in a lot of hard yards. There were places where trucks had to be inspected on the road. Have you put similar barriers in place or made similar efforts to try and eradicate this bee, as you did with the fruit fly? Who did eradicate the fruit fly—was it Queensland or was it you people?

Ms Ransom—The eradication program for the papaya fruit fly was administered by Queensland under national cost-sharing arrangements. The program predated the Emergency Plant Pest Response Deed that we have in place now, but the same process was followed—there was a technical advisory committee that considered the technical feasibility of eradication, taking into account where the fruit fly had been found, how many there were and what tools were available to find and destroy the fruit fly. On that basis, the recommendation was made to share the cost of the program.

Senator BOSWELL—That was the fruit fly program?

Ms Ransom—That was the papaya fruit fly.

Senator BOSWELL—It seems that Queensland were much more determined in their efforts than you people are. I thought that, once it got into that jungle, it would never be eradicated, but they got it out. You are saying that Queensland wants to eradicate the bees but that you believe it is not feasible?

Ms Ransom—The difference between the two programs is that, in the case of the papaya fruit fly, there was an extremely effective trap and lure available for the fruit fly that allowed us to find where it was and to take action. With the Asian honey bee, we do not have an effective trapping system. The detection system relies very much on people notifying us that they have found the Asian honey bee and on monitoring sugar traps, where you are also attracting native bees and other insects.

Senator BOSWELL—The Queensland department is keen to continue the program. Am I accurate in saying that?

Ms Ransom—I will let Lucinda respond to that.

Ms Hinder—As I said earlier, the program itself is slated to run in its current form until 31 March. Before the decision date of 31 March, government officials and industry need to come together to determine what actions are going to continue. The program could be considered in two parts—those actions that could be considered for national cost sharing and those actions that Queensland will continue to take in order to contain or limit the spread of Asian honey bees within its borders.

Senator BOSWELL—I am also concerned about these prawns coming in. I am sorry it went through and we will try never to do it again. It is really unacceptable. No-one fell on their sword; it was just a matter of: ‘Well, isn’t that too bad? These things happen.’

Senator HEFFERNAN—Shit happens.

Senator BOSWELL—I was not going to say it, but did anyone get six of the best over this? If not, they should have. Is anyone being reprimanded or is anyone responsible?

Mr Chapman—No. It is important, when these sorts of events occur, for us to be notified of them to allow us to take appropriate remedial action to minimise the likelihood of such events occurring in future.

Senator HEFFERNAN—If the inspector-general says it could happen again, what are you doing about it?

Ms Mellor—There are seven recommendations from the inspector, all of which we are implementing. You heard Dr Clegg talking about electronic reporting for imported food control. That does not occur at the moment with some of these other consignment reports that we are trying to make more electronic. A range of steps are being put in place, including increased supervision of this process, to minimise the chance that it may happen again.

Senator BOSWELL—How long can white spot remain active in prawns? What is the time limit there?

Ms Mellor—We do not have an answer to that here.

Senator BOSWELL—You do not have an answer?

Ms Mellor—No.

Senator HEFFERNAN—But can you provide an answer?

Ms Mellor—Yes, we will try—

Dr Martin—We will provide inactivation data about that. My understanding for white spot is that it is not a particularly tough virus. Some viruses are incredibly tough, but white spot is reportedly not one of those. But we will get you that information.

Senator BOSWELL—Why were you treating farm prawns and wild caught prawns in one batch?

Mr Chapman—That was one of the recommendations. The work instructions at the time were not as clear, perhaps, as they might have been. The primary factor which determined whether the prawns should be considered as one batch or more was production date. In this case the consignment was considered as one batch because the prawns had the same production date.

Senator BOSWELL—It is no good looking over our shoulders. These prawns are coming in and they have got a thin layer of olive oil on them, or some oil, and they meet the ‘marinated’ specification. You just hose them off, or wash them off, and they then become prawns that you can use as—

CHAIR—We have actually covered all this, Senator, if it is of any assistance to you.

Senator BOSWELL—I am getting to the point. Who do we have to talk to in order to find out how you will take these marinades on board?

Senator HEFFERNAN—Seriously.

Senator BOSWELL—And take them seriously.

Senator HEFFERNAN—Bloody good question.

Senator BOSWELL—The system is not working now. It is just a farce, a complete farce.

Senator HEFFERNAN—Hear, hear.

Senator BOSWELL—The question is whether you just hose the things off. Everyone knows it and everyone does it—apart from you guys. Everyone else in Australia knows it—

Senator HEFFERNAN—We have demonstrated it here.

Senator BOSWELL—What are you going to do about it? Who do you get your instructions from? Does a change in the protocols have to come from the government? How are the protocols changed? Does Senator Ludwig have to take it on board and make a recommendation? I was the one that made the recommendation when we were in government. But that was bypassed. My recommendation was that uncooked prawns should not come in. But that was bypassed by putting a thin layer of olive oil over them, or some oil, and washing it off when they got here. My exercise was a spectacular failure, because what I tried to achieve was just short-circuited. How do we reverse that? Where does the instruction have to come from? Senator Ludwig's department? Or is it—

Dr Grant—Senator, these issues are taken into consideration during the risk assessment. As we heard earlier in evidence, this was considered a low-risk issue and a low-risk pathway.

Senator BOSWELL—You just proved, by your own inability to manage it, that it is not low risk. It is high risk.

Dr Grant—Senator, if people will bring to our attention issues of washing-off of marinades and using prawns in the inappropriate way in which they were imported, then we can deal with that as a compliance issue. We hear about these things—certainly we have seen demonstrations of them—but the bottom line is that we need to know that it is happening and that they are going into a different pathway of use. We need to have that documented, or at least alleged; then we can deal with it.

Senator BOSWELL—I suggest you go and talk to anyone that sells prawns to a restaurant.

Senator HEFFERNAN—But we can't—

CHAIR—With the greatest respect, we have got into argument. I am not devaluing your argument, but we have gone down this path.

Senator HEFFERNAN—This is not fair. We have demonstrated it. It is happening.

CHAIR—Senator Heffernan, you have asked the questions continually. You may not like the answers and I may not either. I share your frustration, but we have limited time and I know Senator Colbeck is patiently waiting.

Senator HEFFERNAN—Yes, very, very patiently.

CHAIR—Senator Boswell, do you have any more?

Senator BOSWELL—Yes, thank you.

Senator HEFFERNAN—Can I just quickly on the back of the apples—

CHAIR—It is your colleague's time you are taking, Senator Heffernan, and you have had a fair run. I think we should—

Senator HEFFERNAN—One minute.

CHAIR—It is up to you, Senator Colbeck.

Senator COLBECK—The clock is ticking.

CHAIR—I tried!

Senator HEFFERNAN—If there is an application to import apples into Australia from anywhere in the world, bar New Zealand, we can test them for antibiotics. But because of the closer economic arrangements we have with New Zealand—knowing they use streptomycin on their trees, allegedly at budding—we will not and we do not propose to test for antibiotics. Yet, if anyone else does it, we can do it. Isn't that stupid?

Dr Grant—Senator, we have written to FSANZ. Ms Mellor wrote to FSANZ in September last year seeking further advice on that issue.

Senator HEFFERNAN—A magic Chinese wall.

Senator BACK—The outcome of that correspondence?

Dr Grant—We are working it through, Senator.

Ms Mellor—What I asked for was advice on the risks simply from the point of view that as the administration agency, the ones who actually have to do the work at the border, we wanted a sense of whether there was going to be more work in the future. There are scientists meeting—I think Dr Grant has met already with FSANZ—and they are actually conducting a scoping and risk assessment at the moment.

Senator HEFFERNAN—Wouldn't you agree that, if we were eligible to do it for everywhere else on the planet, we should do it with someone who we know uses antibiotics?

Ms Mellor—Senator, I do not want to sound bureaucratic, but we take the advice from FSANZ as to what to test for at the border, as described earlier by—

Senator HEFFERNAN—The Prime Minister got ahead of the game in New Zealand the other day, even though she did not really say much except that we would abide by the WTO rules. But the implication was that we would be bringing in apples even though we are still in a process to look at protocols and, as you have just owned up to, even though we have not given serious consideration to the antibiotic question. Yet parliament claps in New Zealand because they think, given the presentation, that we are going to take their apples. Here, every apple grower in Australia's outback is spewing at what they are hearing coming out of New Zealand.

CHAIR—Have you got a question, Senator Heffernan?

Senator HEFFERNAN—Why in the hell don't we just say, 'Why don't you people make a recommendation to FSANZ, or the government or someone, that we should test the damn things?' Human health is the question here, and one of the big things that has been flagged in the last few months as a problem globally is that there are five bacterial things that have now got no cure. Gentamicin has been used in Mexico in apples. It is a last-resort antibiotic. Under the WTO rules, if we can demonstrate a risk to human health we can set aside the WTO rules. Why don't we do it?

Ms Mellor—Senator, it is not my place or this agency's place to demonstrate that risk. I have written to the agency and asked them to consider whether the risk is there and if this agency needs to take any action. Can I just—

Senator HEFFERNAN—We will not surrender, by the way. But I appreciate the Chinese wall. It is very convenient.

Senator BACK—Which agency in New Zealand—is it yourselves or is it FSANZ—would be addressing itself to the issue of streptomycin on apple tree/plant fruit products? Because when we go to ask FSANZ I do not want the answer, 'You should have asked this question of biosecurity.'

Dr Grant—There are two organisations in New Zealand that deal with human health and safety of foods. One is a domestic organisation, the New Zealand Food Standards Authority, NZFSA, and then there is FSANZ, which deals with the cross-Tasman trade. We have talked to FSANZ here, written them a letter. We are working with them and seeking their response.

Senator BACK—In the event that this trade looks like it is going to start, there is no Australian agency—neither yourselves, nor FSANZ—who actually undertake those inspections on orchards in New Zealand.

Dr Grant—As we have said, Senator, it is an issue for FSANZ to advise us of what level of risk exists and what we should do about it. That is what we have asked them for.

Senator BACK—Can I just follow on. In the event that FSANZ were to advise you that there is a risk, is it your agency that would then place staff in New Zealand to reduce the risk to Australians?

Dr Grant—No, we would not. We would seek that New Zealand meet the requirements that FSANZ suggests to us or requires of us to have as an import condition. We have asked for that information; we are waiting for that advice.

Senator HEFFERNAN—Under the present closer economic arrangements, it is a no-go zone.

Dr Grant—Senator, this is the issue that we have asked for advice on.

Dr Clegg—Senator Heffernan, it depends on whether food is classified as a risk food or not.

Senator HEFFERNAN—Under the closer economic arrangements, Senator Back—

Senator BACK—Could I just make the point, Dr Clegg, that it is not the food, is it? It is the residue of the chemical on the food that we are addressing ourselves to here.

Dr Clegg—Yes.

Senator BACK—But I again am taking up Senator Colbeck's time.

Dr Clegg—It is the inspection of the product on arrival. We talk about the food being inspected. The food is listed with a hazard. In your case, in Senator Heffernan's case, you are very concerned about a residue of streptomycin presenting an unacceptable hazard if it is on an apple. FSANZ is looking at whether it is. If they decide that it is medium to high risk, then that will be risk listed and then it would be inspected by us.

Senator HEFFERNAN—Finally, the import risk analysis. We have that problem, and the WTO says we can set aside the rules if we find it. But we do not test for it. Also, the import risk analysis accepts that under the protocols that are suggested we will probably import fire blight into Australia, but it will not get out into the orchards. True?

Dr Clegg—I am not the fire blight person. We only—

Dr Grant—Senator, as we have said many, many times, it is not a zero-risk situation.

Senator HEFFERNAN—The import risk analysis actually says, though, that we will in all probability import fire blight, but that it will not get into the orchard. No-one will throw the core of the apple out.

Dr Grant—As you are aware, Senator, under the WTO requirements, we are reviewing the conditions of entry into Australia. We will take those issues into account. We would have to look at the risk and the risk pathway to any disease entering Australia and make a judgment on that.

Senator HEFFERNAN—Where are we in the process of looking at the relook and when will it be complete, given a normal timetable?

Dr Grant—We have agreed with New Zealand, as a requirement of the WTO, that we will complete the review process by 17 August this year. We are in the process; we have had a number of meetings with New Zealand, including one last week. We are working up the information and we will put out the review product, as a draft, for public comment in about the end of April.

Senator HEFFERNAN—The assumption in what the Prime Minister said the other day is that at the end of the day we will be copping their apples.

Dr Grant—Can I quote from what the Prime Minister said?

Senator HEFFERNAN—Yes. She did not really say that.

Dr Grant—On 16 February in the parliament of New Zealand the Prime Minister said:

... let me be clear that Australia accepts the verdict of the global umpire and will implement the WTO rulings on the importation of New Zealand apples into Australia.

The ruling is that we bring our risk assessment into conformity with WTO rules. We are doing that through the review process.

Senator HEFFERNAN—What that does not talk about are the questions that she was asked subsequently. It is a bit like the Riley thing on Channel 7—the context. Thank you.

Senator COLBECK—I will continue from there. To get sorted out the time frame for the review of the import risk assessment: when is that due?

Dr Grant—This is apples, Senator? The import risk assessment from New Zealand?

Senator COLBECK—The review of the import risk assessment which is required by us to be conducted under the WTO ruling.

Dr Grant—We have agreed with New Zealand, as a requirement of coming to a reasonable period of time agreement under WTO rules, that we will complete the process fully by 17 August.

Senator COLBECK—The context of the Prime Minister's statement last week in New Zealand was that we would continue with that process.

Dr Grant—We have undertaken to undertake that process as part of the membership that we have of the WTO.

Senator COLBECK—I understand that, but I am trying to get to the context of what was said last week in New Zealand and what the implications of that were or are. All of the reporting that I have seen is acceptance that Australia will take New Zealand apples. That is the context. All of the reporting that I have seen, and I am sure the reaction from the New Zealand parliament, indicated to me that their belief is that we are going to take New Zealand apples. Yet we are still, as you have said, in a process that does not get to the stage of becoming public for public comment—well, actually, no, that might not be right, to be completed by 17 August.

Dr Grant—Senator, can I just be very clear. Since 2007 we have said we are prepared to take New Zealand apples, under conditions.

Senator COLBECK—That is correct, under certain circumstances.

Dr Grant—The conditions were challenged. We were found to be not in compliance with WTO rules in respect of conditions associated with three diseases. We are required to bring our conditions into conformity for those three diseases and pests, and that is precisely what we are doing through the review process. But at this point in time, New Zealand apples are free to enter Australia under conditions.

Senator COLBECK—Under certain conditions.

Dr Grant—We are now looking at and reviewing the risk assessment based on the criticisms that we received and the decision of the WTO, and will make some further recommendations. The director of quarantine will make a determination on the conditions under which New Zealand apples can enter Australia.

Senator COLBECK—At this stage in proceedings we are working our way through the import risk assessment to modify it, based on the criticisms that were found of it by the WTO panel.

Dr Grant—We are looking at three pests and diseases exclusively, which were the only ones in contention with the WTO and with New Zealand.

Senator COLBECK—In respect of fire blight, if my memory of previous briefings is correct, one of the assumptions that was challenged was that fire blight would be found in all apple orchards in New Zealand. Is that correct?

Dr Grant—Did you say 'all' apple orchards?

Senator COLBECK—All apple orchards. One of our assumptions in the risk assessment was that fire blight would be found in all apple orchards in New Zealand.

Dr Grant—Senator, that is one of the issues that we are looking at with New Zealand in terms of their records of the occurrence of fire blight—the frequency and distribution.

Senator COLBECK—Our assumption in the import risk assessment, which led to our calculation of the risk and therefore our conditions imposed on allowing imports into

Australia from New Zealand—which, you have correctly said, existed as of 2007—assumptions was that we would find it in all orchards.

Dr Grant—That is correct. The critical issue to understand in that regard is that this risk assessment commenced in 2000; it went through the process until 2007 or thereabouts when we came out with the report, and at that time the knowledge that we had of New Zealand growing conditions was very different to what we are now obtaining from New Zealand. That was also referenced in the WTO by both New Zealand—that indicated it had not provided us and therefore we had not taken into account sufficiently New Zealand growing practices and packaging practices—and by the WTO in that regard. We are now in consultation with New Zealand and sourcing that information. While I don't have the information with me, it is my understanding that the occurrence of fire blight, for example, is periodic, not every year and not everywhere in New Zealand.

Senator HEFFERNAN—In any event, under the protocol that has been suggested, the prevalence is not an issue because it has been downgraded and we are saying the protocols are going to protect Australia. Even if every orchard were infected, accepting there is a risk, the protocol does say that we will actually probably import fire blight into Australia. If we tested for antibiotics and found antibiotics, Mr Grant, what would happen?

Dr Grant—Senator, I think we have dealt with the antibiotics issue.

Senator HEFFERNAN—But if we tested—

Dr Grant—We have dealt with that issue, just in—

Senator HEFFERNAN—FSANZ?

Dr Grant—FSANZ; we have sought advice. The protocol that you are talking about is the one that currently exists; New Zealand can export to us under that protocol that we are reviewing—

Senator HEFFERNAN—Under the protocols that we are examining now, which will complete the study in August—

ACTING CHAIRMAN (Senator O'Brien)—Senator Heffernan, let the witness answer a question before you ask another one.

Dr Grant—But we are reviewing that, so we are a little ahead of ourselves in assuming that we have a result in terms of the current conditions, or the conditions that will arrive out of the current review.

Senator HEFFERNAN—But we are giving consideration, in the review of the conditions, to whether or not we should test for antibiotics?

Dr Grant—Senator, that is not an issue in respect of risk assessment for pests and diseases in terms of entry into Australia.

Senator HEFFERNAN—No, but it is an issue in the import protocol.

Dr Grant—No, it is not, Senator, it is an import condition of export of product into Australia, but it is not a risk assessment issue in respect of the pest.

Senator COLBECK—A different set-up. Are we saying that the whole process will be complete by 17 August?

Dr Grant—That is what we have agreed with.

Senator COLBECK—What are the interim steps in that process?

Dr Grant—The interim steps are that we will do a review, as I have said. We are on track to release that publicly, I think by the end of April. There will be up to 60 days of public comment. We will receive that public comment, review it, take it into consideration and provide a final report to the director of quarantine for consideration for a determination.

Senator COLBECK—You say up to 60 days?

Dr Grant—Yes. This is being publicly provided in terms of advice on the BA website under a Biosecurity Australia advice.

Senator COLBECK—How much less than 60 days might it be?

Dr Grant—I would suggest to you that it is more than likely to be 60 days. We have allowed for that time frame within the eight-month period that we have agreed with New Zealand.

Senator COLBECK—I just thought I would check—I thought it would be. I wanted to get that on the record.

Senator HEFFERNAN—Bearing in mind, Senator Colbeck, that when New Zealand apple growers were giving this evidence three years ago they did not mind that they had fire blight; they thought that they were of no disadvantage to us. Crazy stuff.

Senator COLBECK—Different issue. By the end of April, the target is to see the reviewed import risk assessment out for public comment.

Dr Grant—Correct.

Senator COLBECK—It is premature to say anything much about it really, isn't it? We do not know what the revised protocols might look like; we do not know what the revisions to the import risk assessment might bring at this stage in proceedings.

Dr Grant—That is correct. We are working that through right now.

Senator HEFFERNAN—If you don't get a response from FSANZ on the antibiotics by then, what happens? You just pretend it is—

Senator COLBECK—It is a different issue.

Dr Grant—These are very different issues.

Senator COLBECK—It is not part of the import risk assessment.

Dr Grant—It is not part of the import risk assessment consideration.

Senator COLBECK—This is about specific diseases and pests; the other stuff is about how they deal with them, and it is a food safety risk, which is a—

Senator HEFFERNAN—Which is a WTO consideration.

Senator COLBECK—Yes, but it is not part of the—

CHAIR—Just before we go any further, senators, I just remind you that we do have a running sheet, and Senator Colbeck does have quite a few questions, and there are others too.

Senator COLBECK—Within the current processes, what capacity remains within Australia—and Senator Siewert will come in on this in a moment—in respect of particular regional concerns or additional requirements?

Dr Grant—In respect of apples again?

Senator COLBECK—No, we are not changing the subject just yet—I will let you know when we do.

Dr Grant—Again, Senator, these are issues that we are working through with New Zealand and can take into consideration. I do not want to pre-empt anything that comes out of that discussion. As I say, there have been three visits so far to New Zealand, and in fact we have a programmed one for the middle of next month as it is picking season and packing season, to investigate and assess how the procedures work.

Senator COLBECK—What is the makeup of those contingents that are heading across to New Zealand? Who makes up those parties that are undertaking that research work?

Dr Grant—Biosecurity Australia officers, who are plant pathologists, and other relevant scientists, Senator.

Senator COLBECK—There are no practitioners, as such, who have knowledge and expertise in particular operations? There is no industry representation or cooperation as part of this process?

Dr Grant—No, Senator. That is not the feature of how we undertake risk assessments or risk reviews. The product goes out for public comment.

Senator COLBECK—It is at that time, the end of April, once these experts have completed that field work, that this process has the opportunity for scrutiny?

Dr Grant—Yes, Senator. It is probably important to understand that a number of growers in Australia have ownership of growing facilities in New Zealand as well and that they are very knowledgeable about the practices.

Senator HEFFERNAN—Could I ask a question?

Senator COLBECK—No, let Senator Siewert do her WA-specific stuff. The obvious two states are Western Australia and Tasmania who have particular sensitivities, and additional requirements that we have seen with salmon, for example, where salmon is not permitted to go into Australia. There are significant concerns in Tasmania at the moment about the review of the act, and I am sure we will deal with that at an appropriate time. I am concerned about how those things are being managed as part of the process—you say you cannot pre-empt it—but the capacity to actually deal with that is part of this overall process.

Dr Grant—Risk assessments on all products proposed for entry into Australia, Senator, are assessed from the perspective of the risk that it presents to Australia, and we take a conservative approach. That includes taking into account concerns of individual jurisdictions—not their concerns in terms of commercial practices or anything, but, more importantly, the pest status that they have.

Senator SIEWERT—What does that mean for apples, in particular, for WA and the issues around regional differences, and our particular disease-free status?

Dr Grant—As it does now, Senator, the state can and does put in place its own requirements on transport of apples into that jurisdiction, or whatever the product may be and, indeed, that is the case in Australia at the moment for domestically produced apples.

Senator SIEWERT—The current approach will still be taken under the new risk assessment?

Dr Grant—The risk assessment will take into account the concerns for import of apples into Australia. Domestic transfer of apples is an issue for the state.

Senator SIEWERT—What you are saying is that we can still maintain the current approach to domestic transport?

Dr Grant—It is done at the moment with domestic apples, and we need to take that into consideration. We are aware of this issue; we are taking it into consideration now. It is something that we will have to work through in the review.

Senator HEFFERNAN—Are you going on with apples?

Senator COLBECK—No, I was going to move on.

Senator HEFFERNAN—Could I just quickly ask a question in relation to stop-the-clock provisions on the US and Canadian proposed importation of meat given their BSE contamination. The answer from Canada on the import risk analysis—which we nearly missed out on and would have had their beef if we hadn't put on a blue—as I understand it, is that they do not have the resources to answer the questions; that is, the Canadian Government does not have the resources. Could you explain what they all mean?

Dr Grant—Senator, I know you raised this issue in the inquiry the other day. I cannot speak for Canada. We have asked them for information relevant to us being able to continue the risk assessment. Canada has advised us that it will not provide that information at the moment because it does not have the resources to do so.

CHAIR—Sorry, Senator Heffernan, you have had a good run, but Senator Milne has some questions. We are running out of time on this. I will go to Senator Milne quickly, because I think there is only one question. There is only one question, Senator Milne?

Senator MILNE—There are two on weeds, and I am happy to put them on notice. If you have got a quick response then that is good otherwise I will take the answer on notice because we are running out of time.

Dr Grant—On what, Senator?

Senator MILNE—On weeds. It has been put to me that, in response to the fires in Victoria and the floods in Queensland, there has been a lot of fodder donated in both cases, and that there is a high risk of weeds being spread because, in the emergency circumstances, the protocols may not have been applied as rigorously as they normally would. What has gone on in relation to protocols for the distribution of fodder after emergencies in the Victorian bushfires and the Queensland floods and in particular their national parks as well, because I understand fodder has been spread in some of the park areas for native animals.

Dr Grant—Senator, I think I can deal with that very, very quickly. It is a state issue.

Senator MILNE—Yes, but the fodder is coming from all over the place.

Dr Grant—It is still a state issue, as to what individual jurisdictions will allow into their state and the conditions they place on that.

Senator COLBECK—Is there any imported fodder you are talking about?

Senator MILNE—I do not know if there is any imported; I am assuming there is not. I am assuming it is just interstate, but I will check on that with the various states. The second thing is: I understand that a number of airlines have been talking up the possibility of growing—and I will spell it—it is j-a-t-r-o-p-h-a c-u-r-c-a-s, which has been identified as a weed in the Australian context. There is a lot of pressure on to reverse the ban on this weed coming into Australia in order to grow it as a biofuel. I understand it is banned in Western Australia and the Northern Territory currently and I just want to get a reassurance from you that the ban will continue and it will remain illegal to import this particular plant, especially since Air New Zealand's CEO was estimating that, if 300,000 square kilometres of northern Australia were planted out with this, it would make a big difference. Indeed, it would make a big difference to the biodiversity; as to what happened in biofuels, I do not know. Can you give me an answer on whether there has been an application to overturn the ban? If so, what action have you taken?

Mr Magee—Thanks, Senator Milne. As we have indicated, we will probably get you a full answer on that on notice, but this issue has been around for some time.

Senator COLBECK—Sorry, what is it called?

Mr Magee—Jatropha. I think a lot of it is centred around whether the jurisdictions where it is present have taken any steps on official control. So, unless there was a clear position that it was under some sort of active control, the ban would remain in place, but we will get you a full answer on that.

Senator MILNE—Are you saying the ban is not in place?

Mr Magee—The ban is in place now.

Senator MILNE—Thank you. If you could get me a full answer on that, I would appreciate it.

Mr Magee—We will do that.

Senator COLBECK—I want to go to the incoming government brief on biosecurity reform; page 59 of the incoming government brief. I am probably not going to get anywhere with this. The only thing that we know from the government brief is that this issue was included in the agreement between the government and independent members in New Zealand. Even the heading is redacted. Does that mean that we are just having biosecurity reform and that is all we know about it?

Ms Mellor—Senator, redaction relates to the nature of the advice that we provided to the government. I think you will notice in the margins that we indicate the sections we have used to redact those comments, but this is advice to government.

Senator COLBECK—You did not do that in the heading; there is no advice as to which—

Ms Mellor—No. It was a difficult decision, but we did not do it.

Senator Ludwig—That issue aside, you will note that there is significant information that was provided in all of those briefs, unlike the previous government, the Howard administration, who provided no incoming briefs. Even when I requested them at estimates for nine years—

Senator COLBECK—There is not a lot of information in this.

Senator Ludwig—Even when I requested information for nine years, no information was ever provided by the Howard government on incoming briefs.

Senator COLBECK—I reckon it is a cracker that even the heading is redacted.

Senator Ludwig—If you look at the significant amount of information, 12 volumes in all—

Senator COLBECK—We have, and we will come to those.

Senator Ludwig—It has given you ample opportunity to question the government on a range of issues. Of course, as the process dictates, there has been some redaction. It is a matter that you deal with separately from me, but clearly you do have a significant amount of information in relation to the incoming briefs.

Senator COLBECK—We do not have a lot of information on the issue of biosecurity—

Senator Ludwig—Then you can ask your questions about—

Senator HEFFERNAN—I don't think it was Australian farmers and the Australian public—

CHAIR—Order! The truth hurts sometimes and I know it fires you all up. Senator Colbeck, you have the call.

Senator COLBECK—Thanks, Chair. I understand we are going to have a briefing on *Hansard* on myrtle rust, so rather than taking up time on that we will move first to apples from China. Do we know the latest quantity of apples to have come from China and where they have gone?

Dr Grant—Ms van Meurs will handle that question.

Ms van Meurs—As of Friday of last week, 24 consignments of apples from China have arrived in Australia.

Senator COLBECK—Twenty-four consignments: what does that constitute?

Ms van Meurs—Each consignment probably has around 22 tonnes and usually up to around 1,100 cartons, because the cartons are usually about 20 kilos but they vary a bit between 10 and 20 kilos. The majority though are 20 kilos.

Senator COLBECK—About 24 containers of apples have come?

Ms van Meurs—That is correct.

Senator COLBECK—There must be a purchaser for these things for them to come in, I would have thought. So do we know who the consignees are?

Ms van Meurs—At the moment we have issued 16 import permits, for various importers.

Senator COLBECK—Are the names of the importers public?

Ms van Meurs—It is commercial-in-confidence information.

Senator COLBECK—Why is it commercial in confidence?

Ms van Meurs—When we issue an import permit, it is confidential information between the importer and AQIS. We could consider issuing the information, but—

Dr Grant—This is about competitiveness. Who is buying what is something that is about market share and market competition, so I do not think it is our business to provide information about that.

Senator COLBECK—We are not asking you to say how much they are paying for it or anything like that; we just want to know who is bringing stuff in.

Dr Grant—I will take it on notice but, as we have said, there are 16 permits that have been issued.

Senator COLBECK—How many of the consignments that have come in have been inspected and what for?

Ms van Meurs—All of the consignments in total have been inspected in China by our AQIS officers, and the 24 consignments that have arrived in Australia have been verified, so they have been tailgated and opened to ensure the master phyto that we have is traced back to the product that has been inspected in China.

Senator COLBECK—What is the rate of inspection once they get here? They have been opened, and what does the term ‘tailgating’ involve?

Ms van Meurs—It means we open to have a look that the product is the product that is on the phytosanitary certificate and it traces back to the product that has been inspected in China.

Senator COLBECK—How many of the consignments have actually been inspected and tested?

Ms van Meurs—One hundred per cent of the consignments.

Senator COLBECK—No, in Australia—

Dr Grant—Can I just clarify that. When you say ‘tested’, can I ask what question you are asking in respect to that?

Senator COLBECK—I am asking a couple of questions, actually. The answer that I have been given and my understanding at this stage is that they have been inspected to confirm that they are what they were when they left.

Ms van Meurs—That is correct.

Senator COLBECK—But has there been any testing in Australia of any of the apples for any purpose?

Ms van Meurs—Are you talking about residue testing?

Senator COLBECK—For any purpose. Residue testing would be one of the issues that I would be looking to see. I know that it is potentially murky ground because we talk about the consignments in a broad context of one in 20. I get that these might not fit in the one in 20,

but the obvious question would be, 'These 24 consignments have come in; what are the chances of one of these 24 being tested, particularly given their sensitivity?'

Mr Read—We are currently testing one of those consignments now.

Senator COLBECK—So, theoretically, we fall within the bounds of the notional testing rate?

Mr Read—Correct.

Senator COLBECK—How long does that process take?

Mr Read—It should be a reasonably quick process, but we have not yet got the results of that test back. We are currently doing that now.

Senator COLBECK—So we do not know who bought the apples, or we will not release who has bought the apples?

Dr Grant—We have not said that, Senator. We know who the importer is.

Senator COLBECK—There has been a lot of questions in the community about where they are being sold, given that two major retailers have said they will not purchase them, so that theoretically cuts out that line. How do we track where they are in the circumstance of an issue with them or an incursion? Do we do that through the knowledge that we have of the importer? Is that our source?

Mr Read—That is correct.

Senator COLBECK—If we line that up with the prawns that we talked about earlier, if there is an issue, are we within a reasonable time frame to be able to manage this given that there has been 100 per cent inspection at the source, which should deal with most issues?

Mr Read—From a food safety perspective, if there is a food safety element with those screens that are being tested for now, then we will, through the importer, identify where that product has moved to and then we will provide that advice to the state authority.

Senator COLBECK—Is any of that testing done pre shipping?

Mr Read—There is the food safety element; there will be biosecurity elements.

Senator COLBECK—So the food safety element of it is dealt with here in Australia. The biosecurity elements of it are dealt with initially by a 100 per cent inspection in China and then tailgating here in Australia?

Dr Grant—Yes. Just to clarify on the biosecurity, we had officers inspect the entire proposed shipment consignments in China between 25 December and 5 January. Those consignments were approved for export and then every consignment that has entered into Australia has been, as we have indicated, opened and inspected to make sure it is the product that was inspected in China.

Senator COLBECK—How many different locations in China do we have to look at?

Ms van Meurs—The apples come from four provinces in China.

Senator COLBECK—Can you give us that information?

Ms van Meurs—Shaanxi, Shanxi, Hebei and Shandong are the four provinces that have been approved for export to Australia.

Senator COLBECK—So product has come from each of those particular provinces?

Ms van Meurs—That is correct.

Senator COLBECK—Apart from the fact that there are claims that we have not been able to identify them at retail level, have there been any other breaches that we have found?

Dr Grant—No, there have not.

Senator COLBECK—Okay. The issue of tracking the labelling of apples at retail is not one that we look after, that is an issue that is dealt with by the states?

Dr Grant—The food standards code requires that product for sale be labelled.

Senator COLBECK—Who monitors that?

Dr Grant—The states do that.

Senator COLBECK—What was the rejection rate of the apples during the inspection process? Do we have any information on that?

Ms van Meurs—The officers that undertook the inspection on the 24th until, I think, 15 January found that they did not have to reject any of the consignments.

Senator COLBECK—Can you give us a quick update on what action we might be taking in respect of the bacterial canker on kiwifruit?

Dr Grant—The bacterial canker onto kiwifruit?

Senator COLBECK—In New Zealand.

Dr Grant—In terms of importance?

Senator COLBECK—And any actions that we have taken as a result of that.

Dr Grant—Essentially, we learned about this—and I forget exactly which Friday—just before Christmas on a Friday afternoon about two hours after New Zealand heard about it. We immediately placed a ban on nursery product entering Australia. Subsequently, we placed a ban very quickly on pollen entering into Australia. But all the science indicates that the disease is not a disease of the fruit; it is a disease of the stem and leaves. We allowed the fruit to continue to be imported into Australia. That is similar to other importing countries from New Zealand and from Italy, for that matter; they also allow the fruit to continue.

Senator COLBECK—Have there been any additional requirements that we have placed on the import of those products given the profile of the disease?

Dr Grant—No, the fruit is free to enter Australia. As I say, the nursery stock and pollen is not. We are doing a current review of that issue.

Senator COLBECK—We do not check consignments for trash, or residue of leaf or something of that nature, which might be a vector? So we have not looked at our import protocols to consider those particular issues?

Ms van Meurs—In the general requirement for imports of kiwifruits from New Zealand we do have pre-clearance officers in New Zealand who undertake inspections and one of the requirements is it has to be trash free.

Senator HEFFERNAN—It cannot live on bruised fruit?

Ms van Meurs—My understanding is that fruit is not a pathway for the bacteria.

Dr Grant—It is a stem pest.

Senator HEFFERNAN—It cannot incubate on bruised fruit?

Dr Grant—We do not have science that indicates that, senator, and that is the international position.

Senator COLBECK—We will go onto zebra chip and potatoes. Can you give us an update on where we are with the outbreak in New Zealand of the zebra chip and what implications there are for us?

Dr Findlay—I would start by saying that we would not classify the occurrence of zebra chip in New Zealand as an outbreak any more. It is present in New Zealand and we are treating it as such.

Senator COLBECK—So we now regard it as endemic.

Dr Findlay—Absolutely.

Senator COLBECK—What actions do we take in respect of that?

Dr Findlay—We are currently undertaking an assessment for the importation of potatoes for processing from New Zealand and that will include a full analysis of all pests and diseases present in New Zealand.

Senator COLBECK—New Zealand has made an application to us to import potatoes?

Dr Findlay—For processing only.

Senator COLBECK—What are the vectors for the disease, as we understand it, at this stage?

Dr Findlay—There is one particular vector for the disease, a psyllid, and if we implement measures to deal with that psyllid, then the disease cannot be transmitted.

Senator COLBECK—It is a matter of keeping the psyllid out.

Dr Findlay—Yes, it is one of the disease vector issues that we need to deal with. You can implement measures according to deal with the disease—zebra chip—and you can also implement measures to make sure that the psyllid does not come in.

Senator COLBECK—Do we have any understanding of the impact on the industry in New Zealand from the disease?

Dr Findlay—Yes, we do.

Senator COLBECK—Can you give me a sense of what the impact has been over there?

Dr Findlay—When the disease first started, the industry went through a fairly difficult time. They have since implemented in-field management measures that has resulted in—our latest information—about a five per cent impact on the crops that they are now harvesting.

Senator COLBECK—Do they know where it came from, how it got into New Zealand?

Dr Findlay—No, they do not.

Senator COLBECK—Where does it exist? Is there any sort of suspicion as to where it might have come from?

Dr Findlay—Obviously they are coming through the psyllid vector or it is being imported, or blown in on the wind.

Senator COLBECK—Which countries have the psyllid and have the disease?

Dr Findlay—There are a number of countries around the world that have the disease and they have not been able to trace back as to which country it came from.

Senator COLBECK—Which countries does New Zealand accept potatoes from?

Dr Findlay—I will have to take that on notice. I do not know what New Zealand's import conditions are and which countries they import from.

Senator HEFFERNAN—Under the closer economic arrangement we have with New Zealand, do we automatically accept their protocols that spuds could come in?

Dr Findlay—No, not at all.

Senator COLBECK—I was coming to that next. If the psyllid is the vector, in what other ways could the disease have got into New Zealand? It is a bacteria which is spread by the psyllid. Is the psyllid new to New Zealand or is the bacteria new to New Zealand?

Dr Findlay—The psyllid was new to New Zealand and the bacteria turned up after that.

Senator COLBECK—What are the vectors for the psyllid, as we understand it, at the moment? Obviously we must be looking at it if we are doing an import risk assessment.

Dr Findlay—You mean what commodities might bring the psyllid in?

Senator COLBECK—Yes.

Dr Findlay—The psyllid is usually associated with green material, so the stems and leaves of plants and nursery stock. It is not associated with the potato tuber; it lives above ground.

Senator COLBECK—Is it associated with potato plant material?

Dr Findlay—Yes, potato plant material, not the potato tubers.

Senator COLBECK—What other materials? What other plant species?

Dr Findlay—Tomatoes and capsicum.

Dr Grant—It is a group of plants called solanaceae, Senator.

Senator COLBECK—What action are we taking to protect other plants?

Dr Findlay—We undertook a pest risk analysis that was completed in 2009. That was in response to a range of emergency measures that we had implemented once we knew that this disease and the psyllid was present in New Zealand. As a result of that pest risk analysis, we

implemented a range of measures, which included sourcing product from pest-free areas or a range of other treatment options, which include fumigation.

Senator COLBECK—So we do not know in which other jurisdictions this disease and the psyllid exist. Do we have like a map of that?

Dr Findlay—Around the world?

Senator COLBECK—Yes.

Dr Findlay—Yes, we do.

Senator COLBECK—How long has it been in New Zealand?

Dr Findlay—I think 1989, but I would have to confirm that.

Senator COLBECK—It has been there for a period of time.

Senator MILNE—Can I just ask, while Senator Colbeck is looking up about cruise ships: there was discussion before in the Tasmanian instance of where an insect was believed to have come into Devonport, in particular, on a cruise ship.

Senator COLBECK—I thought you were going to talk about bumblebees into Hobart for a minute.

Senator MILNE—No, not bumblebees into Hobart. What additional protocols are in place to prevent the psyllid coming via cruise ships?

Mr Chapman—We manage passengers on cruise ships in very much the same way that we manage passengers arriving—

Senator MILNE—I am thinking more of the kitchen, not the passengers.

Mr Chapman—The vessels, whether they are cruise ships or commercial vessels, need to comply primarily with waste management protocols. Disposal of waste off commercial vessels or off cruise vessels needs to be dealt with in a quarantine approved manner, which will include such things as autoclaving or deep burial, depending on the circumstance and the location.

Senator MILNE—I will follow that up another time.

Senator COLBECK—Is there anywhere that we could access on the department's website what those protocols might be for dealing with those materials off a cruise ship?

Ms Mellor—The waste management?

Senator COLBECK—Yes.

Mr Chapman—We can provide information on the waste management protocols. I don't believe we have got them on the website but we have a range of compliance agreements and stipulated protocols.

Senator COLBECK—So are they negotiated individually with the shipping companies or are they something that we have got in the bottom drawer? What is the process for updating those for emerging issues?

Mr Chapman—No, they are not negotiated individually. We have protocols which apply to airlines, to arriving international vessels. We are currently in the process of updating waste

management protocols and they are quite broad in their application—so not designed to look at particular vectors or particular diseases but to manage the spectrum of risks which might occur because of the waste of various materials onboard vessels or onboard aircraft.

Senator COLBECK—Do we add or subtract from those vectors as they come to our attention?

Mr Chapman—Sorry, we do not specifically look at vectors; it is a broad approach. But if we were made aware that our current protocols were insufficient to manage a particular issue, then we would modify the protocols. But generally, we say that waste—galley waste, commercial waste—needs to be disposed of in a quarantine approved manner and then that is specified.

Senator XENOPHON—In the limited time available I want to move to the issue of live animal exports. How many AQIS-accredited veterinarians have complained to AQIS, including AQIS Compliance WA, about being pressured by exporters to revise live export mortalities downwards?

CHAIR—This is for the officers at the table. There is only a couple of minutes before we adjourn, so if your questions can be direct and hard hitting, that would be great.

Senator XENOPHON—Or perhaps putting them on notice. The question is: how many AQIS-accredited veterinarians have complained to AQIS, including AQIS Compliance WA, about being pressured by exporters to revise live export mortalities downwards?

Ms Schneider—We would have to take that on notice, I think.

Senator XENOPHON—Okay. Let's move on. Is AQIS in possession of information that a shipment of Australian cattle were exported into Egypt during the period that the federal government suspension of the live trade with Egypt was in place or since then in contravention of the subsequent Australian meat and livestock industry export of livestock to Egypt order of 2008?

Ms Schneider—We would have to take that on notice too.

Senator XENOPHON—Let's keep moving. In response to my question in October—about what standards countries importing live animals from Australia have to meet in terms of animal welfare—there was a response that members who are members of the OIE are obliged to comply with the OIE animal welfare standards and that this is outlined in the MOU between the countries. What legal obligations are members of the OIE under to comply with OIE animal welfare standards? Further, when importing countries that are members of the OIE have been found not to be complying with OIE guidelines, what action has Australia taken?

Dr Carroll—I can answer that. The OIE guidelines are not mandatory unless they are written into the law of another country. So the OIE issues standards and guidelines which members endeavour to take up to the best of their ability.

Senator XENOPHON—So it's voluntary, it's not mandatory and there is no enforcement regime?

Dr Carroll—There is no enforcement regime within the OIE.

Senator XENOPHON—Can you table a copy of the standard MOU between countries that you refer to?

Dr Carroll—We would take that on notice, sorry, Senator.

Senator XENOPHON—Finally—and I will put a number of questions on notice, so we are getting through a lot, Chair—at what abattoirs have cattle restraint boxes been installed in Indonesia?

Dr Carroll—We would have to take that on notice as well.

Senator XENOPHON—Okay. Thank you.

CHAIR—Thanks, Senator Xenophon. Very quickly, Senator Siewert has some questions.

Senator SIEWERT—Senator Xenophon, I missed the question about restraint boxes that you just asked.

Senator XENOPHON—It was in terms of cattle restraint boxes installed in Indonesia.

Senator SIEWERT—How many there were?

Senator XENOPHON—Yes, at what abattoirs have they been—

Senator SIEWERT—Because I want to follow up on that. I have got some follow-up questions. Why are we going with that approach rather than looking at facilities that use stunning? Are we going to be preferencing looking at facilities that are, in fact, using stunning?

Dr Carroll—That particular approach is not run by Biosecurity Services Group, so we cannot really provide you with a lot of information on that.

Ms Schneider—Senator, it's the Trade and Market Access Division that looks after welfare issues in the country of destination.

Senator SIEWERT—I know I do this every time that I ask questions that are in the wrong spot. So the report is specifically about cattle handling in Indonesia. Should I be asking you or asking there?

Ms Schneider—That is a question for TMAD.

Senator SIEWERT—Any questions I have for that specific report, I should ask there. Is that it?

Ms Schneider—Yes. Issues related to the country of destination.

Senator SIEWERT—I think all my questions are, in fact, related to there. Talking about exporting to Turkey—ask there?

Ms Schneider—If you are asking a question about conditions or issues in Turkey, yes.

Senator SIEWERT—I am talking about how we are going to be talking to Turkey around humane handling et cetera. So those questions I should ask there?

Ms Schneider—Yes.

Senator SIEWERT—I think all mine relate there. Thank you.

CHAIR—Senator Back, do you want to go straight to your questions?

Senator BACK—If I might very briefly, Mr Chairman, thank you. Mine relate to the ceasing of the funding to the CRC for new and emerging diseases. I think the funding ceased in June of last year. I am just wanting to know: has there been a proposal to establish a centre for new and emerging infectious diseases?

Dr Carroll—Yes. We are working with particularly the Australian Animal Health Laboratory at Geelong, which is jointly funded by ourselves, CSIRO, the Queensland Government and various other institutions, looking at proposing a centres-for type approach and looking at what funding avenues might be available for that.

Senator BACK—Can you give us any advice on what the progress of that particular discussion is?

Dr Carroll—It is still being addressed. We are looking at what funding options might become available, but at this stage it is still progressing.

Senator BACK—Minister, I wonder if you could enlighten us as to whether we might find some joy in the budget process coming up?

Senator Ludwig—I think I said before that I am not going to comment on what may or may not be in the budget.

Senator IAN MACDONALD—Spoilsport.

CHAIR—No-one would know if you told us, Minister.

Senator Ludwig—I could reasonably rely on that!

Senator BACK—That was the extent of them, thank you, Mr Chairman.

CHAIR—Thank you, Senator Back, and I do thank the officers and senators for keeping the timetable in mind.

Proceedings suspended from 1.05 to 2.05 pm

CHAIR—We welcome officers from the Climate Change Policy Branch.

Senator MILNE—I notice in your revised estimates you have \$300,000 in this financial year for the Carbon Farming Initiative. I wonder if you can start off by telling me what input DAFF had into the development and framework of the Carbon Farming Initiative.

Ms Gaglia—We have been working closely with the department of climate change on the design of the Carbon Farming Initiative. We have been involved in developing up that consultation paper that was released in November. We are also part of the legislative drafting team that is currently drafting the legislation. We are working with the department on the development of offset methodologies. We have set up joint working groups between the two departments on a range of different offset methodologies covering livestock emissions, forestry and soils, which is nitrous oxide and carbon.

Senator MILNE—Can you run through the kinds of things that you think would apply in the forestry sector, for example, in the Carbon Farming Initiative? It obviously goes to reforestation and afforestation, but does it also go to avoided degradation through increased sequestration of native forests?

Ms Gaglia—There are a range of forestry activities that are eligible under the market—as you said, reforestation, and there is regrowth and regeneration. There is also avoided deforestation. There have been a number of concerns and questions raised about whether that will actually cover degradation as well, so that is being looked at at the moment. It also covers forest management, which is your private and your public native forest estate.

Senator MILNE—If it covers forest management in the private and the public estate, what volume of abatement or permits do you think are likely to be available from just forest management?

Ms Gaglia—We would not have an answer on that at the moment. It depends on what projects actually come forward and what projects get approved under the scheme.

Senator MILNE—In the question of reforestation or afforestation, given the 100 per cent tax deduction for establishing carbon sinks and given their eligibility under the Carbon Farming Initiative, what constraints or restrictions are there in relation to competition for water and competition for food producing land? What is to stop displacement even more than the managed investment schemes?

Ms Gaglia—Under the scheme there are a couple of different measures to try and reduce impacts on biodiversity and on ag land. One of the key things is the eligibility criteria for actually getting a project approved. One of those is additionality. Projects like those funded under MIS that could be classed as commercial without the need for an offset credit would find it hard to meet the additionality requirement. So that is one of the first restrictions.

Senator MILNE—If I can just stop you there on the managed investment schemes. It is patently obvious they are not economically viable. That is why they have all collapsed. So the restriction that is there at the moment says that you are eligible for a carbon farming credit if the activity is not economically viable without it. Managed investment schemes already have been demonstrated to be not financially viable, so on what basis would you exclude them?

Ms Gaglia—The other integrity principle is common practice. To meet additionality you have to be beyond common practice, which will be looking at a particular activity in a particular area. If there is a lot of that activity happening in that area then obviously it is common practice. Under the legislation you have to have all current planning and environmental approvals at the state level before you can apply for the scheme and that includes having been consistent with natural resource management plans and water regulations for the states.

Senator MILNE—Have all the states signed up to the water plan and so on including Tasmania?

Dr Dickson—Julie is talking about the regulations that apply at the state level. It is a condition of entering into the market that you need to abide by whichever applies in the state. So they would be state-based water sharing plans and state-based regulations. It would also apply where those regulations are a part of a broader scheme, but in most cases it is really at the state level of regulation.

Senator MILNE—The problem here is the state regulation is different everywhere you look, so this will lead to an uneven outcome around the country. What do you say to the idea

that under the Carbon Farming Initiative with 100 per cent tax deductibility you will not end up with exactly the same, with middle men aggregating a large amount of area for farmers and get exactly the same outcome as the managed investment scheme outcome?

Ms Gaglia—It will come down to a matter of demand and supply as to whether there is much of a demand in the market and what the price of those credits will be as to how many projects will actually get approved and up and running.

Senator MILNE—That is my point. How are you going to avoid competition for water and food growing land if it is a matter of supply and demand? We know that there will be demand in the voluntary market globally but in Australia the government has made clear they are going to support this initiative.

Ms Gaglia—Under the legislation there will be periodic reviews. The first one is due to run in 2014. One of the key things that they are going to be looking at in the review is the impact on local communities, security issues and impacts on the environment. They have highlighted water as one of those things that impact on ag land and it is one of the things they will be looking at in relation to how the scheme is impacting on natural resource management in particular regions around the country.

Senator MILNE—Can you give me an indication of what level of permits you expect to be created under this initiative?

Ms Gaglia—We could not give you any indication at this point in time, Senator.

Senator MILNE—Has anybody got any indication?

Ms Gaglia—Until the market is up and running and we can see what methodologies are approved and what projects come forward, it would be hard to say.

Senator MILNE—I am speechless.

CHAIR—I am sure you will get over it, Senator Milne.

Senator MILNE—I will.

CHAIR—You will not get a lot of sympathy, Senator Milne.

Senator MILNE—You should be worried about this. You should be worried. I am finished on the Carbon Farming Initiative if someone else wants to continue.

Senator IAN MACDONALD—I wonder whether the department is looking at water storage issues in the light of climate change and the suggested impact of lesser rainfall which is predicted for our country into the future. I am wondering if the department is doing any work on climate change, less rainfall, need for water storage.

Dr Dickson—Not that we are aware of in the division represented here. You might want to raise that question with ABARES.

Senator IAN MACDONALD—What strategies is the department putting in place in relation to climate change? What are you doing about it?

Mr Mortimer—The department helps, in terms of climate change, in advising on initiatives which are relevant to the rural sectors. For example, we engage with the climate change department on adaptation strategies. The government has put in place, and the

previous government had put in place, strategies for different sectors—for agriculture as a whole, for fisheries and for forestry—and those strategies have been developed between the Commonwealth and the states. There has been a series of activities developed underneath those strategies, relating to research and so on. The department works on those issues. They are probably the key issues in terms of adaptation.

The department also has a program of research called the Soil Carbon Research Program, which deals with finding out ways to get a better understanding of, and measure the emissions from, the farm sector. That program will be able to provide means by which farmers can reduce their emissions in the future. And, as has just been discussed between Senator Milne and Ms Gaglia, the government has the Carbon Farming Initiative, which was designed as a program to give farmers an opportunity to participate in markets through which they can reduce their emissions.

Senator IAN MACDONALD—Have you done work on counting carbon emissions from the agricultural sector? Where is that at?

Mr Mortimer—I think that would have been done by ABARES. It might be best to pick that up with them. Ms Gaglia might be able to tell you whether there is any research that is public and known on that matter.

Ms Gaglia—We have a number of programs. One of them is the livestock emissions research program, which is currently looking at a range of different aspects of livestock emissions and technologies that might be applicable in the future, and whether or not we can come up with better estimation methods than are currently in place. The progress coming out of that program is pretty significant at the moment. It looks like we are developing methods of testing that will give us a much better indication in the future than what we have now.

Senator IAN MACDONALD—Is that work reaching finality? Has it reached the point where you will be able to use the research and your investigations to give advice to farmers on what to do and what not to do?

Ms Gaglia—Yes. The program has another 16 months to run. We are doing the same with soil carbon and nitrous oxide emissions. So we are getting a better understanding of all of those emissions sources and, over the next 12 to 14 months, we will be running information workshops around the country to start handing over some of the information insights out of these research programs to farmers and local communities.

Senator HEFFERNAN—So that is on the credit side of the equation. Are you doing similar work on the debit side?

Ms Gaglia—Both, yes.

Senator HEFFERNAN—So if we get a drought, we get a bill? You are nodding your head?

Ms Gaglia—Yes, we are looking at both sides of the equation.

Senator HEFFERNAN—That is a great system.

Ms Gaglia—Yes.

Senator HEFFERNAN—Yes, I am sure that, like the United States, we ought to be in on the credit side and out on the debit side. Everyone ought to be alerted to the fact that, with what you are proposing there, when the season turns—I had better not use any colourful language—bad, you actually get an account.

Ms Gaglia—Yes.

Senator HEFFERNAN—If you are in on the credit side, you are in on the debit side.

Senator IAN MACDONALD—I appreciate this might be more a question to pursue later in relation to fisheries, although I am not quite sure. I know Senator Colbeck is well across this. Has any work been done directly relating to impacts on fisheries of changing climate?

Ms Gaglia—There is a fisheries climate change program, but I think that is managed by the fisheries division.

Mr Mortimer—The Sustainable Resource Management Division. They are on after ABARES.

Senator MILNE—I have a question similar to those I was asking before about what is eligible under the Carbon Farming Initiative. Is it the fact that in some states land clearing is already unlawful and therefore there would be no benefit to farmers in those states, while in other states where land clearing is still permitted, farmers would get a benefit—therefore setting up a discriminatory regime, with benefits varying according to the recalcitrance of previous state governments?

Ms Gaglia—Under the rules for avoided deforestation, you are only eligible if you do actually have the right to clear that land. So if you still have the right to clear, then yes, even if you avoid that—

Senator MILNE—Yes. This is the point that I am making here. Some states have made it unlawful already; therefore farmers in those states cannot benefit. In other states, where it is still lawful to land clear—because the Commonwealth has not enforced a common land clearance regime across the country—you are setting up a situation where farmers can benefit. It is the same with the logging provisions as well. Is that true?

Ms Gaglia—I am not sure what you mean by the logging provisions.

Senator MILNE—Well, just stick with the land clearance.

Ms Gaglia—Yes, if you have a right to clear your land and you do not clear it, you can apply under the scheme.

Senator HEFFERNAN—Are you including spiny acacia, Senator Milne? There is a minimum of 1 million hectares in the lower gulf that is spiny acacia country which could be replanted. Would there be a ban on getting rid of anything that is noxious?

Senator MILNE—The answer has just confirmed that whether a farmer in a particular state will get a benefit from not clearing depends on what the state legislation is on land clearance—whether or not he or she has a right to clear. If the state government had previously legislated to stop clearance, as they have in Queensland and New South Wales, for example, the farmers there will not be able to benefit.

Ms Gaglia—Not for that particular activity.

Senator MILNE—That is right. What about the Indigenous Protected Areas? Presumably there is no reward in the Carbon Farming Initiative for anyone who has already covenanted their property or who already has protected areas for biodiversity?

Ms Gaglia—That is actually being looked at currently because of a lot of comments that came back through the public consultation process. It is something that the government is now looking at.

Senator MILNE—So that has been recognised as an inequity. Okay.

Senator WILLIAMS—Minister Ludwig, in reference to the exceptional circumstances application for the Delungra region, you announced interim income support for six months, ending 28 April 2011. But on 24 November last year you announced that you had accepted NRAC's recommendation that EC not be granted for the Delungra area. This is despite NRAC finding that the Delungra area met the rare and severe one-in-20- to 25-year criterion. However, NRAC claimed it did not meet the second criterion—that there was not a downturn in farm income over a prolonged period. I take you to the report by ABARES on that very issue. On page 2 it reads:

On the basis of information contained in the application, farm cash incomes are likely to remain relatively low for many farms in the application area over the next one to two years, as a consequence of currently reduced livestock numbers.

How, then, does NRAC arrive at the conclusion that that application does not meet the downturn in income criteria, when ABARES has clearly stated that there will be downturn in income and admits the criterion of the nought to five percentile? As you would be well aware, on the land, if it does not rain, you do not have fodder for your livestock and you do not have cash crops. So my question is: considering the opinion of ABARES, how does NRAC come to this decision to reject the application based on that third criterion about prolonged reduction in income?

Mr Ludwig—Firstly, it is the national advisory council that makes these decisions. We can certainly take it on notice, or David might be able to provide some assistance. But I take the advice of that independent body and apply it. So I am not going to second-guess or, post their decision, make a new determination based on whatever I think. That is why we have an independent body—to come up with and assess against these criteria. I am sure that they would be aware of the circumstances on the ground. My understanding of the work that they do is that they do travel to these regions, they do talk to a range of stakeholders, they make an assessment independent from government about these issues and they then provide advice to government about whether or not the exceptional circumstances provisions should apply.

Mr Mortimer—If I can just follow up from that, NRAC is required to assess the applications against the criteria, which have been in place for quite a considerable period of time. I think you have got the report there, so you know what the criteria are. From NRAC's point of view, they have to ensure that the application meets all three criteria. So that is what they do, and their analyses have been set out in that report. The other thing is that, at the end of the day, they as a group have to apply their judgment as to what the situation is on the ground, and they do that. That is the reason why the report ended up the way it did. They assessed the information, they visited the area and they followed through on the issues, and

they were not convinced that all three criteria had been met, which is why they made the recommendation they did.

Senator WILLIAMS—Minister, are you aware that in the previous government then Minister Peter McGauran did not always abide by the recommendations of NRAC?

Senator Ludwig—I do not have the specific circumstances, but I will take your word that he may not have always abided by their independent recommendations.

Senator WILLIAMS—We had discussions with him on several occasions.

Senator Ludwig—My view is that, since 2007, this government has continued to rely on the independent advice from the National Rural Advisory Council on these matters. I think that is the sensible course of action to take, quite frankly. You do not want me to be substituting my view independently of what the National Rural Advisory Council might otherwise suggest. It would be a sensible course of action for me to continue to rely on their advice, unless you want me to make subjective decisions about these things. They do a range of work. They do a range of interviews with stakeholders. They prepare a significant body of advice and apply the guidelines accordingly. I am sure it is a sensible course of action and you would want me to continue to take their advice and apply it accordingly. The alternative would be that you do not have the National Rural Advisory Council and you leave it to the vagaries of ministerial discretion, which I certainly would not suggest.

Senator WILLIAMS—Minister, the area came out of EC in April 2009, yet the report says:

The two sample farms were expected to significantly reduce both sheep and cattle numbers during 2009-10. Farm cash incomes may rise slightly, but only because of forced sales of livestock because of the drought. The flock and herd modelling results indicate that gross margins, that is, farm cash incomes, are likely to be substantially reduced for a further year as a consequence of the current low livestock numbers.

Do these two statements alone not justify that there was a severe reduction in their income?

Mr Mortimer—If I can come in on that one, I think what you are referring to is the use of the ABARE survey data in that region. ABARE has only two survey points in that region. In other words, there are two farms that they regularly survey in terms of following through conditions in the area. The counterpoint to that is the fact that the NRAC members visited the region and they had a series of meetings with farmers in the region.

Senator WILLIAMS—Yes. I was at one of them.

Mr Mortimer—That is right. They heard information and, indeed, the experiences of farmers from those discussions. They brought together that information and, as I said earlier, their own judgment in terms of the situation there, and that is why the recommendation is the way it is. The ABARE data is there. It is important and it is always used, but it is not the only data set that is used in assessing these applications.

Senator HEFFERNAN—There are two sample farms in that area; how do they choose the sample? Some farmers spend too much time in the pub. Some blokes are super-efficient. How do you get a sample of two that tells you what the district is doing?

Mr Mortimer—You might have a chat to Mr Morris in ABARES later.

Senator WILLIAMS—You can put that to ABARES, Bill, on exactly that question. Out of 400 farms, how can they assess two?

Senator HEFFERNAN—Some are better than others. ‘Oils ain’t oils’.

CHAIR—You can work it out, Mr Mortimer; that question will come up later. If you want him to make a very brief answer, then it avoids going into ABARES.

Senator HEFFERNAN—No, let us go back to this.

Senator BACK—On 21 January, ABARES released a special report on the impact of the recent floods, particularly relating to agricultural commodities. Firstly, can I ask whether the department has considered this report?

Ms Mellor—Yes. I think those people are not at the table now, though.

Mr Mortimer—When you say consider, can you give us specifics?

Senator BACK—I am interested in knowing as a result of that report—first of all, did you have any input into its preparation?

Mr Mortimer—No. It is an ABARES report and ABARES has independent processes for these matters.

Senator BACK—So, as a result of it, has the department yet had an opportunity to examine any of the infrastructure costs relating to the floods, particularly as they relate to agriculture and agricultural production?

Mr Mortimer—The infrastructure cost is not something that we directly engage with. That information is available and can be used, and may well be used, as part of the NDRRA arrangements. I really cannot comment on that, but we are not responsible for infrastructure per se and so we do not have a function or requirement to do anything on that.

Senator BACK—Certainly. Following on from the floods and the cyclones, is the department considering any other research or policy advice to the government to support agricultural and horticultural industries in dealing with the impact of floods and cyclones?

Mr Mortimer—The department has assisted in advising the Attorney-General’s Department, which has responsibility for NDRRA. Mr Aldred might be able to help me give you more detail as he is directly engaged with it.

Mr Aldred—Certainly the ABARES report was made available through the Australian government crisis committee structures, and so it has certainly been before the departments that participate in those.

Senator BACK—Moving on then to exceptional circumstances in general, it is my understanding the government has made clear its position that exceptional circumstances funding will be wound up in this current program, at the conclusion of this program.

Mr Mortimer—No, there has been no decision made.

Senator BACK—It has not been made?

Mr Mortimer—Let me just step back a bit. The current policy is in place. There was a review of the current policy. Minister Burke established a pilot of possible new ventures in WA, which is running until the middle of this year. A review of that pilot has been recently

announced. That review will report to the government and then the government will consider the outcomes and recommendations of that review in terms of next steps in any drought policy reform. But, at this stage, the EC policy stands as it always has, and both Minister Burke and Minister Ludwig have always been very clear on that. The funding is provided on an annual basis. It is done on annual appropriations, depending on the areas that are declared at any one point in time; indeed, that is the practice that has been in place for many years.

Senator BACK—Thank you.

Senator NASH—Can you clarify for us the terminating measures, 30 June 2011, where the drought assistance exceptional circumstances are all terminating measures in 2010-11?

Mr McDonald—There are a number of measures that are part of the budget process for reconsideration coming up on 10 May, and there are six measures that lapse on 30 June that are part of a government consideration at the moment. I can list them if you wish.

Senator NASH—We are short of time, so if you could take that on notice and provide them for me, thanks.

Mr McDonald—Yes.

Mr Mortimer—But the point is, Senator, that they were introduced as term limited programs previously, by the previous government, and they have been extended on a year-to-year basis in recent times.

Senator NASH—So what you are saying is that there is no problem at all in funding being available if EC is required post the middle of—

Mr Mortimer—Yes, that is right.

Senator BACK—Mr Mortimer, just going onto the Western Australian circumstance, you would be aware that 50 per cent of the grain growing areas in Western Australia were drought declared in the 2010 season. Can you confirm that since the government announced the WA drought reform trial this concluded any EC funding to Western Australian farmers? Are they still entitled to apply for EC funding?

Mr Mortimer—There was an agreement struck between the WA government and the Commonwealth government that the part of the country that falls within the boundaries of the pilot would not be eligible for EC. The quid pro quo is that they have direct access to the measures available under the pilot, which include immediate access to income support, regardless of an EC declaration, and other training and similar measures. For areas outside the WA pilot, an application for EC could be made if the WA government believes there is a case.

Senator BACK—I understand there was some 460 applicants under that scheme and funding wound out prior to getting to the number of 460. Are you aware of there being a cap?

Mr Noble—Senator, can I clarify the measure you are talking about? Is it the farm planning measure?

Senator BACK—This is the income support and assistance measure.

Mr Noble—It was part of the drought incomes pilot. The farm family support measure, which is the income support measure, is not capped, so the government provides additional funding if there is the demand for income support.

Senator BACK—So all of those who are eligible should actually have received that particular component?

Mr Noble—Yes.

Senator BACK—Who is the administrator? Who is looking after the Western Australian pilot from the department's point of view? Can you provide us with details on the programs that are being administered under this pilot scheme?

Mr Noble—Certainly. With the Western Australian government we are keeping a pretty close eye on progress, and you may be aware that we released a detailed progress report on all of the pilot measures and that is publicly available. That progress report was required under the national partnership agreement we have with the Western Australian government for the pilot, and it is on the drought pilot website. I can run through the measures one by one, if you would like?

Senator BACK—Thank you.

Mr Noble—For the farm planning measure, which is a program that provides up to \$7,500 for farm businesses to undertake training. To date 207 farm businesses have completed the training and there are 11 training groups underway. To 11 February, \$2.14 million had been spent on the farm planning program. The building farm businesses component of the program is the element of the pilot that provides grants of up to \$60,000 for farm businesses that have completed the farm planning program, and that is to implement activities that will improve the business's ability to plan for and prepare for drought and reduced water availability. To date, to 11 February, 93 applications for that program had been received, 21 applications have been approved and 72 applications are currently being assessed. To date, to 11 February, \$1.26 million has been committed in grant funds.

For the farm family support program that you mentioned, the income support program under the drought pilot, to 11 February there were 201 current recipients of farm family support; 211 claims have lapsed under that program where farmers have not provided the requested documents on time and 55 claims have been rejected. For those income support applications that have lapsed, if farmers get their documentation back to Centrelink within the 13-week period and they are successful in their application, then the income support will be backdated to that original time of their application. In terms of payments for income support, to 11 February there has been just over \$1 million provided in income support in the pilot region.

Senator BACK—Then there is the farm exit scheme, I think. Is that the last of them?

Mr Noble—To 16 February, 19 applications have been received for the farm exit scheme and three pre-assessments have been granted. That is the case where a farmer is indicating their intention to exit farming and with Centrelink they have undertaken a pre-assessment of their eligibility for that program. But, to date, receipt of an exit grant is contingent on the farm property being sold, and to date nobody has actually received a grant under that program.

Senator BACK—Who is actually overseeing the drought program itself?

Mr Noble—There is a Commonwealth-state working group. So the Commonwealth department of agriculture and the Western Australian Department of Agriculture and Food

oversight the program, but there is a working group with all the service delivery agencies involved with the pilots. That includes the two agriculture departments, Centrelink, the Department of Health and Ageing and the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator BACK—And Curtin University has an administrative role?

Mr Noble—Curtin University has been contracted by the department of agriculture in Western Australia to deliver the farm planning program.

Senator BACK—The funding itself was joint Commonwealth-state. What were the proportions of the two?

Mr Noble—There is total funding of \$22.9 million for the pilot. The Commonwealth is contributing \$17.9 million over four years, and the Western Australian government is committing just over \$5 million.

Senator BACK—Over the four years?

Mr Noble—Yes.

Senator BACK—The current scheme was for 1 July 2010 to 30 June 2011. What will happen at the conclusion of this pilot year if funding, in fact, has been approved for a four-year period?

Mr Noble—There is funding over the four years because under one of the measures of the pilot, the building farm businesses grants, payments are made to recipients over a four-year period. So they have got more than this pilot year to implement activities under the pilot, and then those payments will be made in future years. The pilot itself finishes 30 June this year.

Senator BACK—So apart from the figures you have given us, is it possible to give some indication as to what the payments have been to the various groups engaged as consultants to the program? They would not be included in your figures of \$2.14 million and \$1.26 million. They would be the payments made to farming businesses.

Mr Noble—For the farm planning program, I understand that the Western Australian government has committed \$416,000 to deliver that program. That is a combination of funding to Curtin University and the activities undertaken by the Department of Agriculture and Food in Western Australia.

Senator BACK—Is that the sum total?

Mr Noble—For the farm planning measure, yes. I draw your attention to the progress report which provides, certainly to November last year, a detailed breakdown of the budget and where the funding has been allocated—the split between how much funding is going on with administration costs, departmental costs and money allocated to administered expenses.

Senator BACK—My final question relates to the selection of those people who are actually delivering the program. You might be able to take it on notice. I am interested in knowing what their professional backgrounds have been; their experience, for example, in agribusiness; whether they are from regional areas or metropolitan areas. I also understand that there is a mentoring scheme, to mentor those who exit farming. I am interested in

knowing what the skill base is of those who would be mentoring those who are exiting, but you may take that on notice.

Mr Noble—I can, if you wish. The program you refer to is called Beyond Farming. It is a program delivered by the WA Council of Social Service. They sought expressions of interest for people to become mentors, so former farmers to become mentors to current farmers. We can provide details about the selection process for those mentors, if you would like.

Senator BACK—There is a limit to the number of lawn mowing contracts we can have in Perth. I just wonder whether they would be the best equipped people to actually be mentoring people who are leaving farming.

Mr Noble—These are former farmers who are participating in the program, so they are farmers who have worked across the pilot region in the recent past.

Senator BACK—Thank you very much.

CHAIR—That has worked out well. I was going to go to Senator Nash but she is not here. I will quickly go to Senator Siewert to follow up on her line of questioning.

Senator SIEWERT—I do particularly want to follow up on the WA trial. Of the 19 applications for exit, you said three had been pre-approved. Is that correct?

Mr Noble—Yes.

Senator SIEWERT—You said no-one has actually exited, but three have been pre-approved.

Mr Noble—Yes. They have gone through a pre-assessment process where Centrelink has assessed their income and assets, and Centrelink has advised them that subject to selling their property based on the eligibility criteria, they would be eligible for an exit grant.

Senator SIEWERT—You said there are 19. Three have obviously been assessed. Where are the other 16 up to?

Mr Noble—I would need to take that on notice to find out where those applications are up to. The figure has increased quite a bit since early December, so I think a lot of those would be in the assessment process, but I can take that on notice to give you that detail.

Senator SIEWERT—You said the 19 applications are to 16 February. Is that correct.

Mr Noble—To 16 February, yes.

Senator SIEWERT—If you could take that on notice, that would be appreciated, thank you. And I apologise; I missed a bit as I came in the door. In terms of the review process, does that report to both the state and Commonwealth governments?

Mr Mortimer—Yes, that is right.

Senator SIEWERT—And from there, what happens after that?

Mr Mortimer—The government will consider the findings of the assessment panel and decide whether it wants to continue any of these measures or do something different. It will basically weigh it up against the current policy and what is ascertained about the new measures and decide what makes the best sense for any new drought policy measures.

Senator SIEWERT—Are the criteria they are going to be using to do this review publicly available?

Mr Noble—Yes. The terms of reference are on the drought pilot website.

Senator SIEWERT—The terms of reference are different to the criteria of success.

Mr Noble—Sorry. The terms of reference will look at the efficiency, effectiveness, appropriateness, and preliminary outcomes of each of the pilot measures. The outcomes and objectives of the pilot are documented in the national partnership agreement for the pilot, and that has been publicly available since mid-last year.

Senator SIEWERT—I am interested in the criteria for evaluation that will be used — what they consider effective, et cetera. I am interested in the actual methodology of the evaluation.

Mr Noble—Okay.

Senator SIEWERT—Is that available?

Mr Noble—We can take that on notice and provide that information to the committee.

Senator SIEWERT—That would be appreciated, thank you. I am also interested in how that was developed, the background to it, who developed it and then what it is. Does that make sense?

Mr Noble—Yes. A lot of this information is defined in the national partnership agreement. Naturally, being a pilot, the government has looked at what the aims and objectives that we are trying to achieve are, what the key performance indicators are and what the broad review processes are so that when we get into the review process we can measure performance and whether or not the pilot has delivered against its aims and objectives.

Senator SIEWERT—Okay. Thank you.

CHAIR—Senator Macdonald, do you have a few questions?

Senator IAN MACDONALD—No, just one.

CHAIR—Just one, Senator Macdonald, then I will come to Senator Williams.

Senator IAN MACDONALD—It will be very quick. What, if any, input did the department have into the establishment of the Climate Commission?

Mr Mortimer—The which commission, Senator?

Senator IAN MACDONALD—Climate Commission.

Dr Dickson—The department was not involved.

Senator IAN MACDONALD—Not involved at all? Is the department conscious of its role? It is corporate knowledge I guess.

Dr Dickson—Yes, the department is aware of the role as much as everyone across government is.

Senator IAN MACDONALD—What you are saying is: yes, the department should be. You do not really know, but of course, you should be.

Dr Dickson—We are aware of its role, but it is not our responsibility so we cannot answer any questions on it.

Senator IAN MACDONALD—No. I have asked the question on the Climate Commission, but I am just wondering, insofar as agriculture is concerned, is there some particular input the department might have to the commission? Did you have any say in who was appointed to the commission? Did you, for example, work to ensure that there was balance on the board and it was not just a commission that had one focus, which was not necessarily an agricultural focus? I guess, from your looks, which cannot be recorded in Hansard, none of that came to the attention of the department, or the department did not have any input.

Dr Dickson—No, we were not involved.

Senator IAN MACDONALD—Okay. Thank you.

CHAIR—Thanks, Senator Macdonald. Senator Williams.

Senator WILLIAMS—Minister, I will just take you back to that Delungra EC application. Sorry for being a bit repetitious, but have you had an application from state minister Steve Whan to review that case? Does anyone know?

Mr McDonald—No.

Senator WILLIAMS—You have not?

Mr Ludwig—No. It is open to New South Wales to renew the application, as you are aware.

Senator WILLIAMS—Yes. There was not a severe case of lost income, basically, but accounting firms in my area—I think four accounting firms in total—have said this is certainly a severe case as far as downturned income goes. There are also letters of support from small businesses that rely on these areas. I think it has gone back to Minister Steve Whan for review and I am surprised you are not aware of that. I thought Minister Whan had actually handed it onto you, but I am a bit ahead of myself, am I?

Mr Mortimer—I can say one thing. The minister, I think—

Mr McDonald—We are aware of the letters that you referred to. They have been provided to the minister. But in order for the council to have a look at that, the onus is on the state government to make a new application. So the National Rural Advisory Council assesses the information available to it at the time, and if there is new information that makes a new compelling argument, such as those letters you referred to, the onus is on the state government to make a fresh application.

Senator WILLIAMS—Right.

Mr Ludwig—That is why I said there is no application, but they are entitled, if they want, to pursue that again.

Senator WILLIAMS—So it cannot be a review; it must be a new application?

Mr Ludwig—They would be familiar with the process.

Mr Mortimer—It cannot be reviewed, because the area actually was not in EC. Reviews happen for areas that are already in EC and happen after the end of the nominated EC period.

Senator WILLIAMS—Minister, Mr Mortimer told Senator Colbeck this morning that it is up to the state to monitor areas that have been hit by flooding to determine whether there is a case for an exceptional circumstances situation like that. Is that a fair summation—that it is up to the state to assess flood damage and seek assistance?

Mr Ludwig—That would be under the Natural Disaster Relief and Recovery Arrangements, if there was extreme damage and they were enacted within those state jurisdictions.

Senator WILLIAMS—Minister, recently you visited the Mingoola-Bonshaw-Tenterfield region. You would have seen the devastation there—the loss of income, the damage to fencing, the destruction of crops, et cetera. You saw that, obviously?

Mr Ludwig—I did.

Senator WILLIAMS—What is the government going to do for those people? The last thing they want is more debt. We realise there are low interest rate loans, but many of them are swamped with debt now and they have had their incomes destroyed for 12 months. Where does the government stand on an issue like that in the Mingoola region?

Mr Ludwig—There are Natural Disaster Relief and Recovery Arrangements, which can be enacted. In fact, I am not in the right portfolio area to be answering this. I do not have the information quite in front of me, but you can ask within the Attorney-General's department as to what has already been enacted in New South Wales. My understanding is that it has been declared a natural disaster, and there is already assistance being provided in that region.

I do not want to put on the record what I think it is just in case I get it wrong, but I am sure it encompasses a range of support. As you know, under the Natural Disaster Relief and Recovery Arrangements, the federal government commits 75 per cent and the state 25 per cent of the funding. So the question directed at the federal government is significant. We provide significant assistance in these regions under the Natural Disaster Relief and Recovery Arrangements. Can I also add, as you are aware, we recently made an announcement that in terms of the flood the Commonwealth government will fund into the Natural Disaster Relief and Recovery Arrangements \$5.6 billion. That will be split up between the various states that have been severely impacted by the recent flooding.

Senator WILLIAMS—Won't most of that money actually go into state infrastructure, repairs to roads et cetera, or will some of that money be targeted at assisting small business and those people who have been devastated by the floods?

Mr Ludwig—As I said, this is not the appropriate portfolio area to be asking these questions, but I am happy to say that of the Natural Disaster Relief and Recovery Arrangements, substantively the guidelines, which is the determination made in 2007, dictates where that funding will go. So in Queensland, the Queensland Reconstruction Authority, which I am not sure whether it has been given royal assent yet, but it will soon be, if not already, an independent statutory body which will deliver the assistance to Queensland.

Outside of Queensland—New South Wales, Victoria and Western Australia—will then go through the various state bodies. Under that determination, of course, the majority of funding does go towards repairing the roads and bridges—all of the infrastructure that has been damaged. As you could appreciate, it is vital for the primary producers and small businesses in those regions to get access to the markets through those roads and bridges that have been impacted by the flooding event that has occurred through January.

Of course, in addition to that, a business task force has been set up to deal with and assist businesses, including primary producers, because of the unprecedented nature of this flooding event. In addition to that, again, of course, if they are matters that fall outside of NDRRA, individual states may approach these on a separate basis and work through how they are going to assist or what level of assistance they may give. It is not up to me to second-guess that either. Some of this is, as we are speaking, being worked through because there are significant impacts right across not only the primary producers but also small business and communities.

In addition to that—and I can use one example—the Department of Communities in Queensland have been rolling out significant assistance around the temporary provision of housing and housing accommodation in some of those areas where individuals have been flooded and they have lost their primary residence. Of course, accommodation has to be found and made available to assist those communities. In addition to that, I know local councils are going well out of their way to assist in the clean-up and the recovery process.

In addition to that, Centrelink has provided significant resources into some of these regions not only to provide counselling and social services but also to make emergency relief payments. The Red Cross has been working with Centrelink to assist both rural communities and local towns that have been impacted by flooding events. Can I also mention that the Australian Defence Force has spent significant time in providing assistance in south-east Queensland and right up through some of the regions that have been impacted by Yasi.

So the Commonwealth government has been providing substantive assistance right throughout. If you look at some of the figures—I could probably find them in my iPad—the government has made a substantive contribution to these regions through the Australian Government Disaster Recovery Payment. I would hazard to guess—it will take me a moment but I will come back to that—the payments to individuals who have been flood affected, who are eligible and who have claimed it are well over the half a million dollar mark.

Senator WILLIAMS—Minister, the final question: the natural disaster relief does not include an interest rate for subsidies. Is that correct? It does have a low interest rate loan. Is that the situation?

Mr Ludwig—It depends on the circumstances. On Wednesday in Queensland, the government announced, with the Queensland government, that, under exceptional circumstances D under the Natural Disaster Relief and Recovery Arrangements, loans of up to \$650,000 would be provided to eligible primary producers. That would include, as well, a grant component of \$50,000. It would also provide for a no payment of interest rate, I think, for two years—correct me if I am wrong about that—and a concessional interest rate period. It is designed to help those who have been affected by Cyclone Yasi to get their businesses up and running. It is a substantive contribution to that area. In addition to that a wage subsidy has

been made available to employers. This applies particularly to the horticultural industry. Because of the remote and rural nature of the areas, banana growers were seeking assistance to maintain their employees in the area to work with the particular growers in the clean-up while there was no product coming on-stream for a number of months. In addition to that, there was a \$20 million Rural Resilience Fund to help with farm clean-up. All of those things were designed for the event of Cyclone Yasi to assist those people.

I have only touched briefly on some of the matters that we announced on Wednesday, but, of course, that was with the Queensland state government to work through an exceptional circumstances package under category D of the Natural Disaster Relief and Recovery Arrangements. Can I remind the committee, though, that this is my role not as the agricultural minister but as the minister assisting the Attorney-General for flood recovery in Queensland, because it is a matter that is administered under the Natural Disaster Relief and Recovery Arrangements.

Senator IAN MACDONALD—Is industry included in those \$650.000 loans?

Mr Ludwig—It would apply if they were a small business or primary producer.

Senator IAN MACDONALD—If? So the answer is yes.

Mr Ludwig—Yes.

Senator WILLIAMS—Just finally, Minister, when you spoke to people at Mingoola, did they leave you a clear message that they have too much debt now and that they were actually seeking a one-off interest rate subsidy like the exceptional circumstances in drought? Is that the message they gave you? It is certainly the message they have been giving me, I can assure you.

Mr Ludwig—The issue of interest rate subsidies is raised not only in that area; it was also raised in the Productivity Commission of inquiry back in 2008, where it indicated that it was an issue that was drought specific. Quite frankly, as I understand it and recall, the various national bodies, such as the National Farmers Federation, were in that area making submissions that that was not something that they would see as part of a drought policy. This is a long-winded explanation, I know, but that is why the drought trial was initiated in WA when times were a little bit better. Of course, it is an area where we are looking to see how we can provide better resilience for farmers and primary producers in drought affected areas. It is not an area for Natural Disaster Relief and Recovery Arrangements, which have been longstanding and in place for successive governments. That assistance is provided for the duration of the event—that is, as they are subject to flooding or a natural disaster—in this instance it was flooding—and those arrangements dictate what is available for that event.

Senator WILLIAMS—Thanks, Chair.

CHAIR—Thank you. Senator Milne and then Senator Colbeck.

Senator MILNE—Thank you, Chair. I want to go to forestry now, if I may, and I would like to start with the exit package, the \$17 million of Commonwealth money going to the exit package for forest contractors. I note that the DAF fraud group has been in Tasmania in relation to this. Minister and/or whoever is the appropriate person in the department: were you aware of the longstanding concerns and criticisms of people in the parliament and the

Auditor-General about the handling of Commonwealth grants to Tasmania in terms of forestry prior to setting up this particular grant round?

Mr Aldred—There has certainly been a range of audits in the past on a range of programs, so the department is aware of the outcomes of those audits.

Senator MILNE—And what were the outcomes of those audits?

Mr Aldred—I do not have the details of them here, Senator. I would have to take on notice the specifics of the audit that you are referring to and the department's response to it.

Senator MILNE—Would you agree that the Auditor-General, in writing the reports, suggested the department put in place measures to make sure the shortcomings were overcome?

Mr Aldred—Again, if the Auditor-General made recommendations and the department responded to those, then I would need to look at the details of the response.

Senator MILNE—Okay. Well, I can tell you the department said they would implement the Auditor-General's recommendations at the time. Moving on from there, under the Tasmanian community forest agreement grants program, Forestry Tasmania was given \$115 million from the Commonwealth for intensive forest management. It was paid upfront. Is the Commonwealth aware that Forestry Tasmania has used that money for its operating expenses?

Mr Aldred—As I understand it, there is a performance and financial audit underway on a range of past forestry programs and, from recollection, it is due to report in March. So I would take your comments in that context and follow up for you.

Senator MILNE—The Tasmanian Auditor-General noted that Forestry Tasmania had used Commonwealth funding for its operating expenses, and given its recent financial statements it appears not to have the money to be able to fulfil the obligations of the Commonwealth. Who in the Commonwealth actually engages and oversees how this money is being spent? Who in the department is responsible for that?

Mr Aldred—It sits within the forestry branch and so, from that point of view, rests with me. As I have said, I will take your points on notice and I will follow up on them.

Senator MILNE—That is fine, but can you explain to me why there is not a proactive oversight of how the Commonwealth's funds are being handled in the states and, in this case, in the state of Tasmania?

Mr Aldred—Perhaps I can clarify. I am not aware of the details of that. I will check what activity is underway.

Senator MILNE—Let's come to the recent exit payment of the \$17 million. I would like to ask the minister if he can confirm that I spoke to his office before the administrative arrangements were put in place for the disbursement of this money and made some recommendations concerning it?

Senator Ludwig—You might have to just remind me of the specifics, but this policy was implemented with the department, in consultation with the industry. Those measures were put in place to ensure the integrity of the system. Of course, we also recognise that the harvesting and haulage contractors do face significant financial difficulties, which was following a

downturn, and that is why the package was put together and implemented. Of course, as you can see, we announced a package assessed against the eligibility and merit criteria, as outlined in the guidelines. So the guidelines are there to be adhered to and followed.

Senator MILNE—Minister, if this was put together just a couple of months ago, with all the experience the Commonwealth has had of the mismanagement of forestry funds under those Tasmanian community forest agreements programs, how is it that within a couple of months there is a fraud investigation launched?

Mr Aldred—If I can come in there, any allegations of fraud can be made through the department's fraud investigations and security team and they will be followed up. I do not believe it is appropriate to talk about any fraud investigations that might be ongoing. What I can do is explain to you the processes around the management of the grants process.

Senator MILNE—Perhaps you can tell me whether the department actually looked at which contractors had received funding under the Tasmanian community forest agreement, whether those same contractors were to be paid out under this arrangement, and what criteria were in place to assess the appropriateness of the level of the grant? Was that cross-referenced, and how?

Mr Aldred—The department is aware of the intersection of the prior industry development program and the exit package of the current contractors. We were aware that there was potential for previous recipients under the earlier package to seek support through the exit package. There were a series of letters that were sent out to successful and unsuccessful applicants. In the case of the successful applicants who had previously received funding, they were reminded of their obligations in respect of those payments and reminded that before they sought to dispose of those assets they needed to enter into discussions with the department.

Senator MILNE—Does that mean that their deeds of agreement required that when the machinery was sold, if it had not been held for the required length of time et cetera, the department recouped some of its finance?

Mr Aldred—Yes. We have an established procedure for treatment of assets to be disposed of under that former program, and we would put those in place. So the letters that went out prior to Christmas informing the successful applicants reminded them of their obligations. We have a treatment of assets procedure in place and we will again—I believe it is happening this week—write to those same people and follow up with telephone calls to make sure that we are advised of their intentions in respect of any machinery purchased with the prior program.

Senator Ludwig—Just to make sure the record is clear on this, that was my recollection of those matters that you raised with me and my office, and that is why they were dealt with as part of the assessment. There was a three-person panel that included both federal, state and independent representatives and was supported by independent financial advisers. So those issues were taken into account. I have read reports of forest contractors providing false or misleading information, though. That is a different matter from the criteria that were developed and put in place. If they do provide or have provided false or misleading information, then I think that is a matter that correctly should be investigated. As I always say to any senator who may come across these areas, if you have any information which points to

allegations of fraud or suchlike, the department would be only too happy to assist in giving that to the investigators who are looking at that now.

Senator MILNE—Okay. Just further to that, some of the forest contractors who received funding under the Tasmanian community forest agreement had operations both in Tasmania and in other parts of Australia. Regarding some of the grants that have been given out in this disbursement of the exit contracts, is a contractor precluded from getting the exit package from Tasmania if they have current logging operations in Victoria so that they can just transfer to that with the cash from the Commonwealth?

Mr Aldred—No, they are not precluded from working in other states. The deed that the CEO or equivalent of the business signs is to exit the native harvesting or haulage sector for a period of five years as a business owner.

Senator MILNE—As in exiting the business in Tasmania but not nationally?

Mr Aldred—It is not a requirement that they exit nationally.

Senator MILNE—Was it ever followed up whether, with the grants that were made in the first place, the machinery was ever used in Tasmania in the first place, or when the grants were made was it possible for those companies to buy the machinery, operate them in Victoria, apply for the money to get out of Tasmania and continue their Victorian operations on that cash?

Mr Aldred—I think we have follow-up reports on the grants issued under the former program. I am happy to take that on notice and chase it through, but I would expect so.

Senator MILNE—Why wasn't it a consideration that, if the contractors have operations in several states, the impact on those contractors of what is going on in Tasmania is vastly different from someone who is only operating in Tasmania? How was that weighted in the considerations?

Mr Aldred—The objective of the program was to reduce contractor capacity in Tasmania, so those who had a business in Tasmania could cease that business and work elsewhere. In doing so, the contractor capacity in Tasmania would be reduced.

Senator MILNE—In the meantime. I know Senator Colbeck has got some of the same issues.

Senator COLBECK—Yes, thanks. You have indicated, and I think reasonably, that you will not talk about the specifics of the investigation, just confirm that there is an investigation under way at this point in time into grants that have been—is it offered or paid?

Mr Aldred—We have had allegations reported and the fraud investigations and security team is following that up. That is as much as I think I am able to say.

Ms Mellor—It is necessarily separate within the department.

Senator COLBECK—No, I understand that.

Senator Ludwig—Once it is raised, it is just incumbent on us to refer it to the relevant section it has to go to.

Senator COLBECK—If there are allegations of fraud, they should be investigated. I am just trying to get a bit of a sense of the essence of it, that is all, because there is fairly broad reporting of this in the Tasmanian media based on some specific areas of allegation, including contractors that were not in native forest or had sold their logging quote previously.

Ms Mellor—We have a phone number on our website which we encourage people who have allegations to ring to raise them with us, and we pursue them as they are raised.

Senator COLBECK—I am just trying to get a sense of how they line up with what is being written publicly, that is all. Are you in a position to be able to make any comment on that?

Ms Mellor—No.

Mr Aldred—Not really.

Senator COLBECK—You indicated that the major objective was to reduce contractor numbers within the Tasmanian sector. What about contractors who found their businesses stranded by the exit of other business upstream? How was that considered as part of the overall assessment process?

Mr Aldred—What we did not try to do was trace through each connection and potential subcontracting arrangement within the industry. We took applications on their merits against the advertised guidelines.

Senator COLBECK—I understand what you are saying but, by the same token, in effect, not doing that—and my understanding is that the industry did talk to you about that during the consultation process in the design of the packing—could have a potential impact. That has left a number of contractors effectively stranded, particularly haulage contractors, because their businesses have been stranded by the fact that the harvest contractor has moved out of the industry and that quota has been retired. How do you manage the circumstance for those businesses that are being impacted by this—

Mr Aldred—When you say a quota has been retired, effectively there will be fewer contractors in the sector in Tasmania to work on the volumes being harvested at present. I would expect that there will inevitably be some movement. It is quite a dynamic environment, as you are aware, and I would expect that there would be some movement of subcontractors to other contractors as well.

Senator COLBECK—That does not really answer the question, does it? The reason that there is a surplus of contractors comes back to a number of reasons, as you would have come across during the process, but there is also an issue with resource and that is having an impact as well as part of this process. But you cannot escape the fact that there are some people whose businesses have been stranded by this process. How do you reconcile that?

Mr Aldred—Again, all I can say is that we ran the process according to the guidelines.

Senator COLBECK—I have read the guidelines.

Mr Aldred—It was up to individual businesses within the harvesting and the haulage components of the sector to determine whether they wished to remain or wished to—

Senator COLBECK—I know that they have made strategic decisions in that context. A lot of the businesses did make a decision, and some of them who had a mixed business, for example, were in fact a different circumstance to those who were solely in native forest. So if you were in native and plantation, the categorisation of the guidelines pushed you in certain directions with respect to the capacity to claim, because you effectively had to close your whole business, not just part of your business. You could not just retire from the native forest section of the business and retain your plantation based sector under these specific guidelines. So the guidelines did put parameters around what businesses could or could not do, and have had consequent impacts.

How do you respond to the chair of the forest contractors that a lot of the claims—and I will talk about the public claims rather than the specific claims that you are dealing with, because I do not know what they are—that are being made and published in the media are based around the design of the guidelines rather than any particular issues that might relate to actions of individual contractors?

Mr Aldred—I think the guidelines are there for people to examine. The process was publicly advertised. The guidelines were available. There was a help desk number. We accepted applications and then had a process of returning to applicants where, for example, insufficient information may have been provided to demonstrate eligibility. So we were quite active in the process of trying to provide every opportunity for people to apply. There were processes to clarify any queries around those guidelines.

Senator COLBECK—I am quite happy to concede that a lot of people might not have read the guidelines and are making allegations based around their ignorance of the guidelines, because by reading the guidelines and ascertaining what they say I can see a response to some of those public claims. So that deals with some of the issues that are being dealt with in the public domain. Twenty-four of the 30 offers made are listed on the website at this stage. When will that be finalised? Is that a function of contractors formalising their arrangements with the department?

Mr Aldred—And the department completing its processing of information and return deeds. There were about four done up to the end of January. As you said, as at this morning, we are at 24, so half a dozen to go. I would expect those in the next couple of weeks if everything occurs appropriately.

Senator COLBECK—So the due diligence issues that you have to deal with in return of information from contractors, deeds and all of those sorts of things.

Mr Aldred—Yes.

Senator COLBECK—How many of the offers have been completed?

Mr Aldred—I am not sure I understand the question.

Senator COLBECK—My understanding was that there was 75 per cent of payment on acceptance of offer, then there was a period—

Mr Aldred—So how many have had their second milestone payment? None at this stage.

Senator COLBECK—None. So is there a set time frame for that to occur?

Mr Aldred—No, not in particular. Before the successful applicants can receive their second milestone payment they have to demonstrate—

Senator COLBECK—There is certain criteria they have to meet and report on.

Mr Aldred—Yes, that is right.

Senator COLBECK—Is there a verification process the department goes through in dealing with that?

Mr Aldred—We will be seeking to verify that information.

Senator COLBECK—Can you give me—and you will have to do this on notice, I understand—full details of the consultation process that was undertaken in relation to the program. I already have some of that from previous discussions we have had, so I have that up to a certain date for some of the meetings and who was met with. That was provided on notice CC29, but could you give me a completion of that process up until when the details were finalised and finally announced. Can you tell me what is happening with the other part of the funding package—that is, the assistance package.

Mr Aldred—That is being managed on behalf of the Commonwealth by the Tasmanian government. It was advertised just prior to Christmas and closed on 7 January. I understand that 56 offers were made under the support package and 46 payments have been made.

Senator COLBECK—Where would we access that information? It is Commonwealth money, but it is being managed by the state.

Mr Aldred—It is. We will get reports from the Tasmanian government about it but, if you have particular questions, I am happy to follow up.

Senator COLBECK—I am just interested in the generic information, I suppose, in the similar way of what would be a reasonable reporting process. Can you give me a sense of the scope and scale of the payments?

Mr Aldred—A number in the order of \$100,000 to \$200,000. I will take it on notice and give you the broader scale.

Senator COLBECK—Can I move on to the statement of principles now, please?

CHAIR—I reckon we can. There are no dramas.

Senator COLBECK—The government has made a response to the statement of principles that was lodged with the Tasmanian government prior to Christmas and the—

Mr Aldred—The Prime Minister made a statement on 7 December.

Senator COLBECK—I am aware of that. Can you give me a sense of where that is at or are you still waiting for any reporting from Mr Kelty? Are you getting progress reports? What is the current process on that?

Mr Aldred—There are a couple of things happening. Mr Kelty was appointed and has been holding consultations with the signatories to the statement of principles, as well as a range of other stakeholders throughout Tasmania. Last week, on 15 and 16 February, he held the first meeting between himself and all of the signatories to try and start to facilitate some more detailed discussion about the overall views about how the statement of principles might

work out and some of the specifics sitting underneath it. At the same time, the Australian government and Tasmanian government have had some initial discussions about the nature of the due diligence assessment, as the Prime Minister announced. So those discussions happened in late January and mid-February and will continue.

Senator COLBECK—Could you give us a list of stakeholders that Mr Kelty has met with. I will make a declaration now that I will be on that list at some stage in the proceedings. My understanding is Mr Kelty is doing this for no fee. That is as it is. What expenses are being incurred as part of this and who is carrying the tab for that?

Mr Aldred—The Australian government will pick up the costs for support for Mr Kelty. He has an assistant. We will provide payment for that assistant as well as the incidental costs of travel and that sort of thing.

Senator COLBECK—In those five items that are being dealt with under the due diligence, what work is being done at a departmental level to actually clarify some of the definitions there? I have asked one question before about the definition of high-conservation value forests, for example, but what work is being done to actually clarify those definitions?

Mr Aldred—That is essentially the task that Mr Kelty has been appointed for—to seek to work with the signatories to gain a shared understanding of the detail of those definitions.

Senator COLBECK—What do you mean by ‘shared understanding’?

Mr Aldred—In the statement of principles—as you were alluding to, I think—the principles are not highly definitive.

Senator COLBECK—I will admit that different things in there mean different things to different people, including the signatories.

Mr Aldred—Yes, and we are aware of that. So one of Mr Kelty’s tasks is to seek to have the signatories better define the statement of principles.

Senator COLBECK—To agree on them or better define them?

Mr Aldred—He is a facilitator, and so he will be seeking to facilitate discussion between the signatories and other stakeholders to try and come up with a statement of how much is agreed and what elements are not.

Senator COLBECK—And then Mr Kelty’s responsibility is to bring a recommendation back to the government.

Mr Aldred—He is to report back to all parties, not just the government. So he is to report to all parties by the end of June.

Senator COLBECK—So by ‘all parties’ you are talking about all signatories to the statement of principles?

Mr Aldred—I would expect that to be signatories and other stakeholders. I think in his statement following the meetings of last week it was agreed that a much broader range of stakeholders needed to be involved than just the signatories. But, as I said at the outset, Mr Kelty has been doing that in any case. He has been talking with a very wide range of people.

Senator COLBECK—So his guiding statement of instruction is the government's response. So that is the key guiding document for him.

Mr Aldred—No, the statement of the Prime Minister assists. He has a terms of reference document.

Senator COLBECK—He has terms of reference?

Mr Aldred—Yes.

Senator COLBECK—Is that a public document?

Mr Aldred—I was hoping to have it on the website today. I thought it was a public document, but I am sure we can provide you with a copy.

Senator COLBECK—I appreciate that. I will now go on to the Tamar Valley pulp mill. Has the government had any discussions with the proponents about finance assistance for the mill?

Mr Aldred—The pulp mill and approval under the EPBC Act needs to be dealt with through a separate area.

Senator COLBECK—I understand where that sits, and that sits in a different portfolio, and the date is 4 March.

Mr Aldred—I can respond on behalf of this department.

Senator COLBECK—That is fine.

Mr Aldred—So in terms of—

Senator COLBECK—financial support or assistance.

Mr Aldred—Not to my knowledge in construction or operation of the—

Senator COLBECK—The government entity that has been mentioned is EFIC, and I realise that is in a different portfolio again, so it is beyond your purview to answer in respect of that, so that is understandable. Has the department facilitated any discussions with any other agencies in relation to support for the mill?

Mr Aldred—No, not to my knowledge.

Senator COLBECK—Minister, what is the government's attitude to support for the mill if it is requested?

Senator Ludwig—In terms of this portfolio, we have not received a request.

Senator COLBECK—I am asking what your attitude to supporting the project is.

Senator Ludwig—We always support industry development in regional Australia, including things like pulp mills, but, of course, they are all subject to the relevant processes to have been gone through and state approval and all of those matters. So it is not an unqualified support. It always is in terms of what it is. Industry which creates employment in regional Australia is always welcomed by this government, particularly if it is wealth creation for a particular region. It is always well supported.

Senator COLBECK—Have you had any specific discussions with the company on the mills since supplementary budget estimates?

Senator Ludwig—I would have to take that on notice. As part of the forest contracting package that we were just talking about, I do have a recollection of speaking to representatives. I am not sure whether they were representing Gunns at the time or whether they were representing haulage and harvesting contractors. That aside, since that date, I have not. But I will take it on notice just to make sure, and I will also check whether my office has, as well.

Senator COLBECK—Certainly. Can you give me an update on where the forest industry database is at?

Mr Aldred—Yes. The database was demonstrated to the Forest and Wood Products Council on 6 December. The members sought some additional information or wished to trial it, and so the members of the council were provided with access to the database. Trials have been ongoing. I believe there is a steering committee meeting. The project is governed by a steering/advisory committee which is to meet on 1 March. That steering committee should look at any queries and then will determine a launch or a public availability date after that time.

Senator COLBECK—So you told us on notice at the last meeting that it would be going to the Forest and Wood Products Council on 6 December, and it achieved that. Do we have a target date for it to actually be operational?

Mr Aldred—Not a target date, but I am hopeful that it would not be all that long after the steering committee met.

Senator COLBECK—So what date is the next steering committee meeting?

Mr Aldred—1 March is the date I have in my head.

Senator COLBECK—You are within 12 months of having to commence the process for negotiation of renewal of RFAs. How is the strategy going for that process?

Mr Aldred—There has been discussion within government departments on that and, from recollection, I think we need to go back to government to determine the next steps.

Senator COLBECK—So you have started putting some documents together for the government to consider?

Mr Aldred—Yes.

Senator COLBECK—According to the brief—which the minister will be pleased to know I have read, and it is not redacted as badly as some of the others that I have read—one of the decisions the minister has to make is to—

Senator Ludwig—It is still a country mile in front of what the Howard government ever provided.

Senator COLBECK—We can go back to the disease incursion brief, if you like, which was 100 per cent redacted. And I am expressing my appreciation for the document, Minister, so you can cut me a little bit of slack. So, Mr Aldred, you are preparing documentation for the minister's consideration to go into a final strategy for negotiation of those RFAs.

Mr Aldred—Yes.

Senator COLBECK—What is the consultation process in developing that, or are you effectively going to do something for the minister to look at first?

Mr Aldred—I would expect that we would take something to ministers before embarking on any consultation process.

Senator COLBECK—And the first reviews, which are Tasmania and East Gippsland, are due to start in the next calendar year.

Mr Aldred—The East Gippsland and Tasmanian regional forest agreements hit their 15 years in 2012. That is the point at which the agreements provide for determining a process for renewal, on expiry.

Senator COLBECK—With the Tasmanian one, which, as I understand it, is the only one legislated by both parliaments, what is the process for making significant changes to wood supply under that agreement?

Mr Aldred—Off the top of my head, there is a requirement for 300,000 cubic metres of class 1 and class 3 and that is legislated. I cannot recall all the clauses and so on, but I would expect that it would take legislative change. But in terms of the details, I would need to take that on notice.

Senator COLBECK—If you could, I would be interested to know what the processes would need to be. I suppose the only thing you could do would be to give us advice at a Commonwealth level, but perhaps you could also give me any information you can about what would have to happen with complementary legislation at the state level, because one of the driving factors for the current process in Tasmania is a significant hole in the wood supply which will start to appear about 2017 and manifest itself completely by about 2021. There will effectively be only 150,000 cubic metres of native forest timber available post that date. If that is going to be the case—and it appears to be one of the negotiating processes as part of this agreement that is being discussed in Tasmania at the moment—I would be interested to know what the provisions to actually give effect to that might be. Have you had any specific discussions with the Tasmanian government about that looming supply hole? It is effectively a large proportion of native forest that has been converted to plantation and the concern is that the product available, which is *nitens*, is not suitable for saw log supply.

Mr Aldred—I have referred earlier to the government having had discussions about the due diligence component of the Prime Minister's statement. Overall sustainable yield calculation was one of the matters discussed.

Senator COLBECK—Have you had any data on that yet?

Mr Aldred—We have not had specific data on it beyond the publicly available reports. I think 2007 was the last overall description of the sustainable yield strategy, but I would anticipate as part of due diligence that we would work through some more detail with the Tasmanian government and with Forestry Tasmania.

Senator COLBECK—I understand that FT, Forestry Tasmania, has been commissioned to provide some resource supply data, and you say the last available information that the Commonwealth has is from 2007.

Mr Aldred—That was the last public reporting in the sense of regional forest agreements. Sustainable yield documentation was produced as part of the 2002 to 2007 review of the Tasmanian RFA, along with an audit undertaken.

Senator COLBECK—I would be interested in any information around that topic being made available. It is obviously something that you will have to take on notice, but it is certainly something that I am interested in having a look at, given some of the discussions that are occurring in Tasmania at the moment. Could you tell me where we are at in relation to the proposed legislation on illegally logged timber? I understand there have been a number of consultations. Can you give me an update of where things are at with that?

Mr Aldred—Yes. On the Department of the Prime Minister and Cabinet website, the primary bill is scheduled for introduction in the autumn sitting.

Senator COLBECK—In the autumn sitting, okay. So you are currently undertaking consultations?

Mr Aldred—Yes. There were three information sessions held with stakeholders in the first week or two of February. I think each of the three had in the order of about 30 people who attended, and then there is a series of more specific consultations with stakeholders that are happening as well.

Senator COLBECK—Is there work being done to minimise the effect on local operators that are not involved in that process?

Mr Aldred—There were a series of reports that were commissioned over the last 18 months, and those were used to develop a regulatory impact statement by the department. The structure of the legislation or the approach is that there is a high-level primary act, and there is a fair bit of detail to be worked through with industry and other stakeholders on the subordinate legislation and any additional mechanisms such as a code of conduct or those sorts of things. We would expect there to be quite a deal of detailed discussion with stakeholders on the operation of the overall policy.

Senator COLBECK—Concerning round 3 of the Forestry Industries Development Fund, according to the incoming government brief there is \$2.46 million uncommitted. Is that the case, and what is the status of the third round?

Mr Aldred—As part of the portfolio additional estimates statements before you, the bulk of those remaining funds were transferred to support the contracting program, and that shows up on page 25 of the PAES document.

Senator COLBECK—I will have a look at that. So that is where that extra \$2-odd million—

Mr Aldred—Yes, and let me also refer to pages 21 and 22 so you have the relevant tables.

Senator COLBECK—What activities is the government or the agency involved in for the International Year of Forests?

Mr Aldred—There are a range of activities and we are still working on some additional ones. I guess the primary one is supporting Why Forests, which is a collaboration with, from

memory, the Institute of Foresters and the National Association of Forest Industries. There is also support for a World Forestry Day dinner—on 21 March, from memory.

Senator COLBECK—What is the quantum of the support?

Mr Aldred—It is to support sustainable use of forests.

Senator COLBECK—No, what investment are we making? Are we putting any funds towards it?

Mr Aldred—Sorry.

Senator COLBECK—We all support the sustainable use of forests—in different ways, some of us, but we all support the sustainable use of forests.

Mr Aldred—There is funding that has been provided to support a joint conference between foresters in New Zealand and Australia. As I said—

Senator COLBECK—That is the May conference?

Mr Aldred—Yes, I think so. And, as I indicated, there is the World Forestry Day dinner. That is the main sort of support.

Senator COLBECK—So in dollar terms how much are we putting in?

Mr Aldred—I think there is \$20,000 at this stage.

Senator COLBECK—That is \$20,000 for Why Forests, for the conference?

Mr Aldred—Can I take that on notice and give you the specific details?

Senator COLBECK—Could you give me specific details of what your commitments are.

Mr Aldred—I will try and get those back to you today.

Senator COLBECK—That would be good.

Mr Aldred—I think it is just a case of me finding the information.

Senator COLBECK—Okay.

Senator BOB BROWN—To go back to the Export Finance and Insurance Corporation, do you or does anybody in the department have information on talks having taken place between Gunns or potential investors with that organisation?

Mr Aldred—There was a meeting between the secretary of the department, the chairman of Gunns and the CEO of EFIC. I would need to look at the date, but it was a general discussion about the Gunns strategy and no details of EFIC activities.

Senator BOB BROWN—No details?

Mr Aldred—No details of EFIC's activities other than that EFIC had been approached by Gunns.

Senator BOB BROWN—Was there talk about a joint venture partner at those talks?

Mr Aldred—There was mention of a joint venture partner and no individual company was mentioned.

Senator BOB BROWN—When did those talks take place?

Mr Aldred—I will take it on notice so I can provide the date. Again, I can chase it up relatively quickly.

Senator BOB BROWN—Thank you. That was this year?

Mr Aldred—I cannot recall whether it was late December or early January. I will find you the date.

Senator BOB BROWN—Thank you very much. With the agreement Mr Kelty is looking at, the attendant agreement for payments for contractors to leave the industry, who made the decision to increase the payment potential there from \$750,000 to \$825,000?

Mr Aldred—That is a normal process. The grants were GST exclusive, and so the grant is actually grossed up to account for GST.

Senator BOB BROWN—That happens with all grants?

Mr Aldred—That is my understanding, Senator—that it is a normal process.

Senator BOB BROWN—Do you know why that was not announced in the announcement of those contractual arrangements but has only been announced in the wake of them?

Mr Aldred—I would need to check the documentation but I would have expected it to say ‘GST exclusive’.

Senator BOB BROWN—In my studies, the highest similar grants I can find are for farmers getting off their farms due to drought relief, and they come in at less than \$200,000. Do you know of any similar grants that are in the order of three-quarters of a million dollars for people leaving an industry which is in trouble?

Mr Aldred—No, I do not.

Senator BOB BROWN—Why was that figure picked?

Mr Aldred—There were discussions between the two governments, and I believe that it was a figure reflective of the sort of major debt that was being carried by a large number of contractors and, on that basis, was a figure that might achieve the objectives of the program, which was to assist a range of people to exit the contracting.

Senator BOB BROWN—I read in the press that the South Australian industry is advertising for contractors from Tasmania to go there. What is to stop somebody taking the \$750,000 plus GST from the Commonwealth and then going to South Australia or Victoria with that money and competing against local people who get no such grants?

Mr Aldred—I answered a similar question earlier. There are no requirements on the people exiting the industry in Tasmania not to work on the mainland.

Senator BOB BROWN—Yes. I am asking: are you aware that in fact they will compete against people who have no such grants on the mainland and potentially put them out of business?

Mr Aldred—All I can say is that the grant process was developed to reduce contractor capacity in Tasmania and that is the way the process was made.

Senator BOB BROWN—Why wasn't the potential squeeze on contractors in Victoria and South Australia taken into account from Tasmanian contractors taking the money and going to the mainland?

Mr Aldred—We were not seeking to structurally change or make major payments across Australia. The commitment was to make available \$20 million for contractors in Tasmania.

Senator BOB BROWN—Yes, but why didn't you seek to make that commitment? After all, if you leave your farm and get drought assistance you cannot go somewhere else, buy a farm and start up again. Why was this particular arrangement made for contractors in Tasmania, which can put a squeeze on contractors on the mainland?

Mr Aldred—You say 'put a squeeze on them'. There are obviously expanding plantations and so on on the mainland, so if there is a demand for contractors on the mainland then it is not necessarily appropriate for us to stop people changing the nature of their enterprises.

Senator BOB BROWN—I will not go further; that speaks for itself. I wanted to ask a question about forest burns, and this maybe would be best answered by Mr Mortimer. Is it your assessment that the greenhouse gas emissions from Tasmanian regeneration burns are less than the amount absorbed by forests under the aegis of Forestry Tasmania each year?

Mr Mortimer—That is a very specific question.

Senator BOB BROWN—Yes. I wanted to make it specific.

Mr Mortimer—I am not sure how to answer it. Ms Gaglia, is there anything we can say on that, or should we take it on notice?

Ms Gaglia—The Department of Climate Change and Energy Efficiency would be able to provide an answer to that because they actually have the modelling and estimation capacity that we do not. We would not be able to give you an answer to that.

Senator BOB BROWN—Could you also take on notice to look at forests which are not slated for potential logging and which are under the control of Forestry Tasmania? This of course excludes protected forests in national parks et cetera. Thank you very much. I have a question about the Plenty link road, which goes between the New Norfolk region and the Judbury region at the back of Mount Wellington in Tasmania and which is exclusively used by logging interests and prohibits access by members of the public and the tourist industry. How much Commonwealth money went into establishing that road?

Mr Aldred—I will have to take that on notice. You said New Plenty Road?

Senator BOB BROWN—The Plenty link road.

Mr Aldred—Plenty link road.

Senator BOB BROWN—Would you establish what representations the Commonwealth has made to give public access to this high-quality, all-weather road; for example, for tourism? Finally on that matter, would you look at the immediate plans to log next to that road in a way which does not take into account its future tourism amenity? I am talking about on the south decline of that road where there are a number of quite massive clear fells but no screening and no effort to retain the natural beauty of the landscape. Thank you for that.

Mr Aldred—I will take that on notice, Senator. I may come back and say that is a matter for Forestry Tasmania and the state government.

Senator BOB BROWN—Then I will come back and may say, ‘That’s if there’s no federal funding involved.’

Mr Aldred—And that is why I am pleased to take it on notice, Senator.

Senator BOB BROWN—Are you aware, by the way, of proposals I and the residents of the West Wellington Protection Group have been involved in, for a walking track from Hobart along the Wellington Range to the Snowy Range and potentially into the Weld and Styx valleys and, if so, could you take on notice what impact proposed logging on the Wellington Range may have in compromising that option? And I have just two more questions, Chair. The reference to legislation to prevent the import of illegally logged timbers; is the department aware of a current people’s blockade against logging at Vanimo in Papua New Guinea where residents believe their rights have been totally overridden? And what does the government do about internal corruption which effectively means that illegal logging under national laws are given permits by people in corrupt processes? Will such logging materials be prevented entry into Australia under this slate of legislation?

Mr Aldred—In answering the first question, no, I am not aware of the people’s blockade.

Senator BOB BROWN—I wonder if you could take that question on notice and get the committee any information the government may have about that.

Mr Aldred—I will take the question on notice, Senator.

Senator BOB BROWN—Thank you. And the second part of that question?

Mr Aldred—I will take it on notice and answer in respect of Vanimo.

Senator BOB BROWN—In respect of where there are generally laws of a country like Papua New Guinea—and you will remember the Barnett report into corruption in logging in Papua New Guinea—whether we are under the proposed law to prevent the products of illegal logging coming into Australia that will take into account corrupt processes which infringe national laws but which, nevertheless, appear to permit logging—in other words, where bribery has taken place of ministers and other people involved in the logging industry.

Mr Aldred—I think I understand the question, Senator, and I will take it on notice.

Senator BOB BROWN—Finally, are you aware of a copy in the current issue of the *Narooma News* that approximately 10 days ago a young woman was on a platform protesting against the destruction of forests near Bermagui, and police were called to that operation. Other people at the protest left at their direction, but she remained there. Police then left, according to this story, that area and at night thugs came and cut down the tree in which she was stationed, under searchlight, and she was left in this extraordinarily fearful situation by the activity of those thugs. And if you are not aware of it, would you get what information you can about that incident and report it back to the committee and see what measures are taken to—

Mr Aldred—Senator, on that one, no, I am not aware of it. But I believe that is a matter for the police and for the state government.

Senator BOB BROWN—No, it is also a matter for the logging processes taking place down there. But would you take on notice and see if the department has any information about that incident?

Mr Ludwig— Senator Brown, we will see what we can do in terms of this department but, at first instance, with something serious like that, I hope that you or the young person involved has reported it to the police to take appropriate action in that area. It does seem very serious, quite frankly.

Senator BOB BROWN—It is in the *Narooma News*, Minister, so I presume the police are taking action.

Mr Ludwig—Yes.

Senator Ian Macdonald interjecting—

Senator BOB BROWN—Whether there is information about it is a matter for this department, and I am asking if—

Mr Ludwig—And I said we will take on notice what we can to see what involvement we have in that issue.

Senator BOB BROWN—Thank you. We are not limited by what you concede, Senator Macdonald.

CHAIR—On that, senators, Senator Heffernan is a longstanding member of this committee. All rules are thrown out the window, so I think, Senator Macdonald, we will leave it at that. And, Senator Brown, have you any other further questions?

Mr Aldred—Senator, if I may, the meeting referred to with EFIC, is 11 January.

Senator BOB BROWN—Thank you very much.

CHAIR—Thank you.

Senator MILNE—Just, Chair, on that—

CHAIR—Yes, very quickly, Senator Milne.

Senator MILNE—Is there a note of the matters Gunns asked for in terms of support?

Mr Aldred—Gunns asked for nothing. It was a description of the strategy as outlined in, I think, their 2010 annual report or report to shareholders. So it was an articulation of the Gunns' strategy.

Proceedings suspended from 4.11 pm to 4.27 pm

Australian Bureau of Agricultural and Resource Economics and Sciences

CHAIR—Welcome back, everybody. We will now go to officers from ABARES.

Senator HEFFERNAN—ABARES was asked by the Murray-Darling Authority to undertake a socioeconomic analysis of the SDL, which has subsequently occurred. Does ABARES have a view of the present system? We went from area licenses to volumetric licenses to entitlements. Has ABARES done a study of recalculating the entitlement system, instead of what is proposed under the Murray-Darling plan, and including in the entitlement system an increasing proportion of water that has to return to the river as the amount of water

for everyone available declines—in other words, the freight and the environment and the fish growing legs—so you could actually make a calculation and not scare the pants off everyone by saying we have to have three or four thousand gigs returning to the environment in increasing order as the amount of water declines, as a proportion of water available. Have you thought any of that through?

Mr Glyde—I think the short answer to that question is no, in the context of the current approach to the Murray-Darling basin, but I might ask Mr Gooday just to confirm that, because we have in the past looked at different models for allocating water, in the theoretical sense.

Senator HEFFERNAN—I take it you got the grasp of what I am trying to say in very clumsy language. When the amount of water available is 100 per cent, everyone is happy. When it is 30 per cent, the proportion of water that is needed to prevent the fish from having to walk, et cetera, is more proportionate than the water available for the work. I will come later to the way we have bought water back willy-nilly, but the more you buy from the bottom of the river, the more you accentuate the problem. I just wondered whether it was possible, with the present tweaking of the entitlement system, to not have to put everyone through what they are going through.

Mr Gooday—I do not know about that, but I can confirm that we have not done any specific analysis of different ways of specifying the entitlements. A couple of years ago we did some work looking at the impact of climate change in the basin, and compared the current water sharing plans and what that meant for irrigation entitlements with a system where the environment and agriculture shared equally in the reduction in water availability, and of course there were some significant differences between those two outcomes. But I think the point about how water available for consumptive use changes under different scenarios regarding future projections for climate change and other things is an important one, which we have not considered yet.

Senator HEFFERNAN—Given that I am chairing the senate version of the implications of everything, from the extraction of coal seam gas right through to what we are talking about, would you be in a position to provide evidence, in due course, to that committee on a model where you look at using the present entitlement system but make it more sophisticated? The present model just says, ‘Well, we are down to 25 per cent of the flow; therefore there is 25 per cent of the entitlement, or, in the case of allotment for the last three years, zero, low-security water.’ But you could actually model that in one equation, instead of having to say, ‘Well, we are setting aside 3,000 gigs for the environment’—because if the environment is towards the bottom of the river, and someone has got an allocation on the way, the freight factor is taken into consideration with the delivery. I do not know, Minister, whether it is possible for us to cooperate and get some modelling done on that, but certainly, it seems to me that if the science is right and we lose somewhere between 3,500 and the catastrophic prediction of 11,000 gigs out of 23,400, 50 per cent half way, which is the 7,600 that no one wants to talk about, there will be zero allocation in most river systems in the southern Murray-Darling Basin in most years. Knowing that we can actually save between three and four thousand gigs from the point of extraction to the point of delivery, if we are smarten up the infrastructure, I think that we ought to be able to calculate the entitlement that takes into

account the disproportionate return to the environment as the amount available goes down. What do you think?

Mr Gooday—That is an area of work we would need to get into.

Mr Glyde—I guess the issue there, Senator, as you are probably aware, is that ABARES is in part a cost-recovered organisation. Our budget is fully allocated for the current year on existing projects, and so there is an issue for us in that. We tend to talk about things we have done, where we have done the research, done the publications, done the thinking, and that is what we tend to present to committees such as the one you have mentioned. At the moment, we are not in a position to do that work under our current settings, as far as budget and work plan are concerned.

Senator HEFFERNAN—So maybe, Minister, we could have a think about that. You may not have had any input into *Restoring the balance in the Murray-Darling Basin*, report No. 27 of the Australian National Audit Office report number 27. Is anyone familiar with that?

Mr Glyde—We are certainly aware of the existence of the report, Senator.

Senator HEFFERNAN—In that report, which I will go into at half past five, they looked at the Twynham purchase. They looked at Toorale and I do not know whether they looked at Tandou. But in the case of Tandou, the chief executive of Tandou Pty Ltd said, ‘Bill, we’ve won the lottery. We fixed the budget,’ because they got \$32 million for supplementary water, which is water that is only available when there is a flood. Yet look what the government did, in its wisdom. I am not blaming this government. They are no different to any other government. As far as I am concerned, all governments of all persuasions for all time have bugged up water. They bought 269 gigs of supplementary water which was to deliver—I think the equation was—11 to the Murray River and then they calculated the cost and it came back at \$32 million. In terms of return on dollars for that purchase and what it has done for the system, do you blokes do any calculations on that?

Mr Glyde—We are not involved in that sort of calculation.

Senator HEFFERNAN—It seems to me that we should not be purchasing water, but I will come to it later in the correct department. It is only available in the flood because, as the chief executive, who is South African, said, ‘We will buy the water back in the flood at the spot market price and we will put the rest of the money in the pocket,’ which is sort of crazy. Also, in the case of Toorale they managed to buy, without knowing—the federal government was brought into it after the event—the water licences which were still attached to the land. That is in this report. It was not a very bright thing to do. They should have done the homework. Included in the purchases were the area sales, land which had the original water licences, which were cancelled in the seventies, but for some strange reason the government, in its wisdom, in 2009 purchased the water. Those licences were made redundant years ago when they went to volumetric. But you guys do not have advice for the government on the efficient use of that. You say you are struggling for your own budget moneys to do things like answer the previous questions on disproportionate return.

Mr Glyde—I think they are questions, as you have already indicated, Senator, probably best asked of the environment department. As a general principle we do not tend to look at property by property information. We tend to deal with national and regional.

Senator HEFFERNAN—No, I will deal with the details.

Mr Glyde—Yes.

Senator HEFFERNAN—But what I am doing subliminally is putting in a bid for more money for you so that you can do this and not waste it on those sorts of things. I am hoping the minister is listening.

Mr Glyde—I am just waiting for the reaction.

Senator COLBECK—I would just like to ask some questions on the special report that you have just released on the impact of floods. I suppose we start with your statement that the adverse effects on the value of exports are likely to be offset by recent increases in prices on world commodity markets. Could you just give us a bit of a potted version of that.

Mr Glyde—I might ask Mr Morris to take us through that, if that is okay.

Mr Morris—The report we did on 21 January specifically looked at the events from about late December through to around about mid-January. That included the events around Toowoomba, in particular, and the Lockyer Valley, but also some of the floods in south-west New South Wales, Victoria and partly into Tasmania as well.

Senator COLBECK—I am glad you recognise Tassie. So many people do not. Thank you for that.

Mr Morris—It was very important for the farmers in that area that was affected—

Senator COLBECK—Absolutely.

Mr Morris—particularly, I think, poppy growers and some other fruit and vegie growers. Tassie actually supplies a large proportion of garlic domestically produced into the Australian market, so in a national sense it can be important for some of those products as well. In this report we attempted to estimate the impacts on various commodities at a national level and at that time we had come up with an overall aggregate number of about \$500 million to \$600 million. That does not include the impact of the events prior to late December. As you would be aware, Senator, there was some very heavy rainfall from late November through mid-December. We had talked about that and analysed that in our crop report that was put out in December and also in the December edition of *Australian commodities*.

At that time we had put estimates of that rainfall at around \$470 million off the sugar crop in terms of exports and about \$480 million off the wheat crop in terms of the export values. So there was around \$1 billion impact on exports as a result of that earlier rainfall as well. That is in addition to the \$500 million to \$600 million that we estimated in the flood report in January. Since then, in the crop report we released last week we have revised our winter grain numbers to some extent and we have actually added a bit to the January figure. So, all up, we are now saying that if you include the events from late November through to the end of January there was about a total impact of \$2 billion across the eastern states as a result of those weather events. That does not include the impact of Cyclone Yasi, though, which was on 3 February.

Senator COLBECK—So you have got more work to do, in other words.

Mr Morris—We have done some assessment on the Yasi events. The value of agriculture in Far North Queensland is about \$1.1 billion in total, and that was in the 2008-09 values. About 20 per cent of sugar production is in that region in Australia and about 90 per cent of the banana production is in that region of Australia. The banana production is valued at about \$380 million. We know that the banana industry was hit very heavily, so a fair proportion of that industry has been significantly affected. The sugar industry has also been affected but, in our view, the effects were not quite as large as the effects that we saw in that November-December period, which really resulted in quite a significant standover in the harvest and a significant reduction in exports as a result of that. So, overall, we are looking at probably putting a figure on the Yasi event at somewhere in the order of magnitude of \$300 million.

Senator COLBECK—Still a decent hit.

Mr Morris—Absolutely. And, of course, the difficult thing about these numbers is that they disguise the impact on individual farmers and that is where the devastation really occurs. So raw numbers on their own really do not reflect the significant impact it has had on individual farmers and their families.

Senator COLBECK—Are you doing any more specific work, rather than just the broader national type calculation?

Mr Morris—Our main task is to look at the national impact and to try and do an evaluation, as much as we can, industry by industry, picking up the big ticket items and putting an overall number on that. The assistance measures and so forth are actually directed at individuals and farmers across all industries, but we are not really doing those individual assessments. Nor are we really focused on infrastructure, so we have really put our attention on the production impacts.

Senator COLBECK—What about subsequent crops? In certain places this weather has impacted on the capacity to plant the next rotations. Has any of the work taken into account that sort of circumstance?

Mr Morris—We have certainly discussed that. There are both positives and negatives there. For the summer crop overall, we think there has been quite a positive impact on summer crop production for the coming harvest, and that we are actually going to see, for example, a record cotton production still as a result of the very good seasonal conditions. A lot of dryland cotton has gone in, in particular, and the rainfall has been very beneficial for that production.

For the winter crop, a number of people have been asking us about what impact that will mean for the start of the next winter cropping season, and in the crop report we put out last week we actually did a bit of analysis looking at a number of factors, including different types of soil in different parts of Australia. Because obviously the impact of recent rainfall in terms of what it might mean for when we get to the planting season in April and May is dependent on the rain we have had to date, the particular soils we have in different parts of Australia and also the rain we still have yet to come.

What we talk about in that report is that the heavier clay soils, particularly in southern Queensland, northern New South Wales and parts of Victoria, are very good for holding the moisture, and therefore they provide a very good base potentially for the start of the next

winter cropping season. However, in other parts of Australia, the Eyre Peninsula of South Australia, for example, and parts of Western Victoria, where the soils are much lighter, you get much quicker filtration of the water and therefore the beneficial effects of the recent rainfall are much less for the winter cropping production. So those regions will clearly need further rainfall to actually ensure a good winter crop in the coming period.

The other impact, and that is sort of mainly talking about grains, is on sugar crops. It really depends on how much damage has been done and how much replanting of sugar crops needs to be done. So we could actually find some continued effects of the floods and rainfall and the cyclone into next season for things like sugar. Of course, tree crops are similar. It depends on how much tree crops have really been damaged by the events. At this stage we do not think it is too large, but it still remains to be seen how significant that is for future crops.

Senator COLBECK—What specific crops are you talking about in relation to trees? I know the banana guys learned a lot from last time and took some preventative action which brings them back on line a lot quicker, so that mitigates some of the impact there, which is positive, but what are the other crops you are talking about?

Mr Morris—I certainly agree with you on bananas. What I understand is the farmers did trim a lot of the leaves off their trees and even topped some of them. That will actually enable a much quicker recovery after the cyclone than what happened after Cyclone Larry in 2006. But other crops such as mangoes and so forth, and then some of the tree crops down in Victoria, stone fruit and so forth, apparently were also affected by some of the conditions. But again, as far as we can tell from reports we have had and people we have spoken to, it does not seem that is quite as significant as what we have seen for bananas and sugar, for example.

Senator COLBECK—What about cherries and that sort of stone fruit type crop? I have received some correspondence from the cherry guys who are obviously hurting and they had a bad season all the way through. The season was late and some of the early stuff was pretty poor, but that sort of relates to the overall season.

Mr Morris—Yes, the reports I have seen are probably a bit the same as yours. It has really been quality damage rather than necessarily damage to the trees for future seasons. Certainly there has been quality damage on the fruit for this year, which would have affected the returns for producers, but in terms of impacts for future seasons they do not seem so big, although we do not have a lot of information on that.

Senator COLBECK—What about infrastructure and the impact of that on moving produce around?

Mr Morris—The biggest impact seems to have been initially in terms of the livestock sector and moving livestock around. There was a short-term impact with the road closures, which resulted in some delay in getting beef cattle to abattoirs and so forth. We have also had reports from a number of dairy producers who could not get their milk to processors and so had to dump the milk around their farms, into channels or whatever, to dispose of it. Obviously they had to continue to milk the cows. There were some issues, though, where farmers could not get to the cows to milk them and they had concerns about mastitis and other potential issues arising from that. There were other reports about some cows no longer giving

milk because of distress and other factors. However, if we put a value on that, it would be much lower than the impact on the crops.

Senator COLBECK—What about energy? Some of those areas were without energy for a fair period of time and not last year but the previous year an event went through the northern part of Tasmania which cost a fair bit. Farmers had to bring in generators and equipment and obviously during the recent events all that sort of stuff was at a premium, whether you could get it or not. Has access to energy had much of an impact?

Mr Morris—Again, we do not have too many reports on that specific aspect. I understand that power supplies were got on as a priority essential service in a number of areas and were got on as quickly as possible, so that would have minimised the impact. In terms of additional costs created by having to get additional generators or through fencing replacement and so forth, we are probably going to get a better handle on that when we do our next farm survey. At this stage, until we actually get that really detailed farm level information, we probably will not have a very good handle on that.

Senator COLBECK—When is that due?

Mr Morris—We go out into the field starting from about May or June onwards, and we usually have preliminary estimates by December. I should mention that we actually are going out in the field at the moment on an irrigation survey. With that survey we may have some information a bit earlier out of the Murray-Darling Basin, so that will cover some of the flood affected areas.

Senator COLBECK—You mentioned some of the soil moisture profiles and the potential impacts of that on ensuing crops, particularly the winter crop. What about on-farm storages of water? Is there any information that you have on that? I do not want to get into the Murray-Darling Basin debate, but there are a lot of places not on that system where water resources potentially have a value down the track.

Mr Morris—Anecdotally, I think clearly on-farm storages would be in a lot better condition than they were a year or so ago, but we do not have detailed information on capacity of on-farm storages. We do collect and report on information on the dams around the different states. We report on that on a weekly basis in our climate weekly report and it shows that the capacity of the major dams is up around 82 per cent at the moment for the Murray-Darling Basin. That is the highest it has been in more than a decade now.

Senator COLBECK—Does anyone else want to talk about anything on the crop report?

Senator MILNE—While Senator Colbeck is getting organised here, I just wanted to ask about the recent reports about the Saudis having underestimated their oil reserves. Can I just ask where ABARES is up to in terms of its projections on future oil prices, especially in the light of that recent report suggesting that the oil reserves in Saudi Arabia are up to 40 per cent less than was previously believed to be the case, and this in the light of what the International Energy Agency has said about oil prices. So what is ABARES' latest on oil prices?

Mr Glyde—It has been a while since we have had a question on oil prices.

Senator MILNE—I know. So I just thought you would be upset if I did not square up the—

Mr Glyde—We were talking about taking it out of the folder, but I am glad we did not. But I might ask Ms Melanie, who knows more about these things than I do to take us through our short-, medium- and long-term assumptions at the moment.

Ms Melanie—ABARES is in the process of putting together a medium-term forecast. As you may be aware, currently, oil prices are sitting around \$86 a barrel, and we are expecting that price to increase over the short term, partly reflecting the recovery in global economic growth. Over the longer term, the view has been, and still is, that these prices will be driven by the cost of alternative fuels. Based on the sort of data that the IEA has put together we are looking at—the range is quite broad, so the IEA has prices ranging between \$60 and \$100 a barrel. So, on that basis, the current view of ABARES is that, in the longer term, these fuels will provide a ceiling for oil prices at around \$100 a barrel.

If I may provide some information on where the IEA sits currently: in its new policy scenario, which the IEA treats as its reference case, the IEA is projecting oil prices to increase to around \$90 a barrel in 2015, and then to continue increasing to around \$113 a barrel by 2035. That is under the reference case.

Senator MILNE—Clearly it does not in the short term take into account the Saudi Arabian information. Do you have more information about that, about the case that I am referring to?

Ms Melanie—Not specifically on this but, at the moment, there is quite a bit of spare production capacity in the OPEC region and there is also a relatively high level of stocks in OECD countries, so these two factors are expected to put some downward pressure on prices, at least in the short to medium term.

Senator MILNE—Depending, of course, on what happens in the Middle East, which is unpredictable at the moment.

Ms Melanie—Certainly.

Senator MILNE—Can you just tell me what level of exposure Australia now has to the import of oil relative to our own capacity?

Ms Melanie—I do not have that number on me but I can take that on notice.

Senator MILNE—So even in the ballpark?

Ms Melanie—If I were to guess, I would say somewhere around 40 to 50 per cent.

Senator MILNE—So, given that exposure and given the long-term forecast for increasing oil prices, what is the recommendation of ABARES to government about energy security?

Ms Melanie—We are not currently providing any recommendations to the government on that issue.

Mr Glyde—That is a matter for the Department of Resources, Energy, and Tourism. It is their responsibility. We do not have any arrangements at the moment with RET for doing any of that sort of work.

Senator MILNE—Thank you.

Senator COLBECK—Just quickly I want to move on to marine parks. We talked last time about some work that you are doing on the socioeconomic impacts of the establishment of marine parks. Is that work complete yet?

Mr Glyde—I will ask Dr Begg to take us through the current status of that work.

Dr Begg—Thank you. The work that you refer to has been completed to date, and we have finished, effectively, analyses for the south-west, the north-west and the north, and that information has been provided to SEWPaC.

Senator COLBECK—Who is SEWPaC?

Dr Begg—Department of environment—

Mr Glyde—Environment department.

Dr Begg—Department of Sustainability, Environment, Water, Population and Communities.

Senator COLBECK—Okay. So they own the work?

Dr Begg—Yes.

Senator COLBECK—Okay. I will have to ask them if it is going to be released. So you said the south-west, north-west and north?

Dr Begg—North-west and the north, yes.

Senator COLBECK—You have not completed the east?

Dr Begg—No, and we are not planning to do that work at this stage.

Senator COLBECK—You are not planning to do it, or they have not contracted you to do it?

Dr Begg—At this stage we are not contracted with the department of environment to do that work.

Senator COLBECK—That will make Senator Boswell happy! If you cannot tell me any more about it, there is nothing much more I can ask about it. I asked at previous estimates whether ABARES was doing any work on forest industry related work in respect of timber demand. You told me in response to question No. CC14 that the department is not undertaking any work on future timber demand. Is that still the case?

Mr Morris—I will start off, but we might have to give you a bit more detail on notice. We have recently signed a contract with the forestry industry to expand our role in terms of providing forestry statistics. So it is something that will be jointly funded through our normal appropriations as well as from the forestry industry, and that will provide us with better scope to do further work in the future. Whether it specifically involves commodity forecast on forestry is still to be finally determined, but it could very well mean a somewhat expanded role for us back into forestry. In that regard, we did actually produce a commodity note on forestry in the September edition of *Australian Commodities*, and it provided a range of information about harvests of wood, forest exports, and some discussion about demand and so forth for woodchips for the future.

So there was some information that was provided in a bit more detail in the September edition of *Australian Commodities*. We also regularly, in the back tables of *Australian Commodities*, produce some information on forestry in relation to the value of exports, including a forecast for the value of exports for forest commodities. For example, in the December *Australian Commodities*, we talk about the value of forest product exports increasing from \$2.26 billion in 2009-10 to a forecast \$2.34 billion in 2010-11, and we have a break-up by woodchips, pulp and paper products, and other. So there is some information that is published on that, but there is not the same level of detail that we would, say, produce for other commodities at this stage.

Senator COLBECK—As to the detail of what you are proposing or discussing with the industry, is it with the forest industries?

Mr Morris—With the Forest and Wood Products Council.

Senator COLBECK—Okay. So the scope of that work is still being determined as to what sort of detail is investigated as to future demand for things like housing and other products going into those sorts of markets?

Mr Morris—Yes. I do not have details of the contract with me, but we can certainly share the detail with you later on if you wish.

Senator COLBECK—Turning now to the vegetable industry survey—

Mr Morris—Sorry, rather than taking that last question on notice, I could perhaps give you a little bit more detail now on it.

Senator COLBECK—That would be fantastic.

Mr Morris—So there will be additional data provided from a new mill survey.

Senator COLBECK—Sorry, from who?

Mr Morris—On a mill survey, a survey of sawmills and so forth, which will provide information on current use of timber products in building and construction. There will also be a look at forecasting future production consumption and looking at some of the longer-term trends as well. So that is in the first 12 months. We will be starting to look in some detail on those matters and then, in the second and third year, we will be looking to expand that a bit further to include some additional socioeconomic data, and some of that will require a bit further discussion with the industry as to specifically what that is. So we are certainly looking to up our information provision in conjunction with industry.

Senator COLBECK—Is that going to look at future trends in construction methods and try to pick up some clues on what demand might be, moving into the future?

Mr Morris—Certainly that could be a factor that is looked at under these sort of arrangements. I think I said ‘Forest and Wood Products Council’ before. It is Forest and Wood Products Australia.

Senator COLBECK—So that is the research and development corporation?

Mr Morris—Correct.

Senator COLBECK—You made an announcement last week that you have started work on the vegetable industry survey, funded by HAL, using the levy, and also matching funding by the government. Does that fit in with your general rule of work, or is it some additional work that you are picking up?

Mr Morris—As you would be aware, we have done for a long time surveys on the broadacre industries—which cover grains, beef and sheep—and also on the dairy industry. But in recent years we have been looking to expand our coverage of other industries as well. I mentioned an irrigation survey a minute ago that we do for the Murray-Darling Basin, which covers the irrigation industries. But in addition, for the horticultural industry, we have been doing a vegetable industry survey. I am just looking for the brief on that, but I believe it has been for about three years and Horticulture Australia Ltd has just agreed to do another year of that survey. So we are just about to go out into the field now to collect information on the vegetable industry in Australia.

Senator COLBECK—So what is the cost and budget for that, can you tell me that?

Mr Morris—I might ask my colleague to see whether he has that information.

Mr Bowen—Senator, you asked about the cost of the survey?

Senator COLBECK—Yes, please.

Mr Bowen—The survey costs approximately \$300,000 a year.

Senator COLBECK—So what goes into the 300,000? What does that constitute?

Mr Bowen—The survey involves face-to-face interviews with vegetable growers around Australia. If I recall correctly, I think there are about 300 vegetable growers that we surveyed.

Senator COLBECK—How are they selected?

Mr Bowen—We take them from the ABS frame so we get the information from the ABS and we weight the farms to be representative of the area they are in and the types of products being produced so we get the best overall picture we can from the sample survey. We collect the data, and it includes the cost of analysing the data and preparing a report. As Paul Morris mentioned, we have produced this for three years in a row so far, and Horticulture Australia has agreed that they would like to continue for the next three years to get a good time series of data, of what the trends have been in the industry over that period.

Senator COLBECK—So how detailed is it in relation to specific products?

Mr Bowen—We present results on an average per farm and we provide information at the national and the state level, and we are looking at, like we do with our broadacre survey, the whole range of farm financial data, including farm cash income, operating profits, cash costs. In addition, working with Horticulture Australia, there are a number of other questions we have negotiated with them to ask, including the attitudes of farmers towards how long they are going to stay in the industry and what they think are the important drivers—a range of a few issues like that. Plus we also collect, obviously, physical data about the amount of production of various types of vegetables that are produced, the size of farms and those sort of issues.

Senator COLBECK—So you would not have specific details on individual crops within that sector? So it is more about the farm as an entity than it is about the crop? Just to layer this onto that, in some circumstances some of those properties would be multicrop entities, which I suppose adds to the complexity.

Mr Bowen—Correct. Yes, it is a quite complex sector, and it has also got variations from hydroponics to open farming. Also, many farms depend on things other than vegetable growing—to make money out of—for their farm cash income. So we do have physical data on the different types of carrots or broccoli or whatever people are producing, but when you are allocating the costs you cannot allocate the costs to each individual one. It is beyond the data collection that we can do at the moment, but we still get a good idea of the trends that are occurring in the industry over time and clearly the horticulture industry or HAL thinks it is of value.

Senator COLBECK—Does that go down to give in detail the cost of production for the various commodities or is it too broad for that?

Mr Bowen—It is a bit broad for that.

Senator COLBECK—Since the marriage of ABARE and BRS to form ABARE-BRS and ABARES, what has been the synergies and staffing implications of all of that? Perhaps you could give me a sense of what the efficiencies might have been out of it as well.

Mr Glyde—I might start off, Senator, and then ask Mr Morris to follow on with a bit of detail. You might recall from our previous discussions that we were not actually looking to do this as a sort of cost-saving measure and that previously—in fact a number of years ago—we had combined what I guess you would loosely call the back office functions. Corporate support, if you like, had been combined for a couple of years and there were some savings in that and there were some savings in a further centralisation of corporate services that were provided by DAFF to ABARE and BRS.

So really, as we said last time, the budgets of the two organisations and the staffing levels have been put together and the sort of synergies that we have experienced are really more about the synergies of having scientists and economists and social scientists working on some of the common issues, such as where those disciplines work together. So the Fisheries reports have an economic and a scientific dimension to them, so it is more about that. There have not been a whole lot of major changes in terms of numbers of staff and budgets. I do not know, Paul, if you want to add anything there in terms of specifics.

Mr Morris—In terms of the general picture, there is nothing to really add. In terms of some specific examples, I think it has definitely enhanced our work in a number of areas so far. I have a couple of examples. With the crop report we are building much more scientific analysis into that, which assists our crop forecasting more than what it did in the past. The discussion we had earlier, Senator, about different soil types across Australia and the implications that might have for future crop production is an example of how we are trying to feed more and more of that scientific analysis into our work. I think there have been some really good synergies in the increased area of work we are starting to do on biosecurity. We are doing a number of pieces of analysis whereby it is important to both have a strong scientific understanding of the animal and plant health issues as well as doing the economic

overlay about the impacts, for example, of certain exotic incursions into Australia. So that synergy between the science and the economics has been really valuable in some of that work. Those are a couple of examples but it is also occurring across a number of other areas. Forestry, climate change and water are all areas where we are finding some really good synergies in our work.

Senator COLBECK—What about the proposal to shift the energy function to the Department of Resources, Energy and Tourism?

Mr Glyde—That has moved beyond a proposal. The Department of Resources, Energy and Tourism has decided to create its own analytical bureau within its department, and we are working with that department for a smooth transition with the view that the Bureau of Resources and Energy Economics will start operation from 1 July and all questions about oil prices can then be asked of that bureau rather than this one.

Senator COLBECK—I just made that comment to Senator Siewert. So Senator Milne has got one chance left. So what does that mean for your organisation? Does that mean a transfer of activity and personnel out of your organisation into the other department?

Mr Glyde—In broad terms, the Department of Resources, Energy and Tourism has been contracting that work to us for quite a few years, and so what they are doing in essence is taking the money for that contract back and they will be taking some of the current ABARES staff with them. It was not a machinery of government change, so the opportunity was offered to the people who work in that area whether they wish to move with the function to the Department of Resources, Energy and Tourism or stay with ABARES. And that process of choosing to move is still going on at the moment. So some of the staff will move, because they have a lot of experience in that area and they clearly see themselves in the resources and energy area and others would prefer to stay with ABARES.

Senator COLBECK—I might leave it there and we will move on to the next one. We are a bit behind time.

Senator SIEWERT—I understand you have started a project called drivers and barriers to the management of native vegetation on private land.

Mr Glyde—Correct.

Senator SIEWERT—I cannot find it very easily. Where would I find the details about that particular project?

Mr Morris—The project is still underway. It was one, I believe, contracted to us from the sustainable resource management area of the department. But if you would like a copy of the terms of reference—

Senator SIEWERT—That would be appreciated. Terms of reference, how you are going about it, how long it is going to take, who is being consulted, what the purposes are, who commissioned it and why would be really useful.

Mr Morris—Yes.

Senator SIEWERT—Although it is about drivers and barriers, why was it commissioned and how long ago? Can you tell me that now?

Mr Morris—I do not have the exact date, but we can provide that. But the second half of last calendar year, I believe, was when it was commissioned. It was commissioned because there was quite a lot of interest by farmers, in particular, as to the increased level of regulation on the use of their land, and there were issues to do with how they were affecting decisions by farmers as to how they utilise the land. That is only one of the factors that influence decision making by farmers. We broadened the scope of that and so we are also looking at what are some of the other drivers that actually influence farmers' decisions. So, rather than just focus on regulations on native vegetation management, it is trying to pick up a bit of a broader look at other issues as well.

Senator SIEWERT—And when do you plan to have it finished by?

Mr Morris—From memory it is about the middle of this calendar year, the end of this financial year.

Senator SIEWERT—And who has been consulted in the process?

Mr Morris—I do not have that level of detail, so I will get my colleague to try and answer that.

Dr Ahammad—One of the key components of this project is to undertake a survey, and that, because of the current climatic condition and flooding and all that, has been delayed somewhat. So the analysis will be based on the survey and we are planning to send the initial report to the sustainable resource management area by the end of this financial year.

Senator SIEWERT—Who are you surveying? Is it geographic stakeholders? Is it farmers and other stakeholders?

Dr Ahammad—This is more of a supplementary survey based on our broadacre agriculture survey undertaken every year. Last year we picked up some of the survey participants and we are undertaking over the phone supplementary surveys, so a cross-section of the farmers we surveyed previously.

Mr Glyde—It is a national survey, and it is based on our existing survey process, which Mr Bowen talked about before, where we are out surveying farmers: broadacre farmers, dairy farmers and the like.

Senator COLBECK—So it is tacked on to the existing process, providing an additional data set that can inform this particular issue.

Mr Morris—Yes, just broadacre farms.

Senator COLBECK—Just broadacre, so it would not include some of the—

Mr Morris—So it is the cropping, the major livestock producing farms.

Senator COLBECK—But it includes all states?

Dr Ahammad—It does.

Senator SIEWERT—What else is happening in the project? So you are undertaking a survey.

Dr Ahammad—Initially we have done some extra analysis of potential barriers and drivers and then we have consulted some of the existing studies and all that, but the survey is the main component of the research that we have undertaken.

Senator SIEWERT—And when you are talking about broadacre agriculture, does that mean you are not looking at rangelands?

Mr Morris—Rangelands are included in broadacre, so we look at three agro-economic zones in Australia: the high rainfall zone, which is mainly coastal areas, the wheat/sheep zone, which is the major producing areas in Australia, and then the pastoral zone, which is I think what you referred to as rangelands.

Senator SIEWERT—So you are undertaking it in the pastoral zone. If you could get me the terms of reference and all those details, that would be very much appreciated.

CHAIR—As there are no more questions of ABARES, I thank the officers for their attendance.

[5.25pm]

CHAIR—I welcome the officers from Sustainable Resource Management. We will go to Senator Siewert.

Senator SIEWERT—I understand your discussion document has been released for the review.

Mr Thompson—Yes.

Senator SIEWERT—When was it released?

Mr Thompson—Today.

Senator SIEWERT—That is what I thought. What time was it released?

Mr Thompson—I think it went on the web at about 3.30.

Senator SIEWERT—Yes, I just found it. Obviously, we have not had a chance to look at the review, so there will be questions that I will ask to which you will probably say, ‘Go and have a look at the document.’ Can you tell me who has prepared the discussion document?

Mr Thompson—The discussion document was prepared internally in the department.

Senator SIEWERT—On your website you talk about the consultation process whereby you will be consulting with stakeholders. Is the review part of the consultation process, or did you consult with some stakeholders in preparing the discussion document in that part of the review, the consultation process? That is one question, and the second one is: was there consultation carried out in the preparation of the review document?

Mr Thompson—The discussion paper is really the trigger for formal consultation on the review. We have received lots of comments over the last couple of years about changes to the program, some of which we were able to accommodate, some of which we said we would take into account in the review. We did hold a workshop with a number of key stakeholders late last year to canvass ideas, which we were able to build into the terms of reference of the discussion paper and the issues to be canvassed in the discussion paper. So informally we

have had stakeholder consultation feed into the discussion paper, but the discussion paper itself really triggers the formal process.

Senator SIEWERT—So the process from here, as I understand it, is that submissions close on 20 May. Is that correct?

Mr Thompson—Yes.

Senator SIEWERT—Will you then be holding workshops around Australia? What is the process of consultation on the discussion document?

Mr Thompson—We will be doing a number of things. Consultation is to be a significant part of the review process, and we have not bedded it all down. We envisage holding some targeted, face-to-face consultations. We will be accepting written submissions. We will be holding consultations with key groups, such as industry groups and environment groups and state agencies, and we have also put in place a web-based discussion forum, so those people who would not normally come to a face-to-face forum—because it is too difficult or they cannot fit it in their timetable—can still engage in discussion. The experience that other people have had in doing reviews is you can reach a wider audience by using web-based tools to complement the more traditional face-to-face approaches.

Senator SIEWERT—Can we go back? I would like to go to the consultation process, and then I have got some broader questions. So you are going to do some targeted face-to-face consultations. How do you select who you are going to do face-to-face with?

Mr Thompson—The details of that have not all been finalised but, as I said, the sorts of things we would envisage would be face-to-face with groups like regional bodies and face-to-face with national environmental organisations. State agencies have indicated they would like to have some discussions with us. We would go with industry groups. To some extent, it depends on what sort of feedback we get early on in the consultation process and who are really interested in throwing up ideas that we need to explore further.

Senator SIEWERT—So when do you—sorry, every time you make a comment I have got more questions, but I still have not asked my other questions. In terms of the time frame, submissions close in May. When do you envisage then having the report—I presume you are reporting to the ministerial board?

Mr Thompson—Yes, there will be a final report going to ministers.

Senator SIEWERT—And when does that happen?

Mr Thompson—We envisage that would happen early in the new financial year, something like July/August.

Senator SIEWERT—I know what your answer is going to be, but I have to ask this anyway so it is on the record. Will that report be publicly released?

Mr Thompson—That would be a matter for ministers at the time—

Senator SIEWERT—And this is where you say, ‘That is up to the board,’ but—

Mr Thompson—Yes.

Senator SIEWERT—There will be a lot of people wanting to know. That is why I need to ask.

Mr Thompson—Yes, we understand that.

Senator SIEWERT—So let's go back to the consultation process. Between May and July is a relatively short space of time to carry out consultations. So when you say you will look at the consultation process once you have got some initial feedback on the review—

Mr Thompson—What I meant by that is we would expect to get initial feedback on the review via phone calls and emails quite quickly over the next few weeks, and then would develop a more formalised consultation process. The period between May and July would be when the department would be pulling together information to prepare a report.

Senator SIEWERT—Having used to run an NGO and having had stacks of submissions, I look at your submission date and think, 'I do not actually need to get the submission in until May, and I have got a whole stack of other things,' and then I ring you on 20 May and say, 'Can I get my submission in late, please?' That is the reality out there. So what are you doing to let people know that, in fact, they need to be giving early feedback so that they can be part of the consultation process?

Mr Thompson—We have circulated quite a lot of material on an informal basis. There is a lot of expectation about the review happening, so people are well aware of it, and we have been receiving emails already from people saying, 'Hey, I want you to look at this,' or, 'I think this is important.' I believe the web-based process that we are adopting, which provides ongoing and immediate input—people do not have to write a full submission—will actually start to float up some of the ideas, so we will start to get a bit of a picture of how broad the canvas is and who are the people discussing some of the issues. The web-based process will be transparent to everybody, so people will see what other people are throwing up as issues for discussion. We have got a couple of people who will be monitoring that and who will be—I am not sure of the term but it is like facilitating or interjecting from time to time.

Senator SIEWERT—Moderating.

Mr Thompson—Yes, moderating. In a sense, it is like an ongoing public meeting which starts fairly shortly.

Senator SIEWERT—Obviously, you have sent this out to all the 56 NRM groups?

Mr Thompson—Yes, 56 NRM groups, and the material will go out, through various email lists, to some thousands of Landcare groups and the equivalent environment groups. I think we will be sending out a note to all recipients of Caring for our Country funding, so there are another 3½ thousand addresses.

Senator SIEWERT—So basically it is a 'watch this space' in terms of where consultations will be, but is there a commitment that you will be going to each state? And who is 'we'?

Mr Thompson—We will certainly be holding some sort of face-to-face meeting in each state, and the 'we' will be at least some senior executives from the two departments.

Senator SIEWERT—So that gets me to this point: who signs off on the review? This is an internal review, as I understand it. That is correct, is it not?

Mr Thompson—Yes.

Senator SIEWERT—Have you got an advisory panel?

Mr Thompson—We do not have an external advisory panel for this process.

Senator SIEWERT—Will the submissions be public? Are you going to put them on the website?

Mr Thompson—My understanding is the submissions will be public, yes.

Senator SIEWERT—Can I get that confirmed? It is your understanding.

Ms Lauder—I can confirm that. In the discussion paper, we say that all submissions will be made public unless the person that puts a submission in identifies that they want it to remain off the record.

Senator SIEWERT—Okay. Given that you released it at 3.30 I have not had a chance to read the discussion paper.

Ms Lauder—Of course.

Senator SIEWERT—Can we go back a step? Why was the decision made to make it a departmental review, rather than getting at least an external advisory panel?

Mr Thompson—There was a range of options to be considered for conducting a review. As this was a mid-term review, a conclusion was reached that if a review were done in a fully consultative and open and transparent manner an outcome could be achieved via this process similar to what would be done via an external panel.

Senator SIEWERT—I have got some questions now going on to: where to from here with existing grants and the business development of the next business plan, but I am wondering if Senator Macdonald had any questions around the discussion paper.

Senator IAN MACDONALD—Is this the first time the review has been wholly internally conducted?

Mr Thompson—This is the first review of Caring for our Country. There had been previous reviews of other similar programs undertaken via a range of mechanisms, sometimes using external panels, sometimes entirely departmental and sometimes being a mixture of external consultants and departmental. We may well be using external consultants to undertake part of this review. That has not been settled at this stage.

Senator SIEWERT—I am sorry, Senator Macdonald. That is the first time I understood that you may be using external consultants as well.

Senator IAN MACDONALD—That seems to be different to the answer you gave to Senator Siewert earlier.

Mr Thompson—Not quite, Senator. What I said is that the review is being managed internally, and there is not an external panel. The process of undertaking assessments of various parts of the program or whatever may well involve getting in external expertise. So it is an addition to that. I was not saying it was different; it was just a bit more detail about how it is done.

Senator IAN MACDONALD—So who are the external consultants?

Mr Thompson—They have not been appointed as yet. We are still going through looking at: on what issues do we have internal expertise and on what issues would an external consultant add value? So I cannot give an answer at this stage.

Senator IAN MACDONALD—I missed the first part of Senator Siewert's questions and I am just trying to look it up on the website. When is the review process likely to be completed?

Mr Thompson—I said earlier we are expecting to report to ministers in late July.

Senator IAN MACDONALD—So the internal review process will continue through February, March, April, May—

Mr Thompson—February, March, April, May and June.

Senator IAN MACDONALD—And then the external—

Mr Thompson—We may be using some external consultants to do some work during the period March, April, May.

Senator IAN MACDONALD—What sort of external consultants do you use? Would they be accountant type people?

Mr Thompson—There could be a range of things. We might use external consultants to assess the effectiveness of area programs or look at the performance of regional bodies, community groups or industry groups. One element that we have already agreed will inform part of the review is that the Fenner School of Environment and Society at ANU is conducting a research based exercise, which will involve both research and some public input, looking at challenges for regional services and integrated natural resource management. So that is one example that we do know about at this stage.

Senator SIEWERT—Is that external to what you are doing? Have you commissioned that?

Mr Thompson—We have not commissioned it. The Fenner school had some funding to do work in this area of collaborative delivery of various programs, and we have had discussions with them saying, 'Perhaps as one of your case studies you could look at natural resource management and so do an academic literature review of experience and opportunities,' and so we would collaborate with them on that. So in a sense they are retaining their academic independence, but we would see that, in the timing, as being quite useful to feed into this review because there is quite a lot of academic and research literature around about regional delivery and integrated natural resource management that we did want to take on board, and it is something that would be better done through an external process than an internal one.

Senator SIEWERT—Can we get back to this issue of use of external consultants? Have you thought about using them for the consultation process? I am not trying to get up the department but, as you know, there is a lot of criticism about Caring for our Country. Do you think people are going to be open and honest if the department is carrying out the consultation around their own discussion paper and then are running the consultation process as well, or as forthcoming as they might be if they had an independent consultant running the process?

Mr Thompson—We see no reason why people would not be forthcoming. In fact, they are quite frank and forthcoming about the program now. If we did observe that it was a problem

and they were concerned either about whether we would be taking their views on board or whether we had assessed them properly, the use of someone external to either assist with the consultation or perhaps act as an independent observer about the process and ensure that the material being brought forward was being fed into the review properly would be something we could consider.

Senator SIEWERT—If people had expressed concerns, did you say, sorry?

Mr Thompson—Yes. We have not had any concerns raised with us to date about us doing a departmental type consultation.

Senator SIEWERT—I should get the people who have been talking to me to talk to you, in that case.

Senator IAN MACDONALD—Rather than relying on the department and external consultants, I know you have spoken to those who are actually involved—the stakeholders. Many of them are very genuine people. I have had a fair bit of experience. Again, as we all know, there has been a lot of criticism. There has been a couple of Senate inquiries into it; it comes up every estimates. But to your credit, Mr Thompson, I have to say that the message I am getting through now is that the department has at last realised that they were heading in the wrong direction, and there seems to be a willingness to return to an involvement where the stakeholders were able to have more local control and in that way not be competing against each other in their own local community for various grants.

So a lot of the collaboration that was the hallmark of this program in its earlier days and in its previous name that had disappeared might be coming back. But I am just wondering: is the review and the external consultation process essential or are the consultations you have had so far with the stakeholders, where it seems to be that everyone is now heading in the right direction, sufficient? Perhaps we should just get on and do it rather than waiting another six months to fiddle around the edges.

Mr Thompson—We have received a wide range of views on the program and there has been some endorsement for some of the approaches and changes that have been made, but, equally, there are people who want to make bigger changes. Some people have spoken to us and put those forward and others have not. I think we do need to give everyone an opportunity to express their views. At the stakeholder forum that was held in November last year there was quite a high degree of divergence of view around things like the role of regional bodies versus the role of community bodies, small grants versus large grants and those sorts of things, which I think we do need to explore a bit more with people.

Senator SIEWERT—National issues versus state/local issues?

Mr Thompson—Yes.

Senator SIEWERT—It is a big issue in WA. What is the process for making decisions about whether you will go to external consultants? Do you as the department managing the review make that decision or do you need to go to the minister?

Mr Thompson—On very major issues we would possibly go to ministers, but quite a few of them we would be able to make internally. We certainly would not be taking any significant

directional changes or major changes in process without informing the minister and providing the opportunity for ministerial input.

Senator SIEWERT—Sorry, I may not have framed that right. I do not mean in terms of making the changes to the program; I mean in terms of the review.

Mr Thompson—As an internal review the overall management would be one that would be the responsibility of the department. Most of the decisions about it can be made by the department but, if some particular element were likely to be very sensitive or perhaps there was a divergence of views, those are the sorts of things that ministers are engaged with so that, in a sense, there are no surprises coming out of the process.

Senator SIEWERT—Is there a budget allocation for the review?

Mr Thompson—There is not a separate budget allocation. We will be drawing on resources from things like the monitoring and evaluation budget and the resources that we use for business planning. We have reallocated some resources within the division.

Senator SIEWERT—What is the reallocation? What is the amount you have reallocated?

Mr Thompson—It is really on a needs basis. We have formed a small team who are dedicated to it. I do not have the exact numbers here. We could calculate what their cost is as the minimum. If more work is necessary we will have to draw on other resources from inside the division. For example, one of the bits that feeds into the review in a significant way is a monitoring and evaluation report, which we are already staffed to do and which is already planned in as part of the normal process.

Senator SIEWERT—How many are in the small team?

Ms Lauder—Six full-time people. We are also accessing staff from across the division to provide advice and guidance—some are putting in a day a week. But there are six full-time people on this.

Senator SIEWERT—Presumably that team is going to have to go around and carry out the consultation. Is that budgeted separately or is that contained within the—

Mr Thompson—The team will be managing the consultation process. Probably one or two people from that team will go to all the consultations, but we will also be drawing on senior managers from across the division to assist with that consultation—both to allow them to receive the direct feedback and to ensure we have enough people to do the job. But we will just draw, for the travel and whatever, on our divisional resources.

Senator SIEWERT—Moving on to the business plan for 2011-12, what is your time line for the next round of funding?

Mr Thompson—The business plan for 2011-12 is currently in its final stages of consideration. We expect to release it shortly. This review will not affect the business plan for 2011-12. It probably could inform the business plan for 2012-13, the last year of the current round of Caring for our Country.

Senator SIEWERT—What real impact will that have for the last year when this forward estimate is made? I know we always have this tricky conversation about how much from each of the projects is in forward estimates, but obviously each project that is approved that is

beyond a year has an impact on the subsequent forward estimates. How much realistically is going to be available if you decide major changes are going to be made? How much is realistically going to be available—because you are saying they are basically one-year projects?

Mr Thompson—Caring for our Country is an ongoing program and there are forward estimates beyond 2012-13. Under the normal budgetary processes, even though it is an ongoing program, one would not normally be able to enter into contracts beyond the current forward estimates period—which ends in 2013—without government approval. A review that was finished in time to inform the 2012-13 budget may enable decisions by government that draw upon the forward estimates which already exist for Caring for our Country. But that would be a matter for the government in next year's budget.

Senator SIEWERT—It is a question that I think you are going to get lots of NRM groups asking, because funding a one-year project is very different, as you are aware, from funding a more comprehensive project. So they will be asking that question.

Mr Thompson—Yes.

Senator SIEWERT—You said the current business plan will be developed shortly. How soon is 'shortly'?

Mr Thompson—'Shortly' would be within the next three or four weeks, I would expect.

Senator SIEWERT—Then the next funding round will open?

Mr Thompson—The next funding round will then open and we would aim to be in a position to announce projects early next financial year.

Senator SIEWERT—That is on the existing—other than slight amendments—parameters of the project?

Mr Thompson—That is on the existing parameters of the program though, as has been the case with previous years' business plans, modifications are made to the business plan to take into account how far we have tracked towards achieving targets or modifications to targets or modifications to eligibility on the basis of experience from the previous years. So we are not looking at a revolutionary change in the business plan, but we have been able to address some issues that had been a concern to some people and we will be able to pick up some issues which have changed over the passage of time.

Senator SIEWERT—Going back to the monitoring and evaluation project that you mentioned—the one you have already started but which is going to be included in the review process. Is that a new project or is that one of the ongoing monitoring and evaluation projects?

Mr Thompson—It is one of the ongoing monitoring and evaluation projects. We have a monitoring and evaluation strategy and, as part of that strategy, assessments are made of each of the theme areas that we are working on or of special cross-cutting issues. Data is collected on how we are progressing against those and on the efficiency and effectiveness of those projects. So that monitoring and evaluation project is really looking at the delivery of the program in that quite quantitative sense.

Senator SIEWERT—Will that monitoring and evaluation project be finalised by the time you undertake or finalise the review? It is an ongoing project?

Mr Thompson—It is an ongoing project, but there will be an evaluation report on the project under the monitoring and evaluation strategy to the extent that data available to date enables it. It will not be for the whole program. This is, in a sense, a mid-term review not an end-of-term review, but it will pull together what information we do have.

Senator IAN MACDONALD—The last NRM group set up in Australia, as I understand, was the one looking after Cape York. Is that right? How is it going? It came into the field late—is it up to date with all the programs and business plans et cetera?

Mr Thompson—I cannot go into detail about the Cape York body, but it has been put in place. It is receiving some funding under Caring for our Country. As in previous years, a number of the contracts have gone direct to various deliverers on Cape York rather than all being put through the regional body, being a new body, to give it an opportunity to settle down. The regional body has appointed some staff. Its CEO was a quite experienced operator from another region in Queensland. The other regional groups in Queensland are providing quite a deal of help with things like setting up an organisation, governance and issues that the new NRM needs to take on board. My understanding is that they—in particular the regional bodies that are quite close to them, such as the Terrain NRM, which is based adjacent to them, and some of the Gulf ones—are also providing some backroom assistance

Senator IAN MACDONALD—Yes, Terrain and Northern Gulf, I understand. The programs that were delivered directly, I think you said, before the NRM was set up—are they now being incorporated and coordinated through the NRM group?

Mr Thompson—Our objective would be that the NRM group would be coordinating them but—correct me if I am wrong—a number of the contracts still rest with those individual organisations.

Ms Lauder—We have actually been giving only one-year contracts through the business plan for Cape York, pending the regional body being up and running. This will be their first business plan and they will have the opportunity to put in a submission for the next two years if they want to or they can just do year by year. So we are expecting them to coordinate and work with the organisations that have been putting submissions in directly to us previously. They will do that through the regional body.

Senator IAN MACDONALD—Landcare programs are now all delivered through the Caring for our Country program, are they?

Ms Lauder—That is correct, yes.

Senator IAN MACDONALD—What is the association between the various NRM groups, on one hand, and what were relatively independent or autonomous Landcare groups on the other? How is that working out across the board?

Mr Thompson—It is variable across the country, but while there was a little bit of competition early on in the process, I think relationships have settled down quite a bit in almost all regions, or all regions. Landcare groups, as individuals, can apply for community action grants. Landcare groups are now supported to access Caring for our Country through

the regional Landcare facilitator initiative. Regional bodies have been told that part of their base level funding is intended for them to help work with those community groups, perhaps in some cases put in applications on their behalf or act as the sponsors of projects for bodies. So I think it is fair to say there were a couple of areas where there was a degree of tension, but it has improved over the last two or three years and I would say the relationship by and large is pretty good now.

Senator IAN MACDONALD—Does the funding for individual Landcare projects nowadays come through the NRM group as part of their business plan or are they still directed separately from Canberra?

Mr Thompson—It is mixed. Landcare groups, as I said, can apply directly for small community action grants. Larger Landcare groups or networks do apply for Caring for our Country projects through the business plan. Some networks work through the regional body. It depends on the state or on the way the organisations work within their region. To some extent it depends on the size of the Landcare networks operating within the region and how the region is targeting their program. So there are examples of all three cases across Australia.

Senator IAN MACDONALD—Someone here may have a better memory than I, but did you ever supply me with the details of what individual state governments were putting in in cash as opposed to in kind to the NRM groups in their state?

Mr Thompson—We provided you with some material on that, Senator. I do not think we were able to provide you with a comprehensive answer because we do not always know how much money the states may pay for various things. I think we provided you with a broad answer, but we were not able to do a really detailed one.

Senator IAN MACDONALD—On notice, if there is any update you can give me from what you last gave me, that is if you have, since you last replied to this, become aware or ascertained or perhaps even asked the state governments to tell you about any cash investment, could you let me know that on answer. And just finally, in the mid-term review of Caring for our Country is there any review of whether either the community-based NRM groups or the state government statutory authority NRM groups is a preferred model of delivery? Is that part of the review?

Mr Thompson—What is part of the review, which perhaps relates to that, is we will be looking at the relative effectiveness of different modes of delivery and we will be looking at the governance and the effectiveness of various NRM organisations across the country. So I think information that would help answer your questions will become available during the review, but we do not have a specific study on statutory NRM versus non-statutory NRM. But, in fact, one of the things I would be quite sure will be thrown on the table by some of the academics in that work being done by the Fenner school will go to that sort of issue, because that is the thing they want to look at. Their approach is to natural resource management governance.

Senator IAN MACDONALD—Yes. To properly look into anything like that you would need to know just what cash investment those states where statutory organisations are operating put in, which I guess, if they are reasonably accountable statutory agencies, would

be readily available from Auditors-General and websites and state government budget papers. Would that be right?

Mr Thompson—To look comprehensively at the effectiveness of those organisations, yes, you would have to take into account the relative size and budget and what flexibility they have in delivering that budget, so information of that sort would be important.

Senator IAN MACDONALD—It would be important to distinguish between state governments that do not really contribute to the NRM groups versus state governments who put massive amounts of money into statutory organisations to do their part of the deal, plus the Caring for the Country part of the deal. But they are the sort of things you would have to look into. That is all I had, Mr Chairman.

CHAIR—There being no further questions, thank you very much, Sustainable Resource Management. We will now call officers from Australian Fisheries Management Authority.

[6.02 pm]

Australian Fisheries Management Authority

CHAIR—Welcome, AFMA.

Senator IAN MACDONALD—Welcome to Dr Findlay as the Acting Chief Executive. What is the process for finding a replacement for Mr Hurry?

Dr J Findlay—I am probably not the best person to comment on that.

Ms Mellor—There has been a selection process, and it needs to be referred to the minister.

Senator IAN MACDONALD—So who can tell me about it?

Dr Dickson—The process for selecting the new Chief Executive has been underway over the last month or so. It is a process being conducted by the secretary. Dr O'Connell is the chair.

CHAIR—Thinking of applying, Senator Macdonald.

Senator IAN MACDONALD—I would nowhere near qualify.

CHAIR—You know where all the skeletons are hidden.

Senator IAN MACDONALD—No. So the process is underway.

Dr Dickson—The process is underway and should be concluded fairly shortly.

Senator IAN MACDONALD—Yes. I thought I heard the acting secretary just as a sideline say it has been referred to the minister.

Ms Mellor—No, it will need to be.

Dr Dickson—It is a ministerial appointment.

Senator IAN MACDONALD—Of course. So was it advertised internally, externally?

Ms Dickson—It was advertised externally.

Senator IAN MACDONALD—And when did Mr Hurry leave?

Dr J Findlay—September 2010.

Senator IAN MACDONALD—September. So when would we expect that there might be some appointment?

Ms Mellor—None of us are actually involved in the process, sorry, Senator. When Dr O'Connell returns from leave, I am sure it is one of the things he will turn his mind to quickly.

Senator IAN MACDONALD—Well, if you are not involved in the process, who is?

Ms Mellor—It is Dr O'Connell, the normal secretary of the department, but he is actually on leave at the moment.

Senator IAN MACDONALD—Okay. When is he back from leave?

Ms Mellor—He will be back next Monday, I think.

Dr Dickson—But the process is in its final stages of concluding.

Senator IAN MACDONALD—Right. And then the process is that Dr O'Connell makes a recommendation to the minister, and then it is up to the minister whether or not he accepts that.

Dr Dickson—Yes, that is correct.

Senator IAN MACDONALD—Okay. Are you ready now, Senator Colbeck?

Senator COLBECK—Yes, fine. It is just a matter of finding the right folder. We might go straight to the prime export product for Australia, southern bluefin tuna. The quota cap decision made by the CCSBT in October of 2009 was based on that year's stock assessment. The figures that I have seen from the latest annual CSIRO survey indicate a much stronger stock. Could you give us a comment on where you see that being at the moment? And I realise we are halfway through, but I have seen some adjusted data from halfway through that looks quite encouraging.

Dr J Findlay—I will start off. Look, that is certainly the case. We are seeing a very good year at the moment in the Great Australian Bight for two- to four-year-old fish, both in the industry aerial survey data and in the CSIRO formal structured aerial survey. As I stated, these are two- to four-year-old fish, quite different to the adult fish which comprise the adult population, which is actually the key assessment component in the Commission for the Conservation of Southern Bluefin Tuna. It is a very good year. This is a very good sign, and we would like to think it is the sign of things to come but, just as when we have a very bad year in the Great Australian Bight it does not mean the stock is going extinct, this year, when we are having a very good year, does not mean the stock has suddenly recovered.

Senator COLBECK—But it is indicative of a trend over recent years of gradual improvement, and I do not want to put it any more than that, but there is a bit of a trend over recent years of stocks improving, which would follow on from other actions in relation to policing of catch.

Dr Dickson—I might ask Dr Gavin Begg, who is our scientific representative on the scientific panel, to give the background of the science.

Dr Begg—The last assessment indicated the stock was somewhere between three to eight per cent. The new assessment will be conducted this year as part of the normal CCSBT process, and it will incorporate the new and improved data over the last couple of years. So as

Dr Findlay mentioned, the last couple of years has been good. It is a good signal. But all that data will be incorporated into the assessment and it will be factored in during that process.

Senator COLBECK—Okay. How does that align with the catch rate of the Japanese, which I understand has also seen an improvement?

Dr Begg—Yes. We have not seen this year's catch rate analysis from Japan, but certainly last year there was also an increase.

Senator COLBECK—And is that in a specific cohort—as Dr Findlay indicated we are talking two- to four-year-old in the aerial survey and the fishermen survey. Does it have a broader cohort than that?

Dr Begg—Yes, the Japanese catch rate data is four plus, so the aerial survey is two to four, and then the Japanese survey is four-plus years.

Senator COLBECK—In the aerial survey, how do you distinguish?

Dr Begg—You can't, effectively. We have information in terms of when we age the fish coming into the GAB, and we know they are somewhere between one to five years of age, and the bulk of the catch from our age estimates and size estimates are two to four, and so the aerial survey is an aggregated index of two- to four-year-olds.

Senator COLBECK—And the breeding age is eight to 10? Is that about right?

Dr Begg—It is 10-plus, in terms of the model and its assumptions.

Senator COLBECK—Okay. I know we are only halfway through this season on the data that I have seen—I do not know whether you have got any later data than I have seen—but with that trend, does that have any projections moving forward into what we might be having as far as the catch projections might be concerned?

Dr Begg—No. As I mentioned, that information will be incorporated into the assessment.

Senator COLBECK—So we really need to see a full data set before we start to look at what that might mean for our catch limits going forward?

Dr Begg—Correct.

Senator COLBECK—What can you tell me about the work that is being done by CSIRO on the close-kin project that maps DNA?

Dr Begg—Yes, that project is still ongoing, and they are analysing an additional, I think, 7,000 samples. We are expecting to see the results later this year, and around September-October those results are expected.

Senator COLBECK—But what is the focus of that? I mean, my understanding is that it is to do a calculation on the size of the spawning stock. How does that relate?

Dr Begg—That is correct. We can certainly give you the details and we can table the report that has been presented to date on that, but effectively the idea is to match pairs of spawning adults, which are sampled out of Indonesian waters, and those juveniles that we collect in the GAB, and from that index, it gives you an estimate of the biomass. So it would provide us with another index in terms of the potential size of the stock.

Senator COLBECK—So it is another piece of data in the overall stock assessment calculation?

Dr Begg—Correct, and the discussion still needs to be had in terms of how that information will be used going forward.

Senator COLBECK—What the relationship is with other data sets?

Dr Begg—Correct.

Senator COLBECK—Okay. Do you have any comparisons to date? Say, if we went to the 2009 assessment versus the information out of the close-kin report, what does that tell us?

Dr Begg—That is why those additional samples are being analysed at the moment, because there has been an initial analysis but the data was insufficient, if you like, and so these additional samples will give greater confidence around the potential estimate for that stock biomass. As I said, we are expecting that later this year.

Senator COLBECK—So the initial results that worked around the 2009 assessment would have to be regarded as inconclusive at this stage. With the additional couple of years of data on top of that, it will shore that up.

Dr Begg—Yes.

Senator COLBECK—Will all of this information be included in the 2011 stock assessment process?

Dr Begg—Yes, all except the close-kin data. So the most up-to-date aerial survey, for this year, will be included, and the most recent catch rate data, which is usually about a year behind.

Senator COLBECK—So what is the rationale for excluding the CSIRO information?

Dr Begg—Because that project is not finished yet, and one of the things that needs to be considered is how that information will actually be incorporated into the current assessment.

Senator COLBECK—But that data will be available by the time we get to the next meeting, won't it? When is the next assessment process—August-September?

Dr Begg—It will not be ready for the assessment meeting in late July. But we are hoping it will be ready for consideration for the commission meeting, which is in October.

Senator COLBECK—So the assessment process is completed in July, which, what, formulates the recommendations to go to the commission in October?

Dr Begg—Correct.

Senator COLBECK—So what sort of time frame do you have around making the assessment of how you include the close-kin data in with the other information that you have got?

Dr Begg—That is still a work in progress. It is a discussion that the scientific committee of the whole CCSBT still needs to occur. As you can imagine, that data is yet to be presented and finalised. So there are still question marks that need to occur and discussion around what that information means and how it can be incorporated into an assessment moving forward.

Senator COLBECK—But what is the suggestion of what it means now? Obviously you have got a set of data that was available around the 2009 assessment. What is the general perspective on what it means at this point in time and what are you looking to shore up as far as that view is concerned?

Dr Begg—At this stage it would be another indicator by which we could assess the state of the stock.

Senator COLBECK—But does it align with what you have with the other survey methods? Is it aligning in a similar way? Is it ahead of where they are or behind where they are? I know that you are not going to include it in the assessment; I am just trying to get a sense of where it is pointing.

Dr Begg—I would not like to comment at this stage, until we see those final numbers.

Senator COLBECK—But didn't it point to anything around the 2009 process?

Dr Begg—No; there has been an initial analysis, or preliminary methodology papers, that has been put forward by the CSIRO but there has not been a finalised number or report in terms of the actual results of that project.

Senator COLBECK—So the initial work effectively is being regarded as inconclusive?

Dr Begg—No, the initial work has really been about testing a methodology and that has really been the focus, to see whether this technique could actually work on a stock like SBT.

Senator COLBECK—But it does not give any indications as to numbers or anything of that nature; it is basically about testing the science of the process and then you start looking at applying it and how that application relates to other stock assessment methods?

Dr Begg—Yes.

Senator COLBECK—The CCSTB measures the stock status by comparing the current level of spawning stock with the estimated spawning stock in 1931. That is the basis of the process?

Dr Begg—Yes, that is correct. That is considered the unexploited stock.

Senator COLBECK—Effectively before fishing began.

Dr Begg—Yes.

Senator COLBECK—So if the new data indicates the SBT spawning stock is three times higher than the previous calculation of eight per cent of 1931, what does that mean? Does that mean it is at 24 per cent of that level? What does that mean in real terms? I suppose you are going to tell me you cannot take one year's numbers, and I understand that realistically there will be a conservative approach to this given that hopefully we are talking about a recovering stock. But what does that actually mean?

Dr Begg—The last assessment had the stock somewhere in the ballpark of three to eight per cent. Since then we would have had an extra couple of years of data, so with improved signals we would expect there potentially to be some increase, but the order of three to four times the current stock most likely will not be the case. We will obviously have a better handle on that when we do the assessment in July.

Senator COLBECK—What are we looking at saying to the industry in this process? The reports from the industry are that they have never seen anything like it in all their years of fishing, so they are obviously seeing significant stocks. We are pointing to an age cohort and I understand what you are saying to me there. But reports are talking about a school between 1,000 and 10,000 tonnes of fish, so there seem to be pretty significant stocks coming through. What does that mean in respect of what we are looking at into the future?

Dr Begg—One of the things we need to remember is the assessment is based on the spawning stock, and that is 10-plus years of age. So the signal we are now seeing in the GAB is certainly a positive one and we have seen it the last couple of years, but those fish now effectively have to go through the long-line fleets until they reach spawning age, which is at 10-plus years. That signal is one of those indicators in terms of potentially good recruitment, but in terms of how that relates through to the spawning class, that is going to take some years.

Senator COLBECK—But surely there must be some relationship between the spawning class and the number of fish if we are seeing these significant numbers of fish coming through. There must be some relationship there somewhere.

Dr Begg—Yes, that will feed into the assessment.

Senator COLBECK—What are the factors that are going to determine each individual country's allocations going forward? One of the issues that we have to manage is the fact that Japan is running at about 50 per cent as a penalty at this point in time. How are we managing all of that process? If everybody is seeing these large numbers of fish, the temptation is going to be fairly significant, isn't it? Discipline is going to be an issue.

Dr Dickson—There are several things, as you are aware, that are going to need to be settled this year. The total allowable catch, being the first one, is basically based on the stock assessment but also on the management procedure, the harvest strategies, if you will, that the commission has got to decide this year. So that determines the overall catch for next year, both the stock assessment and the decision on which harvest strategy to adopt. Then within that we have the issue of national allocations and a couple of things coming into play this year. One is, as you have mentioned, the Japanese penalty can be reviewed. The review will depend on whether there has been any substantial change in the stock and a range of other factors. The other thing that is coming at the same time is CCSBT agreed to look overall at how the pie is being divided up.

Senator COLBECK—Which comes to my next point, which is how do we look after our patch while actually protecting the recovery of the stock? The recovery of the stock has to be a key and prime consideration as part of this process. But we have made stock reductions ourselves on a voluntary basis in the past to assist with the recovery of the stock. New Zealand, I think, is the only other country that has actually done that.

Dr Dickson—Japan have done it, too.

Senator COLBECK—How do we make sure that we protect Australia's interests in this process? It is an international fishery, as you quite rightly said. What are we doing to make sure that we do that?

Dr Dickson—We are running a number of strategies. We have got three meetings this year. The first one is coming up in Japan at the end of March. Also Australia is running a special meeting that we are hosting here in late August. Those two meetings are going to help deal with a number of these issues. The one on protecting our patch, as you say, is a very key objective for us in the negotiations and we are doing that through making sure that the rules of allocation are going to be recognising some of the key contributions that Australia makes. We make a major contribution to the science; we fund the aerial survey. We have done a lot of the basic work on the science over a large number of years. We are also a coastal state, so we will maintain those sorts of issues that are key ones for the allocation. We also have a good record on compliance and that is one that AFMA have played a major role in, and maintaining our status on compliance is going to be a key part of a strategy. In other words, we will be setting out all the key responsibilities and the activities that we have undertaken which justify keeping our proportion of the allocation.

Senator COLBECK—I suppose these things are always pretty fraught, and they are always well fought. If you look at some of other fisheries, even within Australia, and you start to look at the reallocation or the distribution, a lot of it is based on effort, or there is a date set or something of that nature. If you are not in the right position and you do not have the right catch history at the set date, or something of that nature, you end up going down the tube. I think of, for example, the current circumstances around patagonian toothfish, where the species in the French waters and our waters are now recognised as one species.

The French are continuing to catch at a fairly significant rate. We continue to have a conservative catch policy. I understand why that is in place, but say it then gets down to the circumstance where you are treating it as one stock and then making an allocation. Say you are in the wrong place on the wrong date and there is a significant cut in the allocation at that date. We decide today that we are moving to one stock and to protect the stock we are going to cut the catch in half. We will say ‘Your catch today was X. Mine was three times X, so you get half X and I get one and a half.’ That has a significant impact on that process. Unfortunately, they are the games that are played around these fisheries, so are we making sure we are well positioned as part of this process, given that we have made significant concessions in favour of the stock?

Dr Dickson—The concessions that are made in favour of the stock are shared across the whole commission. As you are aware, Australia’s share has been a historic one. There has not been any change in that, I think for a long time. James, you might be able to tell me.

Dr J Findlay—A long time.

Dr Dickson—So when there has been a change in the catch, as there was in 2009 for the sustainability of the stock, it was effectively pro-rataed across the existing allocation. You are right, in that this is a very challenging negotiation because of the number of things that are coming into play at once. We did seek last year to try and get at least one of those elements, the management procedure, the harvest strategy, agreed, but we were not able to do that. So we will have all of these things coming in together and it will be quite challenging, but we are setting ourselves up on all the elements. We think we have a very good case for arguing, as very strong supporters of sustainable fisheries, to maintain our allocation.

Senator COLBECK—What is the baseline date? Is there a baseline date from where we work all this out or are we sort of just on a progressive process? We took a cut of 255 tonnes in 2010-11. Not all the other countries did take those cuts.

Dr Dickson—All countries had a reduced take.

Senator COLBECK—Yes, I know, and there was some horse-trading and stuff that went on behind that. We have been through all that. I understand that. But where is the base date for us sorting this process out? With the Japanese at 50 per cent of their normal take, is that their base? Is their base what their normal take is without the penalty? How does that all work? Where is the baseline?

Dr Dickson—We would be seeking our base as a minimum. Where we are now would be our minimum position. Japan will be obviously seeking to get a review and return to their previous allocation. South Africa will probably be seeking a higher allocation than they have at the moment. So everyone will be in to maximise their chances, but certainly that would be our position—to maintain where we are.

Proceedings suspended from 6.30 pm to 7.29 pm

CHAIR—Welcome back, officers. Welcome back, Minister. Questions, Senator Macdonald.

Senator IAN MACDONALD—Thank you, Chair. I have a couple of dot point questions that Senator Colbeck has kindly allowed me to interpose because I have some commitments in another committee. In relation to Northern Prawn Fishery, is the quota being looked at as a form of control or is it still a totally input quota fishery?

Dr J Findlay—At the moment, the fishery is managed under input controls, but the proposal is to introduce a new management plan which will use quota on banana prawns, red-legged banana prawns and tiger prawns. We are likely to be consulting on that later this year, with the plan coming in 2012.

Senator IAN MACDONALD—I know farming of southern bluefin tuna is not necessarily under AFMA, but through the fisheries research and development unit, which you have involvement with, are you conscious of what is happening with the farming of southern bluefin tuna in the Port Lincoln area? The question is really: is anything happening?

Dr J Findlay—We are certainly very aware of the farming operations, but I am not sure what the question is.

Senator IAN MACDONALD—They have been successfully bred and then there were some problems with what was bred and it has come and gone. I am wondering if you or anyone in AFMA are in a position to indicate where the proposals for breeding and farming southern bluefin tuna are at. It is the breeding rather than the farming I am getting at, I should say.

Dr J Findlay—AFMA manages the wild capture fisheries, as you know.

Senator IAN MACDONALD—Yes.

Dr J Findlay—The actual aquaculture operation itself is managed by the South Australian government. I am not sure if Dr Begg has any more information about the current state of

proposals with FRDC or the industry with regard to the propagation work, but it is not something we are directly involved with. As you said, it has been successful, but at this stage it is a big step going from a successful closure of the life cycle through to commercial reality for that program.

Senator IAN MACDONALD—Does FRDC come before our committee?

CHAIR—No, they do not.

Senator IAN MACDONALD—Would they if they were coming?

CHAIR—I am sure they would if you asked.

Dr Dickson—We could take on notice a question to FRDC.

Senator IAN MACDONALD—That would be good. I was having a look earlier on the website at the minutes of the MAC meeting for the Coral Sea Fishery, and I see that both Ms Imogen Zethoven from Pew and a doctor who works for Austral Fisheries have been saying some things about the need for a no-take zone in the Coral Sea, which would then of course destroy the Coral Sea Fishery. I wonder what role AFMA has had in advising the government in relation to the proposed bioregional planning in the Coral Sea area.

Dr J Findlay—The process we are adopting at the moment is one of information provider, both commenting on risk assessment as it relates to fishing gear and, as you know, catch and effort information from the Coral Sea, which I think we have provided you at previous estimates and we are happy to do so again if required.

The actual processes with regard to the Coral Sea protection zone and the eastern bioregional planning process, and more broadly across the country, are issues for the department of environment, not ourselves.

Senator IAN MACDONALD—But is it not the role of AFMA to make sure that whatever fish stocks are in a particular area—and we are talking about the Coral Sea—are sustainably managed so that they are there forever?

Dr J Findlay—We certainly do manage for sustainability, yes.

Senator IAN MACDONALD—Has it ever been suggested to AFMA that you have not been doing your job properly—that is, because you are not managing for sustainable fisheries, they should be shut down and become complete no-take zones? Has that been brought to the attention of AFMA at all?

Dr J Findlay—Some stakeholders have certainly put that claim to us, yes. The issue about bioregional marine planning is that there are many more reasons than fisheries management for introducing those goals underneath the EPBC Act. As I said, it is not something AFMA is involved with. We manage for sustainability and have a lot of tools at our disposal to deliver that. Marine bioregional planning is not our game.

Senator IAN MACDONALD—But you would be consulted, I hope.

Dr J Findlay—We do get involved from time to time, yes, on both what the impacts of various proposals would be and on how the risk assessment should be viewed.

Senator IAN MACDONALD—It was apparently discussed at some length at the advisory group—I assume it was the MAC—but it has not, obviously, come through further than that to AFMA. Who deals with that?

Dr J Findlay—It may well have come through. I am not aware of it, I am sorry. Ms Troy might be aware of all the details of that Coral Sea MAC meeting.

Senator IAN MACDONALD—Perhaps I will follow that up at some future estimates. Are you in any way involved in the impact on the fisheries—and again I am talking about the Eastern Tuna and Billfish Fishery and the Coral Sea Fishery—from events such as Cyclone Yasi and, before that, other cyclones that have hit the Queensland coast in recent years? They always hit the Queensland coast, but I am talking in recent years. Are you involved in any work on that?

Dr J Findlay—When doing our risk assessments about how we are going to manage the fisheries, we certainly take into account scientific information, including the impact of various mechanical events which affect reefs and how that might affect our fisheries. That is part of the normal process.

In the case of Cyclone Yasi, I cannot give you any up-to-date information or any current assessments. I suspect there have not been any assessments in the regions that the Coral Sea Fishery is operating in. They operate quite widely and I doubt there have been any recent surveys out there to tell us what has gone on with the reefs we are interested in as a result of that cyclone. I am happy to follow up and see if there is anything around and provide it on notice.

Senator IAN MACDONALD—I concede that the coral trout fishery is a Queensland fishery rather than yours, but I have been told by fishermen in Bowen that following Cyclone Hamish, which I think was a couple of years ago, catches stopped for 18 months and that that has put the fishing industry in a very precarious position. In that case it related to coral trout but it would apply to anything in the Eastern Tuna and Billfish Fishery or, I suspect, what is left of the Coral Sea Fishery. Is there any scientific work around that could confirm or deny that severe cyclones do have a long-term impact on particular fisheries?

Dr J Findlay—I am not currently familiar with that sort of literature. Dr Begg from ABARES might be. I think it reflects a part of his past life work. But, no, it is not something we currently have at hand.

Dr Begg—I have a feeling FRDC may have funded a project that was carried out at JCU on the effects of the cyclone a couple of years ago. I am not familiar with the results of that study, but we could certainly follow up on that.

Senator IAN MACDONALD—There is a call from fishermen up on the North Queensland coast to be included in any cyclone relief package that is being made available to terrestrial farmers. I raised this with the minister earlier today and the minister confirmed that, providing the fishing industry could prove its case, they would be as eligible as anyone else to access the program.

I am surprised, therefore, that AFMA has not been requested to do some assessment work on whether or not cyclones do have a long-term impact on the fishing industry. Saying I am

surprised is hardly a question, but I am desperately seeking a comment from someone. It does seem unusual that it has never been brought to your attention before as part of your fisheries management role.

Dr Begg—Various surveys are conducted on an annual basis up there. The Australian Institute of Marine Science conducts surveys throughout the reefs of the GBR. They have been going for some time now, so you could see some temporal trends there. I am not familiar with it in terms of the recent projects that have looked at the potential impacts of the cyclones, but it is information we could look at.

Senator IAN MACDONALD—Could you do that for me?

Dr Begg—Yes.

Senator IAN MACDONALD—You have jogged my memory that perhaps I should be asking AIMS or even GBRMPA or FRDC, as you say, but I am a fraction surprised that it would not come into your fisheries management role in those fisheries that are impacted upon by severe weather conditions.

Whilst you are having a look at that, you might let me know whether after the biggest floods—since 1974 I might add; it has happened before—any work has been done on the impact of severe flooding in South-East and Central Queensland waters and whether that has had any noticeable impact on fisheries stocks generally. Again, I appreciate you have not done it, but you might be able to alert me to any work or where I might go to find out about that. That is all I have, thanks, Chair.

Senator COLBECK—I would like to follow on very briefly from where Senator Macdonald finished off in relation to research around those extreme weather events, particularly the floods. I had quite a few representations to me about the potential impacts of the water coming out of the Brisbane River and the significant nutrient load that that might be carrying, what might be in it and all that sort of stuff. Has there been any consideration by the department of doing any work to have a look at what that might be or what the impacts might be? That is a broader question to the department rather than specifically to AFMA.

Mr Thompson—On the specifics of the recent floods, the Queensland government have been monitoring the outflows from the rivers and we in conjunction with the Great Barrier Reef Marine Park Authority are also conducting monitoring programs of the flow of water into the reef lagoon. While there have been plumes and they have contained a range of chemicals, at this point in time I do not think we have any conclusive information about the impacts that they have had; but it is being monitored.

Senator COLBECK—What is the time frame for that? Is that something that we are going to do? Obviously that water and its contents will dissipate over time. It will settle or do whatever. It has been put to me that the immediate period after that will be pretty crappy as far as fishing is concerned and then there will be three or four years of good because of the additional nutrients that are available. I do not know.

Mr Thompson—The time frames for monitoring the programs have not been developed yet, but they do have to take place over a period of time. As you say, the nutrients can provide benefits. Chemicals can have disbenefits but also, as the flow levels decline, the level of

contamination in the water coming in may well increase, depending on the nature of the catchment. The advice I have is that it is just too early to say what the specific impacts have been or will be.

Senator COLBECK—If there is a specific program or something that is being pulled together, can you keep us apprised of that, please.

Mr Thompson—I am not familiar with the details of the monitoring programs, but in the case of these events, we would be ramping up the monitoring to get a snapshot.

Senator COLBECK—There would be guidelines that they would follow for water quality. I want to go back to AFMA and Bass Strait scallops and seismic testing. Can you give me a sense of your communications with the industry and your views on the industry claims that seismic testing over Bass Strait scallop beds has had an impact on the quality and the killing of scallops in two of the three areas in Bass Strait particularly.

Dr J Findlay—We are taking the industry's concerns about the die-off last year very seriously. To that end, with the help of the industry and the Tasmanian Aquaculture and Fisheries Institute, we have undertaken a survey to look at the short-term impacts of seismic testing on the beds we are managing. The results of that survey show that they could not find any detectable difference as a result of the seismic testing in the health or survival of scallops.

Senator COLBECK—Those results were taken or finalised quite shortly after the seismic testing was completed, as I understand it.

Dr J Findlay—That is right, so it looked at about a three-month period. Obviously, therefore, it is unable to detect the longer, more chronic effects of seismic testing. At the moment we are certainly looking at how you would go about designing a program to look at that longer program, with industry and Parliamentary Secretary Kelly very interested in pursuing that sort of work. Obviously, as a result of concerns that we were seeing quite a large die-off event going on, we also sought the assistance of the CSIRO Animal Health Laboratory to look at possible parasitological explanations for what was going on. Again, we have seen no evidence that disease was causing what we saw last year.

We are quite concerned about what is going on and meeting with APPEA, the Australian Petroleum Production and Exploration Association, this week to talk about what we might be able to do to minimise the overlap between our scallop fishing areas and drilling and other exploration work, basically as a precautionary measure, to say, 'We don't know whether there's an impact here or not.' In the past, some companies have been quite willing to move away from our fishery area, some have not. What we would like to do is work with the search companies and the fishing industry to say, 'There must be a healthy compromise here while we work out what's going on.'

Senator COLBECK—What about a research program to actually assess on a longer term, adding to the knowledge that we picked up in that one research project that has been put together so far? What has been proposed? And who might contribute to that?

Dr J Findlay—There are a number of proposals around as to how you would go about detecting a longer term impact from seismic testing and we are quite keen, as would always

be the case, to get as many contributors as we can to funding that sort of research. That will take a little bit of time and that is also part of our conversations with APPEA and the industry.

Senator COLBECK—We might come back and have another chat about that at a future estimates as this stuff continues, because there is obviously a significant concern in the industry, given that two of the three paddocks suffered fairly significant overlap from the seismic testing and suffered major scallop kills and the third paddock did not suffer as badly and there was only a minimal overlap.

Can you give us an update on our recent engagement with illegal fishing and what we are finding as far as incidents of that are concerned?

Dr J Findlay—I will ask Mr Venslovas, our general manager of operations, to answer that.

Mr Venslovas—In relation to the incidence of illegal fishing activities, numbers have dropped in terms of apprehensions for this financial year, down to 10. That compares to 23 in the previous year and 27 in the year prior to that.

Senator COLBECK—What sort of time frame are we talking about? Ten this financial year?

Mr Venslovas—Yes, it is 10 since July 2010.

Senator COLBECK—When is the peak period?

Mr Venslovas—The peak period in the north usually precedes the cyclone season, from about September through to November. Numbers have decreased steadily since the mid-2000s. Numbers peaked in 2005-06 with 360 apprehensions.

Senator COLBECK—What about southern waters?

Mr Venslovas—In southern waters we have not had a sighting of an illegal foreign fishing vessel inside the Australian exclusive economic zone around Heard and McDonald islands since January 2004. That was the *Maya V*, which was apprehended soon after. As far as Southern Ocean waters go in general, the last vessel sighted around Macquarie Island, which is not part of the subantarctic waters around Heard and McDonald islands, was in June 2005 and that vessel was subsequently apprehended on the high seas in September 2005. We are continuing to see IUU vessels operating inside the CCAMLR area on the high seas but not inside Australian waters. In 2009-10 there were three sightings of IUU vessels inside CCAMLR waters and in 2010-11 we are talking three again.

Senator COLBECK—That is for the season to date, this year to date? Who is effectively doing the monitoring down there at the moment? We do not have our own vessel at this stage, do we?

Mr Venslovas—Yes, we do. The *Oceanic Viking* was replaced by a new vessel called the *Ocean Protector*.

Senator COLBECK—Has that started work?

Mr Venslovas—That has started work. It has already completed one patrol to the southern oceans.

Senator COLBECK—When did she start work?

Mr Venslovas—The vessel came online technically in October 2010 and conducted a patrol to the southern oceans in November 2010. That patrol has subsequently finished.

Senator COLBECK—How many patrols are we budgeting for?

Mr Venslovas—Australian Customs and Border Protection Service advise that they are budgeting for about 120 days of Southern Ocean patrol capacity. That is split into three 40-day patrols and that is on top of what the French plan to do. They plan to do about 200 days per year, which encapsulates about four patrols. I will just go back to a comment I made earlier about the numbers of IUU vessels sighted in CCAMLR waters. The figure for 2009-10 is actually four as opposed to three.

Senator COLBECK—You are aligning your budgeting for officers on the southern patrol vessels with what Customs are budgeting for, as far as their sailing dates?

Mr Venslovas—That is true. We are planning on having Fisheries officers on all three patrols included in this financial year. That is Australian patrols and all four French patrols for this financial year as well.

Senator COLBECK—Are we participating in all of the patrols that are down there—our three and the four French?

Mr Venslovas—That is correct.

Senator COLBECK—Then our vessel will spend some time in northern waters?

Mr Venslovas—That is correct as well.

Senator IAN MACDONALD—If I may interpose again, Mr Chairman, there is a question that I meant to ask and did not. In the south east fishery the buyback and the harvest strategy were intended to improve the profitability of the fishery. Has this goal been achieved? Has it succeeded? Is it more profitable? If it has not—which I am told is the case—what can be done further to try and improve the profitability? If you can answer that now, please do; otherwise, take it on notice.

Dr J Findlay—The first part of that is DAFF somewhat and/or DAFF and ABARES. The second part might be both of us.

Mr Thompson—To answer the first part of your question, ABARES may have the detail but they may need to take it on notice. There was a study that we did on the impact of the buyback, which indicated that the buyback had been successful in reducing the effort, improving the catch per unit and improving the overall potential for profitability in the industry. I do not have the report with me, so I am not sure whether it improved the profitability of individual enterprises, but the overall capacity of the industry as a result of the buyback was in the positive direction. There were fewer fishers catching roughly the same amount or more fish with less effort, but individual fishers could have been affected by a range of things, so profitability of an individual business may still be a problem in some cases. Are you familiar with the details?

Dr Begg—That is consistent with the work that we have conducted. Our recent fisheries survey, which was released late last year, would have the details for part of that fishery and we can certainly provide you with that report.

Senator IAN MACDONALD—That would be good.

Senator COLBECK—Can I just go quickly to the Recreational Fishing Advisory Committee. Can you give some advice of dates of meetings of that body?

Mr Thompson—It most recently met last week.

Senator COLBECK—Were the ministers there?

Mr Thompson—The parliamentary secretary attended a part of the meeting.

Senator COLBECK—Minister Burke?

Mr Thompson—No, Minister Burke did not. There was also a meeting of the Recreational Fishing Roundtable last week.

Mr Neil—Dr Kelly was at the entire meeting. He chaired it.

Senator COLBECK—But Minister Burke was not in attendance?

Mr Thompson—Minister Burke was represented by an officer from his department who presented on one of the key issues of interest to the committee at the roundtable.

Senator COLBECK—He is maintaining his attendance record, by the sound of it. Can you give me some advice on the Chair of the Recreational Fishing Advisory Committee, whom I believe is David Llewellyn. Is that correct?

Mr Neil—Yes.

Senator COLBECK—What is the remuneration for the position?

Mr Neil—We would have to take that on notice. I believe it is only sitting fees, but I would need to confirm that.

Senator COLBECK—Can you give us a status update on the work the committee is doing?

Mr Neil—Yes. The committee is about to complete its report. It met last week with a view to finalising the report on a recreational fishing industry strategy, which was the key purpose. They reviewed the 1994 policy and were asked to propose a recreational fishing industry strategy. They are about to present that to the minister. They have also recommended to the minister—and those recommendations were endorsed—currently seven projects which are being funded to a value of \$1.6 million. They have two in subsequent projects which they have recently agreed to in principle, subject to further advice from the department, but we believe they will approve those as well.

Senator COLBECK—Is that the remaining allocation of the funding that was made available post the 2007 election in commitments for recreational fishing?

Mr Neil—That is correct.

Senator COLBECK—Some of that has been referred on. Are those projects that have been undertaken by FRDC?

Mr Neil—They are being managed by FRDC and seven are now out for tender, so they are looking for expressions of interest.

Senator MILNE—How did the appointment of David Llewellyn occur? Was it an advertised process or a nominated process? How was he appointed?

Mr Neil—I apologise, I do not—

Senator COLBECK—That would predate Mr Neil, I would think.

Dr Dickson—I will see if we can get some advice on that this evening.

Senator NASH—Can I just add a couple of things? I understand Mr Llewellyn was registered as a lobbyist in August last year, so were you aware that he had registered as a lobbyist at that point? I understand that under the regulations he is allowed to take clients after March, so do you see any conflict of interest between his career as a lobbyist and the work he is doing? Perhaps you could consider those as well in the context of that.

Dr Dickson—We might have to take that on notice. We do not have the information at the moment on both of your questions.

Senator NASH—We are here for another three hours. Perhaps if somebody could dig it up, we could come back to it.

Dr Dickson—If we can find it in the meantime, we will, yes.

Senator COLBECK—I would like to ask some questions about the European Union catch certification process. Is that done in here or do we have to do it in Trade and Market Access?

Dr Dickson—Trade and Market Access.

Senator COLBECK—Then I have one final question on fisheries. At the last estimates, I asked a question on notice about the funding of fisheries. From 2007-08 to 2010-11 the staffing for the fisheries section went from 46 to 34 and the budget went from \$9.2 million to \$5.15 million. Why are we moving rapidly backwards in relation to the staffing and the financial resourcing of the department?

Mr Thompson—In terms of fisheries, the main reason for the drop in resourcing was the completion of the Securing Our Fishing Future package and the drop in the need for all the program management staff. There was a considerable program there for a couple of years which had a lot of staff.

Senator COLBECK—So this is all around the major buyback that occurred and was announced, I think, in 2006-07?

Mr Thompson—That was when the staff in the branch peaked, yes. Then normal departmental staffing adjustments were made across a range of places in the department, as we have discussed before. But the single biggest impact on fisheries would have been the reduction in staff associated with the completion of SOFF, the Securing Our Fishing Future package.

Senator COLBECK—So you would see this as a more traditional staffing level in the department?

Mr Thompson—Numbers have varied over time. They could have been higher or lower in the past.

Senator COLBECK—It depends on what is going on.

Mr Thompson—The number that we are working with now is not that different to that which it has been at other times in the past.

CHAIR—If there are no further questions of AFMA, I thank the officers and now call Trade and Market Access.

[8.04 pm]

Dr Dickson—I understand there are questions on Mr Llewellyn's appointment.

Senator COLBECK—Yes. I think there are three of us interested in that.

Senator MILNE—We are very interested.

Dr Dickson—I was going to advise that Mr Llewellyn was appointed by Minister Burke in July last year. We will need to check the details of that appointment to see if he made any declaration in relation to his lobbyist functions.

Senator NASH—I have a release from Minister Ludwig that might shed some light on it.

Dr Dickson—There was a media release in December but the appointment was made—

Senator NASH—From an appointment he made in July? Sorry, can I get some clarification? You appointed him in July but the media release did not go out until December. Is that what you are saying?

Mr Neil—As I understand it, the appointment was made in July. He in fact chaired a subsequent meeting but the formal announcement did not occur until December.

Senator HEFFERNAN—So he had quite a conflict in the meantime.

Mr Neil—He attended a meeting and everybody knew that he was the chair—

Senator COLBECK—He attended a meeting in the first week of the election campaign, I think it was.

Mr Neil—Yes.

Mr Thompson—He chaired on Minister Burke's behalf the first meeting of the recreational fishing roundtable.

Senator NASH—He registered as a lobbyist after he was appointed by you in July as the chair?

Senator HEFFERNAN—That is right. It is what you call a conflict of interest for which he should be sacked.

Senator NASH—That was my next question, thank you, Senator Heffernan.

CHAIR—Why don't you chase it up with the appropriate circles?

Senator COLBECK—This is the appropriate circle.

Senator NASH—Isn't that a huge conflict of interest?

Dr Dickson—We do not know when he was registered as a lobbyist. As I said, this is one of the details that we will need to follow up in relation to his lobbyist role.

Senator HEFFERNAN—Will you sack him if he had a conflict of interest?

Senator MILNE—I did ask what the process was for his appointment. Were there nominations called for? Was it advertised or was it an in-house ex-Labor minister mate's club?

Mr Thompson—I believe it was a ministerial appointment by Minister Burke following the resignation of the previous chair of the recreational fishing advisory council.

Senator COLBECK—Hang on. The initial announcement was as chair of the roundtable, which is different to the recreational fishing advisory council. Is that not correct?

Mr Thompson—His initial appointment was as chair of the recreational fishing advisory council. Then, when Minister Burke was unable to attend the recreational fishing roundtable, Mr Llewellyn chaired that on Minister Burke's behalf.

Senator HEFFERNAN—Did he declare an interest?

Dr Dickson—This is what we need to follow up.

Senator HEFFERNAN—If he did not, will he be sacked?

Senator NASH—I think you just indicated, Dr Dickson, that you did not know when he registered as a lobbyist. This is obviously reporting, but according to the tasmaniantimes.com on 30 August Mr Llewellyn registered with the Tasmanian Department of Premier and Cabinet as a lobbyist. If that is the case, shouldn't you have known that? If you are telling us that you did not know, shouldn't you have known that?

Senator HEFFERNAN—They probably did and just won't own up.

Senator Ludwig—Is that the Tasmanian registry?

Senator NASH—It is indeed.

Senator Ludwig—Yes. Just checking how we would know that, but I take it that you think we would have received—

Senator COLBECK—Well, you could read the Tasmanian Times.

Senator Ludwig—I am not sure I get their—

Senator COLBECK—You are spending a lot of money on media monitoring, Minister.

Senator Ludwig—I do recall that I was not the minister at that particular point.

Senator HEFFERNAN—\$750 a day at that point.

Senator NASH—Llewellyn told the Tasmanian Times, so I am assuming that they are reporting correctly.

Senator HEFFERNAN—No, the media monitors would not have picked that up.

Senator Ludwig—Anyway, the easiest way to do it is to check the records, see what we have and get back to you.

Senator NASH—Would you have an issue with conflict of interest?

Senator Ludwig—I think we will check the records first.

Senator NASH—I find it extraordinary that you did not know, that you would have to check the records to see if he was indeed registered as a lobbyist.

Senator HEFFERNAN—They would have known.

Senator NASH—It is interesting they cannot tell us—

Senator HEFFERNAN—They look the other way, mate.

CHAIR—Okay, a bit of order. As if you lot have not known anything.

Senator HEFFERNAN—It's the Dodgy Brothers.

CHAIR—It is a question of local news. Anyway, the minister said he will check on that. Are we finished with fisheries? They have left the table.

Senator NASH—Sorry, Chair. Can I clarify that the officials have undertaken to take all those questions on notice.

CHAIR—I heard it twice. Certainly, Senator Nash, you can ask for a third time—

Senator NASH—Thank you.

CHAIR—because you were engaged in a bit of frivolity with Senator Heffernan—

Senator NASH—You know how easy it is to get distracted in this committee, Senator Sterle.

CHAIR—and cheap shots across the table—

Senator HEFFERNAN—Don't be a sook!

CHAIR—but I heard it. Quite frankly, I get sick of listening to you lot ask the same questions all the time and not listen to the answers. Senator Nash, are you happy now that you have heard the answer?

Mr Thompson—The question you had about the EU arrangements when we were looking at those previous ones could be for either us or trade, depending on the nature of your question. It might help us if you ask while we are here at the table and if we cannot answer it then it is for trade.

Senator COLBECK—It was my intention to try and pull rank amongst this well-organised—

CHAIR—Riff-raff.

Senator COLBECK—group of colleagues and do that first so that we could deal with that while you are about.

CHAIR—Not you, Senator Back. You are actually an honourable—

Senator BACK—Western Australian.

CHAIR—questioner.

Senator COLBECK—I am interested in our progress in trying to progress from the old paper system of certification into the EU to something that Senator Conroy might regard as 21st century technology.

Mr Thompson—We still have an interim paper based system which has met EU requirements. We have been trying to move it to an electronic based one which is more

suitable for both our use and the exporters. The EU have some difficulties with some elements of that process which, my understanding is, we are still trying to resolve.

Senator COLBECK—So can we quantify specifically what those difficulties might be? I would hate to infer that they were using them as an artificial non-tariff trade barrier. I would hate to infer that and I know you cannot. But what are the difficulties that we are facing?

Mr Thompson—I do not have the current status on that one. They were relating to issues about who was providing the certification, the verification of it, the data that was collected on vessels and dates and where the fish were caught, and a range of issues. We would need to get more detail on that.

Senator COLBECK—So if it does not have fish scales on it, it does not count effectively? Is there someone from Trade and Market Access who can, without confirming or denying my inference, give us any answers to that question?

Ms Mellor—We will have to take the rest of that on notice.

Senator COLBECK—Trade and Market Access do not want to go near it either?

Ms Mellor—No, we will have to get you an answer on notice.

Senator HEFFERNAN—Do we still accept fish in Australia for our consumers that has been rejected in Europe, as we did three years ago?

Senator COLBECK—That is an AQIS issue, Bill.

Senator HEFFERNAN—It is access.

Mr Thompson—The EU access arrangements are not about the health and safety elements of the fish. They are about the provenance of the fish—whether it has been caught illegally or not.

Senator COLBECK—This is a paperwork trail and what we are trying to do is get to an electronic system which will be more efficient and cost effective, I would imagine, for our fisheries. I have been to several meetings where they have talked about it—and we have ratified everything we need to ratify, as I understand it. That is according to your fisheries management of issues incoming brief, of which very little is redacted, Minister. It is not a bad brief. But we still cannot get any sense out of the Europeans in relation to getting a sensible system.

Mr Thompson—My understanding is that it is still a work in progress and discussions are still continuing with the EU, the details of which we will have to take on notice.

Senator COLBECK—If you could do that, that would be fine, thanks.

Senator HEFFERNAN—It is like dealing with an octopus.

Senator COLBECK—Can I quickly just ask some questions about what role DAFF is playing in regard to the access of seafood into China; specifically lobsters and abalone, but lobsters is the headline issue.

Ms Evans—With the issue about the rock lobster access to China, the department has been playing a facilitative role. We have a counsellor based in Beijing and we have been working with AQIS, with DFAT and with industry to try to get evidence of the issues around that. We

confirmed very early on that the media reported ban was, in fact, not in place. So there is no ban in place on rock lobster to China. I could go further into the specific details of what the department did, if that is what you are looking to find out.

Senator COLBECK—I understand very well the sensitivities of this, so it is not meant to be anything other than trying to get some information as to where it is at. I understand that there is no formal ban in place, but I have to say that I am very concerned for the wellbeing of the industry and the livelihoods of those who are involved in it, and government may very well share the same concerns. From what I can gather it is a largely internal issue.

Senator Ludwig—There is no ban.

Senator COLBECK—That is right. But there are issues, Minister, which you may have—

Senator Ludwig—Not from Customs or AQIS.

Ms Mellor—No.

Senator COLBECK—There are access issues—there is no question about that—and there are uncertainties about costs.

Senator Ludwig—What are the access issues that you are saying? Can you put them on the table, because we cannot find any from Customs or AQIS? There is no ban in place.

Senator COLBECK—There is real uncertainty as to the actual tariff; that has been put to me.

Ms Evans—No. We are quite clear that, under the WTO rules, China is not able to raise the tariff above its bound rate, which is what it is at at the moment. That is currently 15 per cent for lobsters and it has not changed. They also apply a tax.

Senator HEFFERNAN—Facilitation fees.

Senator COLBECK—No, Bill, that is not what it is about.

CHAIR—Why don't you give Ms Evans the chance to answer it first? Carry on, Ms Evans.

Ms Evans—We have not had any evidence given to us about any issue with the tariff rate or the tax rate, and certainly there is no evidence and there is no ban on trade into China.

Senator COLBECK—What about the capacity of the Chinese to actually manage the product through their processes?

Ms Evans—At the time when there were concerns being expressed along those lines, we made inquiries at the ports and at the airports and made sure that they were operating 24 hours a day and as needed, and we were not provided with any specific examples of any consignments being delayed on arrival in China. Perhaps it is also useful to understand that, although there was quite a fall in the amount of lobster entering Hong Kong and China over the period in November and December, the amounts in January have really rebounded very strongly. In fact, you now have volumes that are higher than the totals in a similar time period last year.

Senator COLBECK—You said that there is no evidence of there not being access 24 hours a day.

Senator HEFFERNAN—Is this all facilitated through Hong Kong?

Ms Evans—What I said was that we confirmed that the ports were operating. We confirmed that the Shanghai quarantine and customs area, in particular, was operating 24 hours a day, and we were not given any consignment numbers or permit numbers or any other evidence to enable us to confirm that any issue had in fact occurred with the delay of a consignment entering China.

Senator COLBECK—So without that information or evidence there is nothing for you to take to our trading partners to try—

Senator Ludwig—If the industry will not give us a consignment number or information about what they are actually referring to, it is very hard to travel down that paper trail to establish what the issue is, quite frankly. The issue was ventilated in the media continuously by the industry but, as we now see, they were not prepared to provide consignment numbers so that we could look at the issue specifically. But, having looked at everything else around the whole issue, we came up with no ban and no information and in fact similar trading patterns have resumed, if not increased.

Senator COLBECK—Have we had any conversations with our trading partners in relation to the issue?

Senator Ludwig—From my recollection—but I would be happy for Ms Evans to go through it—the department contacted the overseas mission, contacted the Chinese officials, both customs and quarantine officials, to establish if there was any issue. It all came up blank—for example, they indicated and confirmed that there was no ban. The department and I have been very consistent about that message for some time. We asked the industry to provide us with more specific information about what they were referring to and, as you can see from the evidence, they failed to provide any consignment number or any information that we could then follow it up with.

Senator COLBECK—Let me just make it clear that I accept that there is no ban. I am not making that suggestion at all. Can you give us an update on our meat exports to Russia?

Ms Mellor—Would you mind repeating the specific question.

Senator COLBECK—I am after an update on our meat exports—beef—to Russia and specifically whether there has been any improvement in the kangaroo circumstance.

Mr Merrilees—In relation to red meat—beef—currently Russia is around our fourth-largest export destination. Trade in that market has been stronger in the last 12 months than in the previous 12 months. We had an audit by Russian veterinary authorities of our red meat system back in October and, as a result of that audit, three plants have been temporarily suspended, but we are currently working on a response in relation to those three plants. Other than that, trade in red meat is proceeding into Russia.

Senator COLBECK—So red meat is basically working pretty well. We have issues remaining, as we have for a period of time, with the kangaroo trade?

Mr Merrilees—In relation to kangaroo, we put a further submission to the Russian authorities late last year. We got a response from the Russian authorities in December and they raised a number of further questions in relation to that technical submission. In response,

we followed up their issues in January at a bilateral meeting held on the back of Green Week in Berlin, but at this stage we have not had any confirmation that they have accepted the issues that we put forward, so at this stage we do not have access to Russia for kangaroo meat.

Senator COLBECK—But we are continuing to try and regain that market?

Mr Merrilees—Yes.

Senator COLBECK—Chair, Senator Milne has got a couple of quick questions and then I want to come back to another issue.

CHAIR—Sure. Senator Milne.

Senator MILNE—Thank you. I want to ask about the Trans-Pacific Partnership free trade agreement that is currently being negotiated with several countries. Can you give me an update on how many meetings have been held? Where are we up to? What is the United States wanting out of this that they did not get out of the US-Australia Free Trade Agreement, for example?

Mr Ross—A lot of that would probably be best directed to the Department of Foreign Affairs and Trade, who manage Australia's engagement in the TPP process. I can speak to DAFF's engagement. We have participated in all of the rounds to date. The most recent round was concluded in Santiago, Chile, just last week, the next round, I recall, is scheduled for the end of March in Singapore and then there are a further three rounds of negotiations scheduled for this year.

Senator MILNE—How many rounds have there been and how many countries in all is it proposed this Trans-Pacific Partnership free trade agreement would incorporate?

Mr Ross—Initially there were eight negotiating parties. That has now increased to nine with the inclusion of Malaysia, who joined at the round before last in New Zealand in December.

Senator MILNE—Who are the nine?

Mr Ross—Australia, United States, New Zealand, Chile, Singapore, Brunei, Peru, Vietnam and Malaysia. The Chile round that I mentioned is the fifth round to date.

Senator MILNE—They are the partners. There have been all those rounds. What is it that is actively under discussion? As I said, what is it that they hope to get that they did not get under the US-Australia Free Trade Agreement?

Mr Ross—Again, I would suggest that that is probably a question better directed to the Department of Foreign Affairs and Trade, as they are managing the strategy.

Senator HEFFERNAN—Does that mean you do not know or you just do not want to tell us?

Mr Ross—I am aware of some of the activities and discussions that are taking place within the process and I can point to that generally, but I am cautious about going too far because, as I say, it is more appropriate for the Department of Foreign Affairs and Trade to deal with it. There are a range of working groups that have been established under the process and they are discussing the usual sorts of elements of a trade agreement. There are discussions around goods access, sanitary and phytosanitary measures, cooperation and environment. There is

also discussion around cross-cutting and horizontal issues. There is an intention to make this agreement a 21st century agreement, so they are looking at what characteristics could be included in the agreement to represent that.

Senator MILNE—What does that mean?

Mr Ross—It is probably best if you talk to the Department of Foreign Affairs and Trade, who can give you more of the detail.

Senator MILNE—What I am interested in is any assessment you might have done on cost-benefit to Australian primary industry, since we are in the rural and regional committee, because so many promises are always made to farmers about the level of access and how fabulous it is all going to be and it rarely comes to pass, as the Productivity Commission noted in its assessment. You are giving advice from an agricultural perspective. What are you expecting out of it? What do you think would be a good thing out of this huge free trade agreement?

Mr Ross—In terms of the department's interests in this, we are looking at an outcome that is beneficial to our portfolio industries, as you have indicated, so we would hope to see such things as improved access to the countries that are participating in the agreements, building on the agreements we already have in place with a number of those countries.

Senator HEFFERNAN—For what?

Mr Ross—In the case of the US I would expect improvements perhaps in dairy and beef access.

Senator HEFFERNAN—What is wrong with our beef exports now?

Mr Glyde—I think it is important to realise that we are in the process of a negotiation and we are at that stage where all of the parties involved in this negotiation will have ambitions about what they would like to achieve in the agreement.

Senator HEFFERNAN—I'll bet you they do. We cannot supervise what we have got now?

Mr Glyde—It is very hard for us to be specific about exactly what our aspirations might be.

Senator HEFFERNAN—So we are just ambushed in due course?

Mr Glyde—I think it is also important that, when we consider these agreements as a nation, we balance a whole lot of issues that go beyond this portfolio. There are important gains to be made for other sectors and for the economy.

Senator HEFFERNAN—This is about getting rid of Australia's sovereignty.

Mr Glyde—I just reiterate the importance of improved market access for Australia's farmers to heavily distorted markets. We are pursuing a lot of this through the Doha Round and we continue to do that. We are pursuing it through bilateral free trade agreements. We are also pursuing it through these more multilateral free trade agreements. Always the objective is to get tariff reductions, improvements and the like that will benefit Australian farmers and improve our competitiveness, particularly given that at the moment, for example, on average

about two-thirds of our stuff is exported. It really is quite important for a trading nation to be able to continue to negotiate these agreements.

Senator HEFFERNAN—Wouldn't you agree, though, that in a modern world, especially with China's non-market currency, the tariff regime is something in the past because currency fluctuations of 15, 20, 30 per cent overpower any tariff considerations?

CHAIR—Senator Heffernan, you have jumped in on Senator Milne. It is Senator Milne's call and I am going to pull it up now. Senator Milne, it is your call.

Senator MILNE—Mr Glyde, just to go back to this, one of the concerns I have is how little the rural community is aware of what is going on. There seems to be very little information. When I talk to farmers, they have no idea that this is being negotiated now. I have just heard of several working groups. How are you engaging Australia's rural community? At what level are you doing that? Is it just purely at the peak body level? How are primary producers supposed to know what is going on?

Mr Glyde—I am not sure of the specifics myself in relation to our engagement, but I know the National Farmers Federation is engaged—and I might ask Mr Ross to take us through the specifics of that. We tend to deal at the peak level.

Mr Ross—That is correct. Again it is the Department of Foreign Affairs and Trade that manages the overall consultations with industry for this process, but we supplement that with our own interactions with industry, and it is primarily through the peak industry bodies—through the NFF, Dairy Australia, Meat and Livestock Australia and other industry groups.

Senator MILNE—So have the industry groups been represented at all in these rounds of talks or have you had consultations when you have finished these rounds of talks? How has that been conducted?

Mr Ross—They have not been engaged directly in the negotiations, but there have been consultations following each round.

Senator HEFFERNAN—Can we see a paper trail of consultations with the different groups? Can you provide that to this committee?

CHAIR—Senator Heffernan, that is twice now you have jumped in. You will get your turn when Senator Milne has finished.

Mr Ross—Again I feel like I am speaking for the Department of Foreign Affairs and Trade, but they do maintain a circulation list and provide information to stakeholders after each round. It would be better to invite them to provide that information to you.

Senator MILNE—The issue again for me is that, as you rightly said, they will be balancing what they perceive to be the national interest and there will be trade-offs all over the place for access for services and all sorts of things, not just primary industry. Given what the Productivity Commission has had to say about the effectiveness of these free trade agreements, ought DAFF not be more proactive in doing some real analysis of just what cost-benefits are going to come to primary producers, or are we going to end up with a situation where we are on the back foot fighting all this through the quarantine and biosecurity process?

Senator HEFFERNAN—Ambush us.

CHAIR—Who is the question to, Senator Milne? Help me out, sorry.

Senator MILNE—To anyone who wants to answer it.

CHAIR—Could someone answer it, please, so it stops the interruptions from Senator Heffernan.

Mr Glyde—I think analysis is undertaken at every stage of the process of negotiation, because we have to determine what other countries are offering and what we are prepared to accept. So we, DAFF, are heavily involved in those processes and they sit within the government. What we can provide to you is our listing of the benefits that have come from both free trade agreements that we have engaged in and also the technical market access gains that we have made. We are more than happy to provide that on notice to you. We are heavily involved with our colleagues in DFAT in understanding what it is that we can get out of these negotiations and indeed what sometimes we can lose if we are not careful.

Senator Ludwig—What does concern me a little bit is that you say there is a disconnect between the representative bodies themselves and their constituents.

Senator HEFFERNAN—Yes, we are saying that.

Senator Ludwig—Wherever I go and talk to constituents in the farming communities, plus their representative bodies, by and large my recollection is that they do mention agreements such as this for market access. They mention Korea; they mention China; they mention Japan; they mention New Zealand; they mention a whole range of market access which they say they would want to get their product into. I do not want to verbal anyone off the record, but I do recall visiting Tasmania and speaking to a range of horticulturists who are not given full market access.

Senator MILNE—I have absolutely no doubt.

Senator Ludwig—One of the important issues that you also raise is to ensure that there is a benefit to our agricultural community, particularly the horticultural industry, in these agreements, and that is where DAFF talks to the department of trade when they are negotiating these documents to ensure that their interests are taken into consideration.

Senator HEFFERNAN—And it wants the Cattle Council—

CHAIR—Senator Heffernan, you have had your turn. Let Senator Milne finish.

Mr Glyde—One point that I would add is that we are not in a static world. Our competitors are also completing bilateral free trade agreements with some of the countries we would like to increase our access to, so it is ratcheting up all the time. If some of those other countries are successful, we lose market access as well. For example, New Zealand has a free trade agreement with China, and every time I go to China I am lobbied by industry for us to get a better arrangement than New Zealand farmers currently enjoy. So there is a lot of interest in completing free trade agreements and the bar is being ratcheted up all the time.

Senator HEFFERNAN—Yes. That's because they have a non-market currency.

CHAIR—Mr Glyde, I would urge you to answer Senator Milne's questions, thanks.

Senator MILNE—I am not disputing that farmers are always asking about how they can get better access, but farmers are also raising the fact that cheap imports are undermining farm gate prices and access to local processes and basically driving down their level of capacity to even keep on farming. So you get the other side of the coin here—

Mr Glyde—Correct.

Senator MILNE—particularly when it comes to cheap vegetable imports, for a start. Yes, they are doing that. A bilateral is different from something like this Trans-Pacific Free Trade Agreement, because we are talking about nine countries. We are talking about mega-shifts here. My concern is what Monsanto is up to in terms of trying to come through the back door. What they could not get in the US-Australia Free Trade Agreement, they will try and get through this multilateral process. What level of discussions is there around issues like genetic modification in these talks?

Mr Ross—I am sorry, I am not aware of any direct discussions about genetically modified organisms as part of the negotiations.

Senator MILNE—Okay, I will ask Foreign Affairs.

Senator HEFFERNAN—What will come out of it is a common agreement on the gene thing from Monsanto—that we have to abide by the gene regime someone else is granted, which will come up later.

Senator MILNE—My question is: how is the broader rural community to be kept informed, because most people would not even know that this Trans-Pacific Free Trade Agreement was under discussion? I agree with you, the commodity sector leadership groups would know, but on the ground there is very little in the rural press and so on that would alert people to the fact that this is all going on, that there have been so many meetings and that it involves all these countries.

Mr Glyde—I think you have put your finger on one of the real challenges we have with this. These are multiyear negotiations and things do not happen in the news cycle. So we do our best to try and make not just the leaders in the farm groups aware of what is going on but the rank and file as well. It is a really hard thing to do, because it is hard to report a concrete outcome over a series of meetings, particularly when a lot of the meetings are government-to-government negotiations where it is important that the matters remain as government-to-government negotiations.

We are not disagreeing with the difficulty of getting out to farmers and telling them about what is going on—we can certainly do more—but we have been trying as well, because we see this as really quite important in terms of the long-run competitiveness of the Australian farm economy. If we do not get this right and get rid of some of the distortions in world trade, Australian farmers will continue to go to the wall.

Senator MILNE—On that question of distortions in trade, would you agree that different levels of environmental protection, particularly in relation to chemicals, and different laws pertaining to industrial occupational health and safety are a distortion in world trade?

Mr Glyde—Certainly there are great differences in all sorts of legal regimes, whether it is occupational health and safety, environment or animal welfare, right around the world. I think

the issue really is what can be negotiated in a multilateral or bilateral agreement, and it is important for us to make sure that we focus on the things that we can change, we can move. I do not think I am disagreeing with the point; it is just that it is a question of what you choose to focus on in the negotiation.

Senator MILNE—But what I am asking is: could Australia, if it chose to do so, regard those differentials as non-trade barriers or distortions in free trade? What you are saying is that Australian farmers have to find efficiencies that overcome the differential that comes with the different occupational, health and safety standards, environmental standards and all those sorts of thing. It has got to the point where many of them are as efficient as they can possibly be and there is no further way down for them. The downward pressure means that they will go out of business. The farm gate just cannot go any lower.

Mr Glyde—There are quite a lot of differences between countries in the way that they treat those issues. The question I am really posing is what you can include and incorporate in a free trade agreement. There is only a limited number of—

Senator MILNE—Why can't we incorporate those factors?

Mr Glyde—There is enough difficulty in dealing with some of the substantive trade issues. There are a lot of distortions in trade generally. Let's bite off those first.

Senator HEFFERNAN—How can you have a free trade agreement with a country that has a non-market currency and expect to win?

CHAIR—Mr Glyde, I am quite happy to—

Mr Glyde—It is a recent thing and it has—

Senator MILNE—That is fine. Thank you, I understand.

Senator HEFFERNAN—You cannot have a free trade agreement with a country that has a non-market currency and expect to come out on top.

Mr Glyde—In the same way that other countries have free trade agreements with those countries.

Senator HEFFERNAN—That is a garbage answer. With great respect, the NFF, the peak body, left it to the Cattle Council. Simon Crean said, 'Bill, you know it's the free trade agreement with America. We've got to comply or we'll be in trouble on the importation of beef into Australia.' Where are we now, a year later? We would have been in, but this committee said, 'No, let's go back and have another look at this,' and the US stopped the clock on Canada, but under the arrangements that you blokes built, it had to come in.

CHAIR—What is your question, Senator Heffernan?

Senator HEFFERNAN—How in the hell can you not consult the growers and have this government-to-government ambush stuff and have things like a non-market currency and expect Australia's farmers to be still able to trade?

Senator COLBECK—Aren't you recognising China as a market economy?

Senator HEFFERNAN—Again, then just tell us to go and stuff it.

CHAIR—It would not be the first time you have been told that, Senator Heffernan, the way you are going.

Senator HEFFERNAN—That is what they have been telling Australia's farmers.

CHAIR—Senator Back.

Senator Ludwig—Not all of the industry agrees with you, Senator Heffernan.

Senator BACK—Thank you, Chairman. I have a question regarding the exportation of ram semen from Australia. Is there anyone who can respond to these questions?

Ms Mellor—No. I would have thought that was our live animals people and I do not think they are still here—the BSG people; Biosecurity Services.

Senator BACK—It is not a trade and market access issue?

Ms Mellor—Can you just narrow the question down a little bit?

Senator BACK—Certainly. The specific case is one that has been ongoing for some time, with the department relating to an exporter who was in the process of consignments of semen from two different rams that were going to Argentina. For reasons best known to itself, the department made a decision to not allow the semen from both rams to be exported. We cannot get a handle on why. The gentleman concerned who then, at added expense, had to send the second consignment, has sought compensation from the department. I thought it would be a trade and market access—

Ms Mellor—It is actually under biosecurity and corporate. Dr Carroll might have some information.

Dr Carroll—There was a claim into the department on that. I believe the investigation is very nearly complete. Then a ruling will be made and it will be passed on to the exporter concerned. So that has been investigated independently within the department and I believe it is extremely close to finalisation.

Senator BACK—I do not know if it is appropriate but, prior to that final determination being made, I would appreciate the opportunity to be briefed on it.

Senator Ludwig—If that is a CDDA claim it would be the department. If it is a CDDA matter it is normally a matter between the department and the particular person involved. I am not sure whether there are any confidentiality agreements that might surround it, but certainly the department can provide you with whatever information they currently have in relation to the claim that is in the public domain.

Ms Mellor—It is very close to being finalised, from memory. It would be imminent that we inform the claimant of the outcome of the claim.

Senator Ludwig—If there is an issue, come back to me and I will see what I can do.

Senator BACK—Thank you. I will do that. My second point is unrelated. Picking up on Senator Heffernan's point just a moment ago, where are we now with the BSE import risk analysis process? Is it the case that America and Canada—

Ms Mellor—Dr Grant can update you as he rushes to the table.

Dr Grant—All three IRAs for Japan, Canada and the United States have been stopped. The clocks have been stopped on those IRA processes. One was in May last year. The clock was stopped for Japan. I forget the exact dates but I think it was 8 May.

Senator BACK—That was the foot-and-mouth outbreak?

Dr Grant—That was the foot-and-mouth one. I think it was 24 November for Canada and I think it was 4 February for the United States of America.

Senator BACK—On 4 February this year?

Dr Grant—Yes.

Senator HEFFERNAN—There was a letter you wrote on 29 October.

Dr Grant—To Canada? We have had correspondence with the United States and Canada, leading up to these processes.

Senator BACK—At the moment there is no action required to be taken, from the departmental officers' point of view?

Dr Grant—We are waiting on information. We are still doing some of the background analysis that is necessary. When we get the information we will take that into account.

Senator BACK—Finally, and again unrelated—just commenting on our exports of live animals to foreign countries and that then allowing us to have in-country offices, for all the good reasons that we know about—can you tell me the number and locations of departmental trade offices associated with our live export trades?

Ms Evans—The main counsellor that we have overseas in relation to the live trade issues is located in Dubai. We have one officer there.

Senator BACK—With one officer?

Ms Evans—That is right. There is one Australian based officer and one locally engaged staff member. We do also have staff in Indonesia. There is also live export trade to Indonesia. We again have one Australian based staff member in Jakarta and four locally engaged staff. They do not work entirely on live export issues. They work on a range of issues, but that is the entire staff in Indonesia.

Senator BACK—Are you able to summarise for us what the department is seeing in terms of improvements in the welfare of animals in these countries as a result of our intervention?

Ms Evans—Yes.

Senator BACK—Both the Middle East and Indonesia.

Ms Evans—Perhaps if I start quickly with the Middle East, you would be aware that we have a program called the Live Trade Animal Welfare Partnership and there have been a number of projects over time. In the Middle East it has been predominantly around improvements of livestock handling and slaughter facilities. You can imagine things like ramps have had extra non-slip surfaces added and that kind of thing. In Indonesia the majority of the work has been around the installation of slaughter boxes to improve the method of slaughter. We also had a project in Malaysia in 2009-10 which looked at the arrival of goats

into the airports in Malaysia and making sure that they could very quickly unload them to improve the welfare arrangements.

We have got four more projects running this year, and you may also be aware that we in fact published the reports of the projects that we completed in 2009-10 on the web in January. They are on the DAFF website. That includes a report about the improvements in animal welfare conditions in Indonesia. The broad conclusion from that independent study was that the welfare conditions were generally good in Indonesia.

Senator BACK—Is there any work being done in the area of handling of sheep, particularly in the Middle East, from feedlots going out individually?

Ms Evans—As I said, under the Live Trade Animal Welfare Partnership, we have further point of slaughter improvements in both the Middle East and North Africa. We are also working in Jordan on a slaughterhouse improvement project. So those are the specifics in terms of projects. I do not know if you had another particular question for me.

Senator BACK—No, just in general. Thank you for that. Thanks, Chairman.

CHAIR—Senator Heffernan.

Senator HEFFERNAN—The stop the clock episode, when was it? This time last year, was it?

Senator BACK—Yes, this time last year.

Senator HEFFERNAN—This time last year we had a discussion at estimates and the Cattle Council of Australia rang me and abused me personally—and I will not use the colourful language that Greg Brown used on me—for objecting to the importation of beef into Australia from the US. We subsequently—despite the arguments put by Minister Crean on the obligations to the free trade agreement with the US, and the objections on behalf of Australia's farmers that Minister Burke put at the time—managed to put in a process to revisit an IRA, which was a very old one, and consequentially to that we have stopped the clock from the US. What were the impediments that the US described to you, and could you table the correspondence for which we have stopped the clock?

Dr Grant—You asked this question last time, and I think there is an answer provided on notice to that, and the answer was—

Senator HEFFERNAN—It was government to government?

Dr Grant—Correct.

Senator HEFFERNAN—So Australians are not entitled to know the complexity behind that. We have just got to cop whatever comes out of the bureaucratic assumptions of the free trade agreement, which the Cattle Council of Australia—because they belong to the same drinking club in Geneva that they go along to—were going to go along with, and allow beef to come in. So we would have been in a position now—and I am sure Senator Back would agree with this—if we had not jacked up, of letting the meat in. The Cattlemen's Association do not want to have a full-life, birth-to-death traceability system, because they do not want to shut the borders with Canada and Mexico—and at the time Minister Crean did not even know they were open—and there is free trade across the borders and no traceability, so they could

be anyone's cattle. Are we still going to try and cop the proposition that there will be some BSE-free zones from which we can buy cattle and import their meat, buy the meat from cattle from so-called BSE-free zones within the United States? Are we still going to try and cop that?

Dr Grant—Some of the information you have asked for is in fact to do with their traceability systems. We have also indicated that we will wish to visit the United States to see those systems in place and, in that context, that will be one of the provisions that we take into consideration in allowing exports.

Senator HEFFERNAN—I do note—and I thank you for the answers—that we are not allowed to go, as growers, and have a look at this—‘No, it is a government-to-government thing. No, no practical inclusion.’ We have seen a complete and catastrophic human failure in the importation of prawns, where some—

CHAIR—Get to the question. It is getting late.

Senator HEFFERNAN—galoot in the Public Service did not read; so we have allowed a container of seriously infected prawns to get into the system here. Why would it not be reasonable to have a couple of industry people that are not part of the club go along and have a look at what you are proposing? As you know, there is no such thing as a BSE-free herd—which was the original proposition put up by Minister Crean—because there is no such thing as a live test for BSE.

Dr Grant—I am not sure what the question is, but we have not put a proposition to the United States. We are waiting for information that allows us to do an analysis of their systems.

Senator HEFFERNAN—And the information that you are waiting for—

Senator Ludwig—Wait. Just let the witness finish, please.

Senator HEFFERNAN—Yes, he understands I am a bit anxious. He has had to put up with me for a long time. But aren't we entitled, Doctor—

Senator Ludwig—No, Dr Grant had not finished his evidence.

Dr Grant—Basically we are waiting for information to allow us to do an analysis.

Senator HEFFERNAN—Yes, but aren't we entitled to know—to get a feel for the pressure that the Cattlemen's Association is putting on behind the scenes in the United States—what it is that they will not answer?

Dr Grant—We have asked them for a certain amount of information, certain pieces of information. That has not yet been provided.

Senator HEFFERNAN—So wouldn't it be reasonable for the trade to get a feel for this by seeing what the questions are that they have not answered? What is wrong with that?

Dr Grant—At the moment, what we have asked for is advice on their systems of traceability, which we will wish to go over and inspect. We have been given no information at this stage on the traceability of their systems.

Senator HEFFERNAN—They do not have any traceability.

Dr Grant—We are waiting for that advice.

Senator HEFFERNAN—Why? The Cattlemen's Association will not let them have it. So can we see the correspondence?

Dr Grant—We have answered that question already.

Senator HEFFERNAN—So we can't?

Dr Grant—It is government to government.

Senator HEFFERNAN—All right. So that is the US now. If we had not jacked up, Mr Chairman, this would all have been a fait accompli. Going to Canada, they have given an answer—which we are not allowed to be told as conscientious Australian farmers who want to protect ourselves, keep our position in the market, try and fight the destruction of sovereignty that is coming out of all this.

CHAIR—Senator Heffernan, would you just ask the questions.

Senator HEFFERNAN—Yes, I am.

CHAIR—We have gone over time. We hear this rambling every set of estimates.

Senator HEFFERNAN—It is a serious problem, the destruction of sovereignty and controlling your destiny because of obligations to all sorts of weird free trade agreements.

CHAIR—Just ask the question.

Senator HEFFERNAN—What in God's name is the government of Canada up to when they say they have not got the resources to deal with this now? What does that mean: they have not got enough money? They have not got enough men? They do not know the answer? What do you think it means?

Dr Grant—As I said this morning to that question, we have been advised that they do not have the resources. What that means you would have to ask them. I cannot answer for them.

Senator HEFFERNAN—But this is an insult to Australia's cattle growers. Why can't you, on our behalf, tell us what it is that they cannot resource to answer? We might be able to go over there and answer it for them.

Senator Ludwig—Dr Grant has answered the question.

Senator HEFFERNAN—The answer was, 'I'm not going to tell you the answer.'

CHAIR—No, it was not, Senator Heffernan.

Senator Ludwig—No.

CHAIR—Dr Grant clearly said he could not tell you and you would need to ask the Canadians. Do you have any further questions?

Senator HEFFERNAN—But wouldn't it be a natural follow-up for you to try and figure out why they have said that, or are you not interested?

Dr Grant—No. We have asked for information from Canada. Their response to us was, 'We will not provide it at this time because we do not have the resources to muster that information together.'

Senator HEFFERNAN—So on behalf of Australia's cattle growers, can't I simply ask: what are some of the likely things that they cannot muster the resources for to give us the answers that we need? Give us a hint.

Dr Grant—I cannot answer for Canada as to why—

Senator HEFFERNAN—No, but you can answer for what we have asked them to answer.

Dr Grant—Yes, we have asked them to provide us with information on their management systems, on their traceability systems, on their production systems, and we are waiting for that information.

CHAIR—It is now nine o'clock, so I am going to cut in now. I do not think you will be finished—

Senator HEFFERNAN—One more.

CHAIR—One more and that is the end of it. Isn't that great? You all heard that?

Senator HEFFERNAN—So, in the considerations with the US and the Canada, have we asked all the parties whether they are prepared to shut the border?

Dr Grant—No, we have not asked that question specifically.

CHAIR—Okay, Dr Grant, thank you. It is now nine o'clock. We will have a 15-minute break.

Dr Grant—Could I just correct the record? Earlier on I said 8 May. It was 10 May that the clock was stopped on Japan.

CHAIR—Okay, thank you.

Mr Ross—Sorry, one more thing.

CHAIR—Where is Dr O'Connell when I need him? Sorry, carry on.

Mr Ross—In the earlier discussions when we spoke about our interests in the TPP, I mentioned beef access to the US. I should have said sugar access.

CHAIR—Mr Ross, they are not even listening.

Senator NASH—I am.

Mr Ross—Thank you.

CHAIR—I am sorry, Senator Nash is.

Proceedings suspended from 9.00 pm to 9.15 pm

CHAIR—Welcome back. Senator Nash.

Senator NASH—Thank you very much, Chair. Mr Glyde, I am not sure if it goes to you or others: you raised the issue before of the Doha Round. On the department's website it says:

While WTO members remain committed to a successful conclusion of the Doha Round, the negotiations are widely regarded to have stalled.

Is that a fair representation?

Ms Evans—Again, these are broadly questions that belong to the Department of Foreign Affairs and Trade, but I can certainly say that there is some sense of—

Senator NASH—It is on your website.

Ms Evans—Yes. There is a sense now of some new momentum having been put into the WTO process through the G20 summit in Seoul and through the APEC Ministerial Meeting in Yokohama last year. Both of those leader-level meetings reaffirmed a commitment to conclude the round and identified this year as the critical window of opportunity to achieve this. I will certainly have a look at the website and if we need to update that we will make sure that happens.

Senator NASH—I should not believe the next sentence, which says:

Some limited progress has been made in recent months on agricultural issues, but the round continues to be hamstrung by fundamental differences between members over the level of ambition for trade reform for agricultural and industrial goods ...

Should I disregard that?

Ms Evans—We will check the website and make sure it is up to date. Certainly the discussions are challenging.

Senator NASH—You do not do that regularly?

Ms Evans—We do do that regularly.

Senator NASH—Given how often we get referred to the website in this committee, one would hope that the website was up to date. I am quite serious.

Senator Ludwig—I take the point.

Senator NASH—If this is not correct, it should not be on the website. I refer you to the Minister Emerson's release of 20 January. It says:

'In November last year, the talks held by G20 and APEC Leaders demonstrated that there is a level of political will to conclude the World Trade Organisation's Doha Round,' Dr Emerson said.

'They provided clear direction that the Doha Round is in the end game, and they handed the baton to Trade Ministers and negotiators.'

That really contradicts exactly what you have on your website, does it not?

Ms Evans—It does.

Ms Mellor—We will check it and if it is incorrect it will be corrected.

Senator NASH—That would be very useful. Thank you. On the Japan-Australia trade deal, how long has the government been in negotiations with Japan for a free trade agreement?

Ms Evans—The negotiations commenced with Japan in April 2007.

Senator COLBECK—Haven't we been talking to them for longer than that about a free trade agreement?

Ms Evans—The negotiations on the free trade agreement commenced in April 2007, so we obviously have had broader discussions with Japan outside of a free trade agreement context.

Senator COLBECK—When did we announce that we were going to start a process of free trade agreements? The reason I ask—and I am not trying to be silly or anything—is that I did

a trade mission to Japan in 2005 to talk to them about a free trade agreement and the inclusion of agriculture.

Mr Glyde—The usual process is that there are discussions and then there is an agreement to commence negotiation, so we will just have to take on notice the specific request you have made. We have just got here when the formal negotiations started.

Senator Ludwig—There was a 2006 FTA feasibility study as well. It sounds like that fits in, if you were talking in 2005. They did a feasibility study in 2006 and they may commence formal negotiations subsequent to that.

Senator NASH—What would you say have been the main breakthroughs on the agreement in that time?

Ms Evans—Can I say that these are questions that really belong more with the Department of Foreign Affairs and Trade.

Senator NASH—I think something like 50 officials were sent to Tokyo for recent discussions—is that correct? Were there recent discussions around this in Tokyo?

Ms Evans—There was a recent negotiation in Tokyo and this department sent two people. I am not able to comment on the size of the delegation. You would have to ask that to Department of Foreign Affairs and Trade.

Senator NASH—Two from this department? So it would be quite appropriate, then. Given that there was investment through officials attending, seeing that we are doing Trade and Market Access, I do not really think that going to the Department of Foreign Affairs is the best answer you can come up with.

Mr Glyde—It is in relation to the size of the delegation.

Senator NASH—I know. But I was talking about the breakthroughs before that.

Ms Evans—The main comment I was going to get to before was that you would be aware that recently Prime Minister Kan announced that there was a new revision to the basic policy on comprehensive economic partnerships, which includes the free trade agreement with Japan. So it has signalled a new intention, a clear intention from Japan to drive their domestic reform agenda, including particularly in agriculture. So this sense that there is now an increased effort to conclude the free trade agreement with Japan will benefit Australian agricultural exports because of the opportunities for reduced tariffs and new trading opportunities with them.

Senator NASH—On that, though, it is correct, isn't it, that Dr Emerson said:

Australia will encourage Japan to scrap its agricultural import tariffs, but will not insist on it during free-trade negotiations.

Was that a correct reporting of what he said?

Ms Evans—I do not have that transcript in front of me, so I would have to ask you to confirm that with the Department of Foreign Affairs.

Senator NASH—What is the current tariff on imported rice into Japan? I am pretty sure that is not a Foreign Affairs one.

Ms Evans—No, I have that. It will just take me a moment to find it.

Senator NASH—While you are at it, you might want to do the tariff on wheat.

Ms Evans—While I find them, would you like to go on with your other questions?

Mr Glyde—It is very large. We are going to struggle, I think, to come up with the exact percentage.

Senator NASH—Do you want to have a crack at a ballpark figure for me, Mr Glyde?

Ms Evans—It is 600 or 700 per cent. It is very high. I will get the exact figure for you so we do not mislead you.

Senator NASH—That is fine. It would be good if you can find it. If you cannot, take it on notice, but we will go around that 700. Have we potentially got a situation here, given the minister's comments. I certainly do not want to verbal him but from the reporting that we have seen he has said that it will not be a deal-breaker to reduce the tariffs in terms of the agreement. Is he seriously suggesting that he would agree to a free trade agreement with Japan with the current—

Senator Ludwig—I think you—

Senator NASH—Sorry. Can I just finish the question? It is a very genuine question.

Senator Ludwig—You are asking the department or me to comment on what you think he said.

Senator NASH—I would hope that the department would be—

Senator Ludwig—If it is in relation to a trade—

Senator NASH—Minister, to be fair, I would hope that the department would be well aware of any comment that Dr Emerson had made on the deal. I would find it surprising if the department was not across what he had said publicly on the deal.

Senator Ludwig—If you have a copy of it, we are happy to have a look at the copy and then take it on notice.

Senator NASH—I will see if I can find it for you here.

Senator Ludwig—If it comes with all your mark-ups, that is fine as well.

Senator NASH—No, it is actually not. I will just make sure I have the right one. It is on the website. Perhaps you could go there.

Ms Mellor—Not the DAFF website.

Senator NASH—No. Sorry, I am being rather flippant. Sorry, Ms Mellor, you probably were not here during the last lot of estimates. Could we table that, Madam Secretary? I am very interested to know: if it is indeed correct that Dr Emerson has not said that reduction in tariffs is a deal-breaker, are we likely to be in an environment where we have got several hundred per cent tariff on imported rice remaining in place?

Ms Evans—I am sorry, I feel very uncomfortable being asked to comment on the details of negotiations when the lead on those negotiations is the Department of Foreign Affairs and Trade.

Senator NASH—I am sure you do, especially with that sort of question. Perhaps, on behalf of the committee, you would not mind asking the Department of Foreign Affairs and Trade to furnish us with an answer. That would be most useful.

Ms Evans—Sure. We can do that.

Senator NASH—You probably will not answer this either. I am sure, when I ask what Japan is putting on the table in terms of reduction in tariffs, you will be uncomfortable in answering that as well.

Ms Evans—I would. These are ongoing negotiations and so you can understand that it is more appropriate for the department with the lead on those to respond to those questions.

Senator NASH—Of course. You would understand that farmers are very uncomfortable hearing that perhaps Dr Emerson is not going to insist on tariff reductions when we are looking at the levels that we are; which of course you will provide to me on notice because you do not have them.

I want to quickly ask you about the Cargill acquisition of AWB. Does the department have a view on the takeover? Has the department done any work or does it have a view on the level of ownership by a company that may impact on trade? The answer may well be 'no', but I am interested to know if it is something that you do take into consideration.

Mr Glyde—I will start. Generally speaking, we do not make comments in relation to those matters. We would see those matters as matters for the marketplace. If there are issues that relate to competition policy or a reduction in competitive pressures within the Australian marketplace, then they are also matters that are—I hate to say—best dealt with by the ACCC as well.

Mr Grant—If I could just add: that matter is still being considered by the Foreign Investment Review Board as well.

Senator NASH—Maybe this is more a question for ABARES. Do you look at it in the context at all of what impact foreign ownership might have on food security? Is there any work done on that?

Mr Glyde—There is some work that the Rural Industries Research and Development Corporation and ABARES have been commissioned to do; to look at some of the facts and figures and questions in relation to foreign investment in Australian agriculture. I would again be happy to provide you with the details of that, the terms of reference for that study. That work has commenced but is not completed.

Mr Grant—There was an announcement made on 23 November by the minister on commissioned work by RIRDC and by ABARES, and on the same date the Assistant Treasurer announced that he had asked the Australian Bureau of Statistics to ask some additional questions about foreign ownership in the agricultural sector as well.

Senator NASH—You mentioned the Foreign Investment Review Board, Mr Glyde. Do you think the ACCC or the Foreign Investment Review Board actually have the capacity to look at the cumulative impact of foreign ownerships? This is an issue that people out in the community are starting to be very well aware of, so if you are not doing it and sitting with

these other bodies, from your perspective of the impact on the regions particularly, do you think they have the power necessary to be able to comprehensively look at that?

Mr Glyde—That is really what we are looking at, in terms of doing these studies. They will certainly contribute to that. But I guess the information that we have to date, certainly from ABARES's perspective, is that the current level of foreign ownership of Australian agricultural land and water resources is low. So to date the hypothesis is that it has not been a major concern, but clearly there are concerns in the community, so that is the rationale for those studies. In relation to the awareness of the Foreign Investment Review Board and the ACCC of the cumulative impact, they are important aspects that they have to take into account.

Senator NASH—Just to clarify, in the reviews will you be looking at land purchase but also company/business purchase? They are two entirely different areas. Will you be looking at both?

Mr Glyde—That is right. There are the assets themselves, and the management of those assets is just as important. The idea is to report on the role, the history of foreign ownership in the development of land and the factors that actually drive foreign investment in Australia through the agricultural chain.

Senator NASH—When are you expecting that work to be completed?

Mr Glyde—That is a good question. I think that is going to be finished by late 2011. That is the contract date.

Senator NASH—So the end of the year.

Mr Grant—The ABS data probably will not be available until sometime in 2012, but I think the RIRDC and the ABARES work will be available earlier than that. One of the issues is not just about ownership but it is about control, because many publicly listed companies have investments from overseas entities already in the current landscape, but they do not actually influence any degree of control on the way that those businesses operate on land for agricultural purposes. So we need to be careful we are differentiating between ownership per se and the way that is managed through control.

Senator NASH—Exactly. That is a very good point, because it is that control issue that many people have a significant concern about. This is my last question, Chair. Are you aware of the issue of prune growers potentially ripping out their orchards in Young because of the impact of cheap imports?

Mr Glyde—No I think is the answer.

Senator NASH—You guys have really got to start reading the media!

Senator COLBECK—They spend a fortune on media monitoring.

Mr Glyde—Clearly we need to spend more.

Senator NASH—It's extraordinary!

Senator COLBECK—Yes. They spend a few bob on it, so they told us this morning.

CHAIR—Sorry, did I hear you say that was your last question?

Senator NASH—Yes, I did indeed, Chair. On 17 February—and this did not take a lot of tracking down—

Senator COLBECK—It wasn't in the *Tasmanian Times*, was it?

Senator NASH—No, it wasn't, thank you, Senator Colbeck. It was actually that very small publication 'ABC', which people tend not to notice because it is so tiny! It says:

Some prune growers in New South Wales think they will have to make the heart breaking decision to rip out their trees.

It talks about cheap imports crippling the industry; they will have to push their trees out:

"It's put the nail on the coffin and the trees will probably come out in March or April this year."

While I certainly accept you might not have been aware of that particular report, are you aware at all that this particular industry is being quite significantly impacted by cheap imports?

Mr Grant—We are not aware of that particular grower and we have not had any information to say that other growers are behaving similarly. I do not have a feel for the number of prune growers in Australia per se, so I do not know how influential that one grower is. We have not had any complaints about prunes being dumped in Australia, so we are not sure that there is an unequal trading environment that suddenly changed the way that prunes are traded around the world or that cheap imports are coming into Australia. We have not had any representations to that effect.

Senator NASH—If you would not mind taking on notice for the committee to do some research on that. Perhaps have a look at that report from 17 February and maybe backtrack a bit, look at the detail for us and see if there is an issue and whether it is only a one-off or whether it is more broadly through the industry, and what impact that is likely to have and what the causes of that are. That would be very useful.

Mr Grant—We are happy to do that.

Senator NASH—Thank you, Chair.

CHAIR—Thank you, Senator Nash. As there are no further questions of Trade and Market Access, thank you, officers. I now call Agricultural Productivity, which includes commodities, water research and development, food ag and vet chemicals and animal welfare.

[9.33 pm]

Senator COLBECK—In relation to regional food producers programs, question on notice APD 03 from the last estimates indicated that the program has \$1.2 million uncommitted in 2010-11 and \$4.7 uncommitted million in 2011-12, which is \$5.9 million in uncommitted funds. Is there anything further happening with that funding? Is there another round of applications?

Mr Grant—Since we provided you the answer on notice, there has not been any further activity in respect of a further announcement of a round. However, you will have seen in the current budget papers for this hearing that there is an allocation that has been made out of that program to the former Department of Infrastructure, Industry, Science and Resources and that was part of settling the new administrative arrangements.

Senator COLBECK—What does ‘part of settling the new administrative arrangements’ mean? They took how much?

Mr Grant—We agreed that there would be a transfer of \$3 million—\$1 million this year and \$2 million next year—from that program to that department. It reflects the new responsibilities that department was allocated in the AAOs dealing with food industry processing.

Senator COLBECK—I was going to ask you what they are going to do with it, but you cannot tell me that because it is a different department.

Mr Grant—Yes. I would not hazard a guess.

Senator COLBECK—So of the \$5.9 million, \$3 million has gone. What happens to the other \$2.9 million?

Mr Grant—The government is considering how it might use that money.

Senator COLBECK—They will tell us what that is in the budget?

Senator Ludwig—Yes.

Senator COLBECK—Thank you, Minister. We started off with a program in 2007 that was \$35 million that has had \$17 million taken out of it so far and then we are down to \$5.9 million, of which \$3 million has disappeared into a different department.

Have you had any conversations with Coles and/or Woolworths in relation to the recent campaign, particularly from Coles, on the pricing of generic milk at \$1 a litre?

Senator Ludwig—My office has.

Senator COLBECK—Your office has? You have had no conversations at all?

Senator Ludwig—I would have had a brief conversation, I think, with one of the Coles representatives, but I was passing out of the office at the time, so we did not discuss anything, no. I know that my office has had discussions with both the dairy industry and Coles. I can check—and I will take it on notice—what other contact they may have had with industry stakeholders.

Senator COLBECK—Have you received any correspondence from any of those parties in relation to that?

Senator Ludwig—I am sure I have, yes.

Senator COLBECK—Specifically from Coles?

Senator Ludwig—Yes.

Senator COLBECK—I hope it is not like the ludicrous letter that they sent to me.

Senator Ludwig—It might have been the same, because I recall one from the senate@aph.gov.au website, so it may have been a generic one that has gone out to everyone.

Senator COLBECK—It may very well have been a generic one, Minister, because they did call me ‘minister’ and I was more than happy to take the promotion but devastated at the thought that I have to stay where I am for a while. So it looks as though they are circularising us all to tell us how big, bad and ugly the processors are, how wonderful Coles are and—

Senator NASH—Actually, they called me ‘minister’ too.

Senator COLBECK—Did they?

Senator NASH—Yes.

Senator COLBECK—There you go! So the competition is on. I think Senator Eggleston was called ‘minister’.

CHAIR—As long as Senator Heffernan wasn’t—that would be too frightening!

Senator COLBECK—I’ve got a nasty suspicion, Chair, that that might have been the case. If you had been part of the inquiry, you could have been in the promotional ranks as well. The industry itself has broadly indicated that this marketing campaign is unsustainable in the long term. Does the government have a view on that?

Senator Ludwig—Whether or not their campaign is sustainable?

Senator COLBECK—Whether milk priced at \$1 per litre is sustainable in the long term.

Senator Ludwig—That would be a Productivity Commission or ACCC issue.

Senator COLBECK—I am asking if you have a view.

Senator Ludwig—I do not know their pricing. I do not know their metrics around their pricing of that product, so from the department’s point of view or my point of view, ‘Is it sustainable in the long term?’ is a very open-ended question. How long is the long term?

Senator COLBECK—That is a very good question. I am sure that will be investigated as time goes on.

Senator Ludwig—And is it a campaign? First of all the price discount, if it is that, for consumers does mean cheaper milk being available. What Coles have indicated is that it will not impact on farm gate prices because it is important to continue to have a sustainable milk industry both now and into the future, so they are critical issues that I think get missed in some parts of this debate.

Mr Grant—It really depends on how long Coles maintain absorbing the price cut in their margins.

Senator Ludwig—Which is effectively what they have said they are doing at this stage in proceedings.

Mr Grant—Correct.

Senator Ludwig—They are carrying the cost of the reduction in price themselves.

Mr Grant—Correct. If they get to a point where they need to pass that cost on through the processors and then potentially through the farm gate, then that would of course be a different issue.

Senator COLBECK—In that context, does the department have any view? I suppose that is a question that is going to have to go to the ACCC and we will deal with that next week. Is the department not concerned about the impact this is already having on the dairy industry?

Mr Glyde—The department is certainly aware of the concern that the dairy industry has. I think the hard thing, as Mr Grant and the minister have already said, is how long this situation

will continue and how it is going to unravel. There are a number of different scenarios that could be followed, but we are certainly well aware of the concern that the industry has. It has been expressed to us in a number of different ways.

Senator COLBECK—Is the department aware of some of the impacts that are already occurring in the industry?

Mr Grant—At the farm gate level or within the processor level?

Senator COLBECK—Not necessarily at the farm gate level but at the processor level.

Mr Grant—Obviously there is some pressure on the price and sales of branded milk, which potentially can have some impact on the mix between branded and home brand milk.

Senator COLBECK—I would not call one company who has lost 20 per cent of their business a ‘potential’ impact. It is happening now and it is a real impact. It is a smaller company, not one of the major multinationals, and it has lost 20 per cent of its sales to Coles and 18 per cent to Woolworths, so it has now lost 10 per cent of its overall business. That is an impact that is happening now and that obviously has a potential to flow on much more quickly at that level to the farmer level than perhaps the circumstance that is occurring at the higher level with Coles and their direct suppliers.

Mr Glyde—Whilst we are not aware of the specific impact that you have just mentioned—

Senator COLBECK—You ought to read your clips, Mr Glyde.

Mr Glyde—we are aware of the impact that this sort of uncertainty in any market can create, particularly as people are making investment decisions through this time. If there is some uncertainty about the future and the uncertainty is increased, then that does make it hard to make those investment decisions at that time. We are aware of that impact, but the specifics I am not sure of. Mr Grant might be able to assist me, but I do not think we have actually received any notification by mail or email or anything like that in relation to a specific case.

Senator COLBECK—No, this is a newspaper article from, I think, last Friday or Saturday in Tasmania. But it is a direct impact on one particular business and, as I said, that obviously has a potential to flow back much more quickly to the farm gate than does a circumstance that Coles are creating individually in their own shops. We all understand what they are trying to do. But the concern is what the short-, medium- and long-term impacts are. It is all very well to say that it is great for consumers because they are getting cheaper milk, but if it does not turn out to be that in the long term—it is a short-term gain for long-term pain—that is a concern that some of my colleagues and I are expressing as part of this current process that is occurring. That is why I am interested to know what the interaction between the government and Coles might be on this, because obviously they have some potential impact and influence as well, as part of this process. Obviously there is nothing further to add from the government’s perspective.

Mr Grant—We will certainly keep monitoring this. If we gave you the impression that it was not important, that is a false impression. I would not say that at all. This is a high-priority issue for us and we will continue to stay on it.

Senator COLBECK—Thank you for that.

Senator Ludwig—If I can add to that, dairy industry representatives will come and meet with my office and I will meet with them as well, because I think it is a matter that we do need to continue to watch very carefully.

Senator COLBECK—Thank you. Of course the parliament is doing that as well through the Economics References Committee. Can you give us an update on the horticultural code of conduct?

Mr Grant—The update I can give you is similar to the last conversation we had: the government is still considering the recommendations that were made by the ACCC, the input that was provided from the horticultural code of conduct committee and other inputs that have come from various stakeholders and representations between the time that the ACCC reported and the time the horticultural code of conduct committee reported. So the government is still considering how it might respond to those reports.

Senator COLBECK—But we have had the report from the ACCC since July 2008.

Mr Grant—That is right.

Senator COLBECK—And we have had the report of the committee since 1 November 2009. Is it a too-hard basket issue? Is it going to go anywhere or not go anywhere?

Mr Grant—As we have said before, it is a complex issue and there are a range of very strong stakeholder views that are often diametrically opposed across the industry. It is one that needs a significant degree of consideration.

Senator COLBECK—Perhaps you should take up the recommendation of—no, perhaps I should not say that.

Mr Grant—I should add that recommendation 1 of the ACCC's report has actually been implemented. That allowed the ACCC to have the power to require the provision of information or documents that are required to be kept, generated or published under a mandatory code of conduct, including the Horticulture Code.

Senator COLBECK—Perhaps we should apply it to the major supermarkets.

Senator BACK—I just want to move to the world of animal welfare if I can, if it is appropriate. What was the motivation for the development of the Australian Animal Welfare Standards and Guidelines for the welfare of animals? Was it partially trade, partially welfare? And what was the break-up of the two, please?

Mr Grant—As you are aware, responsibility for animal welfare issues exists with the state and territory jurisdictions.

Senator BACK—Yes, that is correct.

Mr Grant—The purpose of the development of those guidelines is to try to translate a series of model codes that exist in various forms across the states and territories, which are implemented in a way that is particular to the states and territories involved, into a common set of standards and guidelines which could then be implemented on a consistent basis across the country. The object is to get an improved and standard treatment of animal welfare across the country.

Senator BACK—Do they replace the prevention of cruelty to animals legislation in each of the states and territories or do they supplement them? How do they work in relation to that?

Mr Grant—I am pretty sure they supplement them but Mr Murnane might know.

Mr Murnane—The intention is that the standards and guidelines would be regulated under the existing state prevention of cruelty to animals legislation.

Senator BACK—They do not supplement, they do not override them; they simply complement them?

Mr Murnane—They would be a set of regulations under that legislation.

Senator BACK—One of the concerns that has been expressed to us is the introduction of words like ‘competent’ and ‘capable’, particularly in the standards document and the flow-on. Are you aware of any flow-ons that have occurred as a result of those words finding their way into the standard?

Mr Murnane—Not yet. The requirement for competency has been introduced in the land transport standards but those standards have not yet been regulated by the states and territories. The requirement for competency is also in the revised model code of practice for the welfare of pigs and that was done with the involvement and agreement of the pig industry. I am certainly aware of the issues that have arisen over the use of the word ‘competency’ in the draft standards for the sheep and cattle industries. There are conversations that are continuing through Animal Health Australia with representatives of those industries and there will be a workshop held in early March to discuss that issue further.

Senator BACK—You would have been aware that, for example, in Tasmania they interpreted inclusion of the term ‘competency’ in the standards as a trigger towards certifying and licensing farm livestock? What was the department’s reaction to that?

Mr Murnane—There is no intention amongst the states to require formal examinations or testing or anything like that. What has been said is, if there are arrangements for people to obtain formal qualifications, that will be one evidence of competence but it is not going to be the required evidence of competence.

Mr Grant—There are certainly concerns expressed by industry that Tasmania might do that but to my knowledge Tasmania has never said they will do that.

Senator BACK—I was under the impression that Tasmania had indicated they were moving in that direction.

Mr Murnane—Tasmania has said they will certainly do that for the pig code of practice. It has been reported that Tasmania is interested in doing that for extensive industries as well as intensive industries, but my most recent understanding is that they are quite happy to participate in a national discussion about the best way to give effect to the competence requirement.

Senator BACK—As I understand it, the peak industry bodies effectively said they would withdraw support until those terms were either understood or removed or explained further. Can you tell us where the peak industry bodies are now in this overall consultation process?

Mr Murnane—They will be key participants in the workshop in early March that Animal Health Australia is convening. The formal position of the peak bodies for the sheep and cattle industries is still that they have withdrawn from participating in the standards and guidelines process, subject to the resolution of issues around consistent national implementation, particularly around ways of regulating for competence.

Senator BACK—So until such time as those bodies are on side and everyone is back in tune, it is unlikely that there is going to be a national benefit towards the direction you are attempting to achieve. Is that right?

Mr Murnane—If the objective is to develop a set of standards and guidelines that all parties are prepared to sign onto, then you obviously need the peak industry organisations in the tent.

Senator HEFFERNAN—So you would impose it on them if they did not agree?

Mr Grant—The development of these standards has been through a cooperative approach between the industry and the government. We would try and continue that cooperative approach.

Senator HEFFERNAN—But the industry is freaking out over this, whereas the peak bodies are playing a different tune because they are part of the wine club.

Mr Grant—As Mr Murnane has just pointed out, we are trying to initiate a process through Animal Health Australia to have a serious and good discussion to try to resolve those differences.

Senator BACK—The next step in that process is a meeting in March, you were saying?

Mr Murnane—Yes.

Senator BACK—With which groups?

Mr Murnane—It is being convened by Animal Health Australia. Participants will include all state and territory governments, the industry organisation and members of Animal Health Australia. I understand that animal welfare groups are also being invited. That is what I am certain of at this stage.

Senator BACK—Can I move to the Australian Animal Welfare Strategy, for which I understand funding of the first phase is due to expire at the end of this financial year. Am I correct in that assumption?

Mr Murnane—No. There is funding in the out years for the Australian Animal Welfare Strategy through to, I think, 2013.

Mr Grant—The initial phase of the Australian Animal Welfare Strategy was 2006 to 2010. There was a review done by an external independent consultant, who recommended a series of changes to the AAWS.

Senator BACK—That was Gemmell?

Mr Grant—Yes, that was Gemmell. The next phase of the AAWS will be 2011 to 2014. That is phase 2. The funding for the AAWS remains consistent through that period and there is funding of about \$1 million in the budget in the forward estimates for that work continuing.

Senator BACK—If I can go to that report and review undertaken by Mr Gemmell, it has now been produced and has been released? Is that its current status?

Mr Murnane—The report has been released to organisations that have been involved in the AAWS but it has not yet formally been publicly released.

Senator BACK—Can you tell us when it is to be?

Mr Murnane—We expect that it will be shortly.

Mr Grant—We do not have an exact date but it will come shortly.

Senator BACK—Is it that review that has recommended that this new Australian Animal Welfare Advisory Committee take over from the national consultative committee? Is that part of that review process or is that happening in parallel?

Mr Murnane—The review process recommended that the National Consultative Committee on Animal Welfare and the advisory committee for the AAWS be combined into a single body.

Senator BACK—What is the status of that? Has that happened?

Mr Murnane—The national consultative committee has not met for some time, pending formalisation of a response to that recommendation.

Senator BACK—It is my understanding that that body provides independent advice to the minister but has no relationship at all with the Primary Industries Ministerial Council. Is that correct?

Mr Grant—Which body?

Senator BACK—The NCCAW.

Mr Grant—Yes, that is correct.

Mr Murnane—Yes, I believe that is correct.

Mr Grant—We are working through the Primary Industries Ministerial Council process, through the Animal Welfare Committee, to more closely formalise the links between the AAWS and the animal welfare policy development issues that are considered through the ministerial council. The chairman of the AAWS Advisory Committee now regularly attends the meetings of the Animal Welfare Committee, and the chair of the Animal Welfare Committee regularly attends the meetings of the advisory committee. We are trying to better arrange the coordination of those two processes in the new way forward for the AAWS.

Senator BACK—The minister was good enough to provide this committee with advice recently, referring to the agreement on nationally consistent standards, but advising us that each state will have its own legislative parameters and therefore—and I am quoting here from the minister's letter:

While acts and regulations may vary across jurisdictions, the intent and outcomes of the regulations should be as consistent as possible.

Would it be fair to say then that, rather than the term 'consistent', they will be nationally equivalent, given geographic differences, weather conditions, distances over which animals are transported et cetera? The standards themselves will not end up being consistent, will

they? For example, Tasmania, North Queensland and Western Australia would have quite different standards.

Mr Murnane—The standards certainly will not be identical or they will not be regulated in an identical way in each jurisdiction, but jurisdictions—through the ministerial council process—have given undertakings to—I think the expression is—‘nationally consistent outcomes’. So while the regulations will not be consistent or identical in each state and territory, the objective is to have consistent outcomes nationally.

Senator BACK—One example has been highlighted to me recently. We all know how difficult long-haulage truck drivers are to deal with, but this is in regard to transportation of bobby calves—

Senator Ludwig—Mr Sterle, what do you think about that?

Senator BACK—I think he has dozed off.

CHAIR—I totally refute that.

Senator HEFFERNAN—Wake him up.

Senator BACK—There is a question obviously being asked, and I think it is nationally. ALTA national president, David Smith, said the association supported this whole issue of timing of feeding of bobby calves. He was making the observation that the trucking operator can hardly be the person holding responsibility for knowing the last time that a relatively young calf had been fed. Can you give us some guidance in regard to an issue of that nature? How will these guidelines actually work in this case for the trucking industry?

Mr Murnane—Again, it is going to be a matter for each jurisdiction to work out how to regulate it within their own area. We have had some discussions with the Australian Livestock Transporters Association and I believe they have initiated discussions with several states and territories as well. In our conversations with them we have not got far past really what you have just read out there; that they are looking for a consistent format or piece of paper that the consignor can hand over to the truck driver and say, ‘This is when the bobby calves were last fed.’

Mr Grant—In the end, the process of trying to determine the time of feed for bobby calves through that transport will be done through a consultative process using science and using input from a whole range of stakeholders. Their advice will be provided to the PIMC, to the ministerial councils, and ministers will sign on to that standard and then implement it through the process that Mr Murnane has talked about.

Senator BACK—Just a last question on animal welfare and this aspect of the issue. Are these guidelines extending through to companion animals as well—for example, dogs?

Mr Murnane—Not at this stage. I guess there are two processes in train. Animal Health Australia is leading in coordinating the process for developing standards and guidelines for production animals and for the industries represented through AHA. At the same time, through the AAWS Advisory Committee and its working groups, there is also work going on to progress standards for non-production animals.

Senator BACK—We will perhaps talk about those at a future estimates. I have got two other areas briefly, Chair. I know that others have questions. Following the Victorian fires two years ago and the recent floods, it causes us to ask the question: is there a national emergency management plan around the treatment of animals that are injured or dying?

Ms Mellor—No.

Mr Murnane—No.

Senator BACK—Perhaps I can place on notice this question: if there is no national plan—and I do not expect you to answer it now—what is currently in place and what do we need to do from a national point of view? Both of these events have highlighted instances of—I will not get too deeply into it but—

Senator Ludwig—The usual response would be from the state which has responsibility for the response under natural disaster matters, and of course it would be up to a state to bring it to a ministerial council for broader consideration, if there was a need. The other area of course is the EMA, which is in the A-GD portfolio, which will be up, I suspect, tomorrow, so you could ask whether or not they have already started that work or considered it.

In addition to that of course, there is also the royal commission in Queensland which will look at the broader issues around the floods, because these matters certainly got aired on television and people raised these issues right throughout the floods. In terms of responding to saving lives and a range of other issues, of course animal welfare issues were raised; it always remains a concern in this portfolio. So I suspect it will be a matter that will get some reasonable consideration as we move forward out of this event.

Mr Grant—There is some very early work that is happening in the Animal Welfare Committee—the cross-jurisdictional one—but it is very early days.

Senator BACK—I will raise it tomorrow. The last area I did have some questions on was GM. Unless there are others who have questions, I can keep going, Chairman.

Senator NASH—I have actually got a few in this area, but not on that.

Senator HEFFERNAN—Can I just ask a question on this competency thing? The answer to the previous question, Senator Back, would be that, at the present time, the rural land protection boards or LHPAs come out and shoot all your stock and supervise what should be shot and what should not be if they have been burnt. I have been through that a couple of times.

In terms of competency, the game changes and no-one, no farmer, wants to see his livestock abused or treated unfairly and all the rest of it. But these, under the occupational health and safety and all the provisions of too many bloody lawyers and not enough work for them to do, someone with experienced firefighting, like me, who might have learnt at this age to burn a firebreak and put a fire out and saw a tree down and all the rest of it cannot go to a fire and saw a tree down unless they have been to a designated fire course in chainsaw driving, even though they have been chainsawing all their life.

I am not allowed to buy a hose or a pump through the system unless I go to a training course somewhere. Is that where we are headed? I have got a chemical users certificate, which was a fairly ordinary process to get; you did not have to be too clever to pass. But for farmers

that have been farming for 50 years and live out the back of Cobar, surely, Mr Murnane, you are not going to tell me that you are going to impose, through some bureaucratic process, a competency requirement on them?

Mr Murnane—No, I am not going to tell you that. What I can say is that a large part of where this is coming from is to provide greater clarity and certainty in the rare and last circumstance where things may get brought to court.

Senator HEFFERNAN—Yes. We have had an instance in my district of a bloke who starved stock, sort of thing.

Mr Murnane—Yes, and that is why there is so much attention being put into a standard for competency.

Senator HEFFERNAN—But under the competency thing, how do you establish that I am competent?

Mr Murnane—I was about to say—and unfortunately I do not have the actual wording with me—the draft standards talk about competence being exhibited by skills and experience and knowledge gained on the job, as well as by more formal means.

Senator HEFFERNAN—But at the end of the day, how do I confirm that I am competent?

Mr Murnane—The assumption is that people are competent until it is demonstrated otherwise.

Senator HEFFERNAN—So it is the reverse legal onus of proof?

Mr Murnane—No, certainly not. The onus of proof in a court case is to prove lack of competence.

Senator HEFFERNAN—But is the proof in the court going to be that I have not got a competency ticket, a piece of paper that says I am competent?

Mr Murnane—No. No state has said that it intends to do that.

Mr Grant—Can I just confirm: you are talking about animal welfare, so you raised a whole series of issues about use of chemicals, occupational health and safety et cetera.

Senator HEFFERNAN—No, forget the chemicals. That was an analogy.

Mr Grant—Yes, I know. I understand. I just wanted to make it clear that—

Senator HEFFERNAN—That was an analogy.

Mr Grant— We were only talking about welfare—

Senator HEFFERNAN—I know exactly what you are talking about, because the farmer organisations are spewing about where this could go unless there is some intervention. They have walked away, more or less, because this could become a nightmare for farmers if this bureaucratic approach was taken and not a practical approach. So we are going to treat this with great caution.

Mr Murnane—I understand that, but I say again, in all the discussions that I have had with states and territories on this, there is no intention and no interest in imposing some sort of certification.

Senator HEFFERNAN—If you do not mind, we will keep a watching brief.

Mr Murnane—Sure, absolutely.

Senator HEFFERNAN—The follow-up to that is: if there is going to be competency—and you have given us some reassurance—who checks the checkers? How do we know that the bureaucrats that are going to declare what is competency are competent to do that, if they have had no experience—I mean if they could not skin a sheep or pull a lamb out of a ewe? Who is going to check the checkers?

Mr Murnane—That will be a matter for the states and territories, not for us, so I cannot answer that question in detail.

Senator HEFFERNAN—Further to that—

Senator Ludwig—Let me answer the question.

Senator HEFFERNAN—I think this is an excellent idea, to have farmers that are competent—

Senator Ludwig—Chair, let me answer the question. Competency issues of course have arisen not only in this industry but in a range of industries. My experience from previous industries where competency levels have arisen is that usually people from the relevant industry sit down and work through what the standards should be, how they—that is, the competency levels—may be achieved and what competencies form part of the overall requirement for a particular industry. This has been of long standing, in particular around trades, mining and other related industries.

So industry input provides the solution. In addition to that they have what is called recognition of prior learning, so that you do not have to have gone through a course if you can demonstrate that there is prior learning, and that recognition of prior learning is from experience had through TAFE. It is usually done by people from the industry who can then recognise, of course, those particular competencies.

Senator HEFFERNAN—Joe, please! TAFE? No, you are losing us, mate! We will deal with it later.

Senator Ludwig—You might scoff at all of that, but that is—

Senator HEFFERNAN—No, we will deal with it later. We do not have time.

Senator Ludwig—You might scoff at it—

Senator HEFFERNAN—We are not scoffing, mate.

Senator Ludwig—but if you want—

Senator HEFFERNAN—We will talk to you later. Will there be no disadvantage to us with our international trading partners if all this comes as another burden on the overheads, given that there are some horrendous practices overseas that we have to compete against? Is what is good for the goose going to be good for the gander? The United States with the BSE thing says, ‘No, no, we don’t want an NLIS scheme. Go to hell. We refuse to answer your questions.’ The Canadian government says, ‘The OIE is the answer. We’re not going to answer your questions.’ Are we going to cop that as well on this?

Senator Ludwig—We have chased this rabbit around this hole more than once today.

Senator HEFFERNAN—I am sorry, but that is where it is headed.

Senator Ludwig—The general reply from the department official was that this is a matter for development by states and territories. What I was trying to explain was that you should not be overly concerned about competencies and competency standards. Other industries have dealt with this issue for a very long time and perhaps you could learn from their experiences.

Senator HEFFERNAN—My problem is that with the LHPA—what were the rural lands protection boards, which were the pastoral protection boards—the rates are now dearer than a lot of shire rates and you have a whole lot of people wandering around trying to justify themselves to have the job. This is going to be an answer? God help us! Thanks.

Senator BACK—Just a final question, Chairman. Do you regard licensing national standards for GM as a state issue or one that we can discuss?

Mr Grant—Licensing?

Mr Glyde—There is a regulatory regime.

Mr Grant—The OGTR sets the regulatory standards and the framework.

Senator BACK—Not here?

Mr Grant—No.

Mr Glyde—It is under the health portfolio.

Senator BACK—That does me for this area, thanks, Chairman.

CHAIR—Any further questions to Agricultural Productivity? Senator Nash?

Senator NASH—Chinese apple labelling I think came up this morning but I do not think, in particular, questions around the Great Wall labelling. I am sorry if it was dealt with this morning, but I do not think it was. Did you deal with it this morning?

Senator Ludwig—You ask your question and we will see if we can find an answer.

Senator NASH—You are aware of the Great Wall labelling of the apples. In your view, was that labelling appropriate or inappropriate in terms of the requirements?

Mr Grant—It depends where the labels were posted.

Senator NASH—Stuck on the apples.

Mr Grant—Yes, but if that was the only label stuck on the apple at the point of sale, then intuitively I would say it did not pass the Food Standards Code. If there was another sign next to that carton of apples which said this was from China in the appropriate font and the appropriate legibility, then it would pass the Food Standards Code. It really depends on the situation.

Senator NASH—True.

Mr Grant—It is really hard to give that example.

Senator NASH—My understanding is that anecdotally—and I have no reason not to believe it—in a lot of these instances there was not the second signage. So why is there not a

requirement to have the country of origin actually on the sticky label? Why is there this dual issue where you can not have it on the fruit itself but, as long as you have it on the box or displayed, that is okay?

Mr Grant—It comes down to a matter of how much cost you want to impose on the industry to—

Senator HEFFERNAN—The label is already on the apple. It just does not say ‘China’.

Mr Grant—convey a set of information to the consumer, because remember the labelling has to apply to domestic and imported goods. Under your scenario you would have to have a little sticker on every apple produced in Australia.

Senator NASH—But they had a little sticker on every apple that said ‘Great Wall’.

Mr Grant—I do not know if they did or not, but under your scenario you would have to have a label that—

Senator HEFFERNAN—Why?

Senator NASH—Hang on, Senator Heffernan, just a tick.

Mr Grant—Because you would have to apply the same—

Mr Glyde—Labelling requirements apply across all—

Senator NASH—But what would be the extra cost to China for having to have ‘China’ on their label rather than just ‘Great Wall’?

Mr Grant—Under the Food Standards Code you can have a sticker on the apple that identifies that it is a product of China or you can have a sign that sits next to the display that identifies that it is a product of China, the same as you have to have the same sticker or the same label that says it is a product of Australia.

Senator NASH—I will not waste any more time.

Senator HEFFERNAN—No wonder they pay you so much money!

CHAIR—Senator Heffernan, the same question could be targeted to you, my friend. It is probably not all that helpful to throw those comments around at this time of night.

Senator NASH—And doing things the same and not questioning them is not always the best outcome.

Senator Ludwig—The same rules that applied under the Howard government act apply under this one.

Senator NASH—Oh God, Minister, this is a really serious issue. I do not think we need to look at it in that context. Say we have got the scenario where we have got the sticker with ‘Great Wall’, it does not say where it has come from, it is in a box and there is no signage there that indicates the country of origin. What is the penalty, who enforces it and who polices it?

Mr Grant—It is enforced by the states and territories and the penalty would exist under whatever local food standards act exists in the state or territory.

Senator NASH—Do you know what the penalties are?

Mr Grant—I do not know.

Senator NASH—Does anybody know what the penalties are?

Mr Grant—Mr Souness may.

Mr Souness—Under state and territory food acts, they are based on an agreed food act and there are a number of penalty points that are assigned to various provisions within state food acts. That was done to standardise the penalties. I do not know the particular penalty for country of origin labelling non-compliance, but there are ascribed penalty units that are standardised across Australia for these sorts of provisions as well.

Senator NASH—Does anybody know what the penalty is?

Mr Glyde—We can take that on notice.

Senator NASH—We have 30 people in this room.

Ms Mellor—There is no legislation yet.

Senator NASH—I know you do not administer it, but as the department, with something as important as country of origin labelling, you would think that somebody would—

Senator Ludwig—What point are you making with the question?

Senator NASH—Just let me finish, Minister. You would think that somebody—

Senator Ludwig—You have actually been provided with the answer.

Senator NASH—No, I have not been provided with an answer, and that is the point.

Senator Ludwig—The answer is that it is state legislation. Of course, you can go and find out yourself.

Senator NASH—You would think that there would be some working knowledge—

Senator Ludwig—What you are now doing is making a particular point.

Senator NASH—I can probably talk longer than you—I'm a girl!

Senator Ludwig—I am not so sure about that, quite frankly.

Senator NASH—I would think that somebody—

Senator Ludwig—I can draw a breath.

Senator NASH—in the department would know. I find it extraordinary that nobody has any idea at all.

Senator HEFFERNAN—Could you at least tell us who in the state bureaucracy has supervision?

CHAIR—In all fairness, senators, the minister and the officers have given you the answer. You may not like it, but you have got to google it. Do something with the machine in front of you

Senator HEFFERNAN—With great respect, this is a con job.

CHAIR—You can ask the same question 20 times, Senator Heffernan. If you do not like the answer, tough!

Senator HEFFERNAN—Batlow apples have ‘Batlow’ on them. So why can’t Chinese apples have ‘China’ on them?

CHAIR—What was that all about?

Senator HEFFERNAN—I have never heard of anyone being grabbed for not having the label in front of the fruit—never heard of anyone.

Mr Souness—The New South Wales Food Authority, for example, is responsible for enforcement of food law in New South Wales and they have had some successful prosecutions on country of origin labelling, or incorrect country of origin labelling.

Senator HEFFERNAN—They were better than the rest, I have to say, on lamb labelling too.

Mr Souness—In other jurisdictions it depends who the competent authority is. In some it will be the state health departments, in some it will be a food authority, or it will be a combination. For example, in Victoria there is a dairy authority, there is PrimeSafe that covers meat and seafood, and the health department covers other processed foods.

Senator HEFFERNAN—Can I go to the logic that was used here tonight. It would be an extra impost on the industry. The apples that are out on the table there that you have been eating today have a label on them. All apples have a label on them. There is no added cost, because they are already labelled. Why can’t the Chinese proudly put ‘Product of China’ on their apples?

Mr Grant—With respect, they are not all labelled. Not all apples are labelled individually.

Senator HEFFERNAN—I am sure the industry would be happy for the ones that are not to be labelled because the bulk of them are. I agree with that. There are a lot of market apples that are not labelled. I have apples at home, if you want some. They are not labelled.

Mr Grant—No.

Senator HEFFERNAN—But the commercial apple industry is happy to label all their apples. Agreed?

Mr Grant—I have not spoken to them lately.

Senator HEFFERNAN—That is the case.

CHAIR—There are four agencies left and we have 40 minutes.

Senator NASH—I will put most of my questions on notice, Chair, but I have one last one. I want to follow up something Senator Colbeck was asking at the last lot of estimates about the importation to Australia of products through New Zealand that did not contain New Zealand product. I think there was quite a bit of discussion around this. In your answer to Senator Colbeck’s very fine question on notice, APD01, you said, ‘The department does not measure the quantity of agricultural products imported into Australia from New Zealand that is labelled as ‘Made in New Zealand’ and comes from third party nations. It goes on to say at the end of that answer that it comes under the commerce trade descriptions and that the Commerce (Trade Descriptions) Act 1905 is exempt from the Trans Tasman Mutual Recognition Arrangement by virtue of Section 44 of the Trans Tasman Mutual Recognition Act 1997. When and why did that exemption occur?’

Mr Souness—In negotiation of that treaty, the Trans-Tasman Mutual Recognition Agreement. I think that is probably best directed to the Department of Foreign Affairs and Trade.

Senator NASH—This is a new one. We do not normally get sent to the Department of Foreign Affairs and Trade.

Mr Souness—It is a treaty arrangement that is much broader than just food. TTMRA covers a lot of trade between Australia and New Zealand. I am sorry; I would not have the information. Customs look after the Commerce (Trade Descriptions) Act and treaty arrangements fall under the domain of Department of Foreign Affairs and Trade. The combination of the two might be difficult to unravel, but essentially it means that food coming in from New Zealand still has to have country-of-origin labelling on it despite New Zealand not mandating country-of-origin labelling.

Senator NASH—I have one last question on this, Chair. Would you mind then taking on notice for me and perhaps you could request from the appropriate department some background information on exactly how and why that occurred?

Mr Souness—Sure.

Senator NASH—I did just want to draw your attention to in that answer you also say, ‘In addition, Standard 1.2.2—Food Identification Requirements in the Australia New Zealand Food Standards Code requires the name and address of the supplier of the food to be provided on the label. It is possible to contact food companies directly to seek additional information regarding the origin of the food.’ Are you seriously saying that a consumer should go to the supermarket shelf and say, ‘Gee, I might write to this bloke and see where this came from’?

Senator HEFFERNAN—Especially if it is a five-tonne block of frozen food from China which has been value added.

Senator NASH—I am interested about the inclusion of that particular sentence. I just wondered why that was included.

Mr Souness—It is a common response that food authorities around Australia make because the information to contact a food manufacturer is always provided on the label of a manufactured, packaged food so that the consumer can contact the manufacturer over a whole range of issues that might relate to consumer values, such as if they want to know, for example, some of the production and credence values around that product, what sort of organic standard they are using to certify it to or the particulars of country-of-origin labelling.

Senator NASH—Have you known anyone who has done that?

Mr Souness—No, I have not.

Senator NASH—Not surprising, really, is it?

Mr Souness—People with allergies, for example, or particular tastes in food or particular dietary needs will contact a company. Large companies have phone-in systems to handle hundreds of calls a day on these sorts of issues.

Ms Mellor—Chair, I do have a few questions on notice from throughout the day to table, if the committee so wishes.

CHAIR—Of course. Thank you. We will now call the Australian Pesticides and Veterinary Medicines Authority.

[10.25 pm]

Australian Pesticides and Veterinary Medicines Authority

Senator COLBECK—On page 6 of the incoming government brief there are a range of funding costings. I recognise that they were not done by DAFF; they can legitimately be blamed on another department. But a media statement on 14 August about better regulation of chemicals referred to an increase in APVMA's funding by \$8.75 million over the forward estimates and by about \$20 million over five years to 2015-16; the statement 'A healthy environment', released on 16 August, commits to funding of \$9 million over the forward estimates; and a statement on support for Australia's agricultural industries on 18 August 2010 refers to additional funding of \$5 million over three years for APVMA. An agreement with the Independents on 7 September 2010 stated that Labor will provide additional funding of \$5 million over the forward estimates and \$10 million over five years to APVMA. How much extra are we going to get?

Mr Grant—The supplementary budget estimates documentation showed \$8.75 million over four years. That was the previous supplementary, not the additional.

Senator COLBECK—So we were right the first time?

Mr Grant—\$8.75 million over four years—correct.

Senator COLBECK—How does that relate to the agreement with the Independents of \$10 million over five years? Is that a minimum?

Mr Grant—All I can tell you is what the budget estimates say and what the facts are about how much money is being appropriated to APVMA over four years.

Senator COLBECK—Is that sufficient to prevent the organisation from operating at a loss?

Mr Grant—Part of that funding is to undertake the reform agenda that is being put forward through the better regulation partnership. Part of that funding was a recognition that APVMA's budgetary position was unsustainable, so obviously their budget position will be enhanced by that additional funding. It was always planned that, when the reform agenda was fully implemented in the APVMA and the new way of doing business was integrated into the APVMA, there would be another costing done about the costs that would need to be recovered by industry, given the implementation of the reforms. So it is likely there will be another cost recovery impact statement done in the near future.

Senator COLBECK—That cost recovery impact statement then has to go out for consultation to industry?

Mr Grant—Yes, it does.

Senator COLBECK—In accordance with relevant departmental guidelines?

Mr Grant—Yes.

Senator COLBECK—Has the government finalised its whole-of-government position on the COAG reforms?

Mr Grant—Not yet. There will be a consultation RIS that should be released towards the end of this month that will go out for consultation. That will provide a series of options about how the COAG reforms might be implemented. It will not contain a preferred option. At this stage governments across the board have not yet determined what their preferred approach will be.

Senator COLBECK—So we are not going to meet the June 2011 deadline to finalise this through PIMC?

Mr Grant—That will be a matter between PIMC and COAG, but I would say that it is highly unlikely at this stage, yes.

Senator COLBECK—Can I just quickly get an update on where we are with fenthion and dimethoate?

Dr Bhula—We published a health report at the end of January which sets out the health standards for dimethoate. We are currently working through a large amount of new information which was generated by Horticulture Australia, and we expect to have that assessment of residues and food and dietary exposure completed within the next five to six months.

Senator COLBECK—That gives me the impression that the time frame for finalising this might be out a little bit further than what it might have been initially anticipated when we had a briefing; I think it was just prior to Christmas or just after Christmas.

Dr Bhula—That is right. That was just prior to Christmas. We anticipate that that time frame would include a public consultation period as part of that process. So there would be the report published and then a period of public consultation which would probably take us into July of this year.

Senator COLBECK—Can you give me a sense of the new information that was provided by Horticulture Australia?

Dr Bhula—Horticulture Australia undertook to generate a lot of new residue chemistry studies. These were looking at new data which previously had not been generated under Australian conditions, so that we have a better idea of what the likely pesticide residues are in a lot of the crops which appear on the dimethoate label.

Senator COLBECK—And a sense of what that actually tells us?

Dr Bhula—We have not completed the full assessment yet, but a lot of the use patterns, particularly ones where post-harvest treatment are concerned, are looking as though they are likely to exceed the health standards.

Senator COLBECK—So existing information is being confirmed by this new work, effectively?

Dr Bhula—That is correct.

Senator COLBECK—What about work on alternatives?

Mr Grant—Maybe I can help.

Senator COLBECK—Tasmania is a bit nervous. We had fruit fly in Tasmania—

Mr Grant—The Office of the Chief Plant Protection Officer in our department is coordinating a large working group which consists of representatives from all of the jurisdictions, from the APVMA and from the major industry groups, to try and identify alternative treatments to dimethoate and fenthion, to make sure that the industry has planned for the need to adopt those potential treatments and to make sure they are aware of the timing of the APVMA's activities.

Senator COLBECK—I will put the rest on notice.

Senator BACK—I just want to ask briefly some questions with regard to streptomycin. Is streptomycin banned in Australia?

Dr Bennet-Jenkins—What type of use?

Senator BACK—The use that I would be referring to would be spraying on plants and fruit.

Dr Bennet-Jenkins—It is not registered for that or permitted for that use in Australia.

Senator BACK—The question goes to the issues associated with New Zealand and apple blight. You are aware that apple blight exists in the industry in New Zealand and that they use streptomycin on trees, bushes, plants and it gets on to the fruit. I understand there are obviously other agencies involved, but can you tell us what action would be taken, from your point of view, if streptomycin residues were found on fruit coming in from another country?

Dr Bennet-Jenkins—That is actually a matter for Food Standards.

Senator BACK—I realise it is but, given the fact that it is not registered for use in this country, would APVMA not have some interest in that?

Dr Bhula—We do not get involved in imported food issues. Food Standards Australia New Zealand handles pesticide residues and incoming produce.

Mr Grant—That would be an issue for the Biosecurity Services Group.

Dr Grant—We took this question this morning, as you are probably aware. We have written to FSANZ advising them of this issue and seeking advice from them, and we are having a series of meetings very soon to take the issue forward. But we are well aware of the issue, FSANZ is well aware of the issue, and we have asked them to look into it and provide us with the policy advice in order that we can undertake the operational requirements that they advise.

Senator BACK—Thank you very much for that, Dr Grant. So APVMA actually would not do any testing of any product at all coming into the country; that is all the responsibility of other agencies. Those were my only questions, Chair, thanks.

Senator COLBECK—Have there been any applications to register that product for use in Australia?

Dr Bennet-Jenkins—No, we have had no applications to register it. However, we do have an assessment of the use in those situations, which we have used in case there is an emergency situation, in terms of having to issue an emergency permit to treat fire blight.

Senator COLBECK—So there have been assessments of the product and its application. So you effectively have an emergency label available, if you want to put it in those terms.

Dr Bennet-Jenkins—Yes, that is correct. In these situations what we do is—we call them contingency permits—we do the assessment, but it is not a permit that is actually active, and then with the emergency situation, should it arise, we can act quite quickly to relook at that assessment, make sure it is still current, and then be very quick to permit a use that might be required in an emergency situation.

Senator BACK—Can I ask: would that be in the instance of a human disease outbreak—TB or plague or something? Is that the occasions?

Dr Bennet-Jenkins—Yes. We do it across a variety of diseases that we want to be prepared for.

Senator BACK—Thank you, Chair.

CHAIR—As there are no further questions. I thank the officers from APVMA and now call RIRDC.

[10.37 pm]

Rural Industries Research and Development Corporation

Senator BACK—Thank you, Chair. Thank you, Minister. It was in this area that I was going to ask these questions regarding GM. Is that appropriate?

Mr Burns—Sorry, I missed that.

Senator BACK—For national standards and licensing of GM seeds.

Mr Burns—That is not an area that we cover, so I am sorry, I cannot answer.

Senator BACK—I am sorry. I was led to understand this is where that would be dealt with. That was my only line of questioning for this agency.

Ms Mellor—Sorry, you were asking about genetically modified products? It was the Office of the Gene Technology Regulator.

Senator BACK—My apologies.

Mr Burns—The same building as ours, but wrong organisation.

Ms Mellor—In the Health portfolio.

Senator BACK—Let's hope that floods do not occur, Mr Burns. The seeds might flow down your way.

CHAIR—Senator Nash.

Senator NASH—Thank you very much, Chair. Can I just briefly talk about the Productivity Commission's rural industries and development corporations inquiry. You put a submission into that, didn't you?

Mr Burns—We did.

Senator NASH—Can you just give us a sense of whether you generally agree with the recommendations? Is it possible to give a sense of that?

Mr Burns—We put in two submissions: one when the PC was doing its preliminary investigations, and then we put in a subsequent submission once the draft was out. Of course we contributed to the submission that the Council of Rural Research and Development Corporation Chairs put in as well. In both of those, there was an argument that we welcomed what the PC were saying in terms of the strength of the R&D model and the endorsement of that model in general terms.

Some of the specifics in the draft report—bearing in mind I have not seen the final report—we did not necessarily think were on the money. In particular for us, there was the issue of whether or not there would be a new R&D corporation created to cover public good work, which we argued was already the mandate of RIRDC. So from a competitive point of view we were keener to see RIRDC continue in its current form and perhaps even expand, rather than see a new organisation created.

Senator NASH—Do you think it would be a bit of reinventing the wheel, potentially, that is not necessary in light of the comment that you just made where you flagged that it has already been done through the capacity of RIRDC?

Mr Burns—The Productivity Commission has its reason for why they recommended that. They are quite entitled to that view. Our view is that we are already covering a lot of those issues that they recommended the organisation would take, so we can see a case for RIRDC continuing in its current form and possibly expanding.

Senator NASH—I am surmising that the commission's draft report seems to reduce the government's matching funding. Is that correct?

Mr Burns—That was one of the recommendations in the draft, but I have no idea whether or not that is in the final report. That was an issue that raised a lot of questions.

Senator NASH—Did you have a view on that that was put in the subsequent submission?

Mr Burns—We are not an organisation that has a strong levy base. We have some levy-paying industries but, compared to the larger commodity based R&D corporations like grains and meat and livestock that rely on a much heavier levy funding base, that was not an issue for us to the extent that it would be for them.

Senator NASH—I have some others questions but I will put them on notice.

Senator COLBECK—This is not specifically for RIRDC, unfortunately, Mr Burns, but have you received the Productivity Commission report on rural R&D corporations yet?

Senator Ludwig—Yes.

Senator COLBECK—It is due this month. You have?

Senator Ludwig—Yes.

Senator COLBECK—Any sense of when that might be released?

Senator Ludwig—It will be released in due course. I know there is strong industry interest in it.

Mr Grant—The Productivity Commission Act says that it has to be tabled within 15 sitting days, so it has to be tabled in parliament on or before 15 June.

Senator COLBECK—Fifteen sitting days from when the minister receives it?

Mr Grant—That is correct.

Senator NASH—Just on the issue of post the funding cuts that RIRDC had to cope with some time ago now, are you finding that you are still able to offer the same level of service and do what you previously had been doing since you have had the funding cuts, or would a greater funding allocation allow you to do your job more effectively?

Mr Burns—I would never argue against a funding increase. What we have done since those cuts is reallocate some priorities within the organisation. Because of some extra collaborative work that we have managed to negotiate, our budget has got back up to a level where it was. That is because we have been able to attract some collaborative work and also an injection of funds to do some weed specific work. We have not reduced the level of service that we offer to our stakeholders.

Senator NASH—I have great respect for the work RIRDC does and I would prefer to see an injection of extra funds for you also.

Mr Grant—Can I just correct something. I said 15 sitting days. It should be 25 sitting days. Fifteenth of June is still the end point, but it is 25 sitting days.

Senator Ludwig—The time line is under the act.

Senator COLBECK—That gives you plenty of time between now and 15 June—15 sitting days. We were trying to work out whether it was Senate or House of Reps sitting days.

Mr Grant—Sorry, my mistake.

Senator COLBECK—Is there a distinction between the Senate and House of Reps?

Mr Grant—I do not know. I would have to check the PC act.

Senator COLBECK—It depends whether it is a day and all this week counts. There are differentials sometimes in respect of some of the other processes of the parliament. So 15 June is the end date but the minister does have the report?

Mr Grant—He has to table the document.

Senator Ludwig—The report goes to the Assistant Treasurer, so I suspect it is the House, but we will clarify that, if need be.

Senator COLBECK—Thanks. We are now finished.

CHAIR—We now call Wine Australia.

[10.45 pm]

Wine Australia

CHAIR—Welcome, gentlemen. We will go straight to questions from Senator Xenophon.

Senator XENOPHON—What changes have Wine Australia made to their policies in relation to notifying Australian wine producers of possible counterfeiting of their wine since I raised the Skorpos case last estimates—the Flinders Run winemakers? Mr Cheesman, you are familiar? We have had discussions about that. What has changed?

Mr Cheesman—Since the Skorpos allegations were first raised with us, we have reviewed our policies. It is now practice that, if such allegations are made, we will notify the levy payer as soon as we have that evidence at hand, ensuring that we provide the levy payer with all the facts we are aware of.

Senator XENOPHON—Sorry, say that again. I cannot hear you. Assuming what, sorry?

Mr Cheesman—I said as soon as the allegation was made, we would make contact with the levy payer.

Senator XENOPHON—What further changes will Wine Australia be making to ensure that Australian exporters are properly supported during counterfeiting cases? In this case, Mr Skorpos had to go to his own expense. He went to China and got the bottle of wine. He did his own detective work, in a sense, and you have now had the wine to confirm that it was counterfeit.

Mr Cheesman—We have a memorandum of understanding with AQSIQ in China, and part of that is to cooperate on issues of counterfeiting. In the Skorpos case we have provided that body with information and they are commencing some activities into that particular case, so that would be the process moving forward.

Senator XENOPHON—Wine Australia or the AWBC has previously mentioned that they have limited powers and resources when it comes to investigating and gathering information in counterfeiting cases. Do you have additional resources since we last spoke, or how do you work around these limitations when you are dealing with the potential of Australian wine being counterfeited overseas?

Mr Cheesman—We have been undertaking a process to understand the scale of the issue at hand with the financial support of the GWRDC. We have undertaken a market research study into the Chinese market.

Senator XENOPHON—Is that public yet or is that still being undertaken?

Mr Cheesman—That has been released. It is on the GWRDC website. The main risk that was raised in that paper was the increasing prevalence of cheap bulk wine exports that are going to the Chinese market, as opposed to any issues around counterfeiting. We have also discussed the issue with other country organisations. We discussed it with the European Commission when they were here in December, we have discussed it with the TTB in the US, and it is not an issue that any of those bodies have raised as being high on their priority list. They are not seeing it as a significant issue for their industries.

Senator XENOPHON—You do not see counterfeiting as significant?

Mr Cheesman—Counterfeiting is significant, and where we are made aware of situations we will certainly investigate them thoroughly to understand whether it is a breach of trademark or whether it is an issue of wines from other countries being purported to be Australian.

Senator XENOPHON—What do you do to ensure that the exporters are aware of this as a potential risk? Is there a publicity campaign, a promotional campaign?

Mr Cheesman—We issue a document to all of our levy payers to raise their awareness of the importance of registering their trademarks in other markets. That is the main step we have taken.

Senator XENOPHON—Finally, are there any changes to export or other policies that are being proposed by Wine Australia to ensure that the Australian wine industry is not endangered by counterfeiting overseas? We are aware—it is a different case—of the tainted wine in Austria. If a counterfeit Australian wine was in any way tainted, that could have some severe impacts on our industry, couldn't it?

Mr Cheesman—Yes, probably twofold. We are going through the process of strengthening the export approval control mechanisms around the export of bulk wine. We are also introducing some new requirements on wine that is packaged in international markets and is labelled as Australian wine. We are working with counterpart regulatory bodies in those other countries to assist us with that.

Senator XENOPHON—I think Senator Back has some questions. Could you provide some details of what you have just outlined on notice?

Mr Cheesman—Yes.

Senator XENOPHON—Thank you very much.

Senator BACK—Are there any limits on the volumes in which exporters can export bulk wine from Australia to overseas markets to bottle overseas? Can you tell me the situation?

Mr Cheesman—There are no limits but they are required, for any different wine, to have it approved by the Wine Australia Corporation in terms of being sound and merchantable before it is shipped.

Senator BACK—What is the requirement again?

Mr Cheesman—‘Sound and merchantable’ is the testing, ‘sound’ being that it is free of any winemaking faults, and ‘merchantable’ so that the final label that is going to be applied to the product is what it purports to be.

Senator BACK—So someone could export in 1,000-litre plastic cubes of wine, should they so choose and should they be able to meet those requirements?

Mr Cheesman—Yes.

CHAIR—Thank you, gentlemen.

[10.51 pm]

Meat and Livestock Australia

CHAIR—Welcome, gentlemen.

Senator HEFFERNAN—Before we get to pleasantries, Mr Palmer, I understand this may be your last estimates. Is that correct?

Mr Palmer—I thought it was, too, but I have just been told out the back that there is another go in May and I might not be quick enough.

Senator HEFFERNAN—We will look forward to May. This time last year we were arguing, I have to say, fairly vigorously with the government and the Cattle Council about whether or not we should go along with the obligations that the Minister for Trade at the time saw with the free trade agreement with the United States and allow, without an import risk analysis, meat from the US into Australia, even though they had had some BSE reactors. The same applied to Canada, who are very aggressive—that would be an understatement—on the fact that they think we ought to take their beef. As we all know, it is really not about taking either of those countries' meat as much as about evening the market, because they have a disease which we do not have and they want to equalise the market where we compete in Korea, Japan and other places. Given that they have just stopped the clock in Canada and the US, do you think the Cattle Council has some lessons to learn from their attitude to just going along with the convention of the FDA, in terms of: if we had not, Mr Palmer, put on the blue that we put on, by now we may well have been accepting beef from these countries?

Mr Palmer—I think we have all learned some lessons, but I am not certain that the way you phrased yours was necessarily a lesson that was to be learnt. From the part that I played, and Cattle Council and others who were consistent at the time with government policy and consistent with policies from previous regimes, I still think that the grounds which those countries have gone to to remedy their problems with BSE were sound and still are. As to the fact that they have 'stopped the clock', to use your expression—and I am not sure of the background because I have not been associated with it much since—maybe the size of the importance of the Australian market was so trivial, so non-existent, that the cost of their inquiry was not going to match the benefit of this market.

Senator HEFFERNAN—We are not going to argue with that.

Mr Palmer—We all said back then when this debate was running hot and we all had the data that showed—

Senator HEFFERNAN—This is all about equalising the market for themselves, which we compete in, against a rising currency in Australia and a non-market currency in places like China. The currency has gone from 67 to parity in three years. As if we have not got enough to compete with there, what this was all about was the trade club.

Mr Palmer—With respect, late last year those who opposed the imports were making spurious allegations that we were all going to get BSE from eating American beef. So it was about imports and the debate was not soundly based but, nonetheless, a decision was taken to have an import risk and the rest is really—

Senator HEFFERNAN—The argument last year—good job you are leaving.

CHAIR—I will be leaving in four minutes, too.

Senator HEFFERNAN—It was not about that at all.

CHAIR—Just letting you know you have got four minutes.

Senator HEFFERNAN—It was not about that at all. What it was all about is: what is good for the goose is good for the gander. In the free trade arrangements we have with the United

States, we have gone to the trouble, with the exception of one flaw which you have informed me we are going to try to sort out in the Territory—the NLIS tags from property of origin onto the boat, which is allowing a lot of cattle to be stolen from the Great Southern cattle scheme. There are no stock squads in Western Australia prepared to do anything about it, but there are thousands of cattle being shipped out that do not belong to the people who are shipping them.

This was all about the fact that the United States, if we were going to take the cattle, would have to close the border with Mexico. The minister at the time did not even know it was open. They would have to close the border with Canada because of the cross-trade. Do you agree with that? How can you trace stock if you do not know what is coming across the border?

Mr Palmer—I understand the traceability systems in North America are not as sophisticated as they are in Australia.

Senator HEFFERNAN—And the cattlemen's association say they are not going to have it, so we said, 'You can go to hell.' That is what it was all about. Thank you very much.

CHAIR—Do I take it that is the end of your questioning?

Senator HEFFERNAN—Yes. The Cattle Council of Australia were wrong.

CHAIR—I am sure you and Mr Brown can have a private meeting and sort that out amongst yourselves. As there are no more questions of Mr Palmer, thank you very much for your time. That concludes today's hearing. Thank you kindly.

Committee adjourned at 10.57 pm