



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Additional Estimates)**

MONDAY, 16 FEBRUARY 2004

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**  
**COMMITTEE**

**Monday, 16 February 2004**

**Members:** Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

**Senators in attendance:** Senators Buckland, Cherry, Ferris, Heffernan, McGauran, Murphy and O'Brien

**Committee met at 9.04 a.m.**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation  
Senator Judith Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

**Departmental**

Mr Michael Taylor, Secretary  
Mr Don Banfield, Deputy Secretary  
Mr Bernie Wonder, Deputy Secretary  
Ms Meryl Stanton, Deputy Secretary

**Management Services and Corporate Governance**

Mr Bill Pahl, Chief Operating Officer  
Mr Allan Gaukroger, Chief Financial Officer  
Mr Peter Moore, Manager, Budgets

**Market Access and Biosecurity**

Mr Paul Morris, Executive Manager  
Ms Mary Harwood, Executive Manager, Biosecurity Australia  
Ms Virginia Greville, Special International Agricultural Adviser  
Mr Craig Burns, General Manager, Trade Policy  
Dr David Banks, General Manager, Plant Biosecurity  
Dr Melanie O'Flynn, General Manager, Plant Biosecurity  
Mr Jeff Maldon, Manager, Project Analysis and Coordination

**Food and Agriculture (including Wheat Export Authority)**

Mr David Mortimer, Executive Manager  
Mr Richard Souness, General Manager, Food Policy & Safety  
Mr Roland Pittar, A/g General Manager, Field Crops, Wine & Horticulture Business  
Mr Greg Williamson, General Manager, Meat, Wool & Dairy Business  
Mr John Walter, Chairman, Wheat Export Authority  
Mr Glen Taylor, CEO, Wheat Export Authority

**Fisheries and Forestry**

Mr Daryl Quinlivan, Executive Manager  
Mr Glenn Hurry, General Manager, Fisheries and Aquaculture  
Mr Mike Macnamara, General Manager, Forest Industries  
Mr Michael Wilson, General Manager, Forest Industries  
Mr Les Roberts, A/g Managing Director, AFMA  
Mr Paul Murphy, A/g General Manager, Operations, AFMA  
Ms Victoria Anderson, Fisheries and Aquaculture

**Natural Resource Management**

Mr Ian Thompson, Executive Manager  
Mr Mike Lee, General Manager, NRM Team  
Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries  
Mr Ross Dalton, General Manager, Water and Murray Darling Basin  
Mr David Poulter, Project Manager, NRM Strategies and Climate Change

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

Dr Gardner Murray, Executive Director  
Mr Steve McCutcheon, General Manager, Product Safety & Integrity  
Dr Bob Biddle, Deputy Chief Veterinary Officer, Office of Chief Veterinary Officer  
Dr Mike Nunn, Manager—Animal Health Science, Office of the Chief Veterinary Officer  
Mr Dean Merrilees, General Manager, Animal & Plant Health Policy  
Dr Graeme Hamilton, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer  
Dr Peter Miller, Deputy Director, National Residue Survey  
Mr Troy Cousins, Business Manager, National Residue Survey  
Dr Joe Smith, Chief Executive Officer, Australian Pesticides & Veterinary Medicines Authority

**AQIS**

Ms Meryl Stanton, Executive Director  
Mr Greg Read, Executive Manager, Exports  
Mr John Cahill, Executive Manager, Quarantine  
Ms Jenni Gordon, National Manager, Animal and Plant Programs  
Ms Narelle Clegg, Animal Programs  
Mr Peter Cook, A/g General Manager, Business Strategy Group  
Mr Tim Carlton, A/g National Manager, Food Inspection Operations  
Dr Ann McDonald, General Manager, Market Maintenance Group  
Dr Andy Carroll, National Manager, Cargo Management Group  
Mr Bob Murphy, National Manager, Border Group  
Mr David Finlayson, Manager, Public Relations

**Rural Policy & Innovation**

Dr Cliff Samson, Executive Manager  
Mr Brian Jones, General Manager, Science and Economic Policy  
Mr Tom Aldred, General Manager, Rural Support and Adjustment  
Mr Bob Calder, General Manager Drought Taskforce

**ABARE**

Dr Brian Fisher, Executive Director  
Ms Annette Blyton, Corporate Manager

**BRS**

Dr Peter O'Brien, Executive Director  
Ms Sharon Field, Program Leader, Executive and Business Management

**Secretariat**

Helena Redwin, Planning and Communication  
Barbara Andrews, Planning and Communication  
Melanie Williams, Planning and Communication  
Chris Badelow, Planning and Communication  
Alison Cousins, Planning and Communication  
Julie Hicks, Planning and Communication

**CHAIR**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 3 December 2003 the Senate referred to the committee the particulars of proposed additional expenditure in respect to the year ending 30 June 2004 for the portfolio area of agriculture, fisheries and forestry. Today the committee will commence its examination of additional estimates with the Department of Agriculture, Fisheries and Forestry. The committee is required to report to the Senate by 24 March 2004. I propose to call on the estimates according to the format adopted in the printed program. Answers to the questions taken on notice and additional information should be received by the committee no later than Friday, 2 April 2004. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome the Hon. Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senators Macdonald and Troeth, who will be here later today, are accompanied by Mr Mike Taylor, Secretary; Mr Bernie Wonder, Deputy Secretary; and other officers from the Department of Agriculture, Fisheries and Forestry and related agencies.

Officers are reminded that the Senate has consistently decided, by way of continuing resolution, that there are no areas in connection with the expenditure of public funds where a person has a discretion to withhold details or explanation from the parliament or its committees unless the parliament has expressly provided otherwise. Officers are also reminded that an officer of a department of the Commonwealth or a state shall not be asked to give opinion on matters of policy and shall be given reasonable opportunity to refer questions asked of them to a superior officer or to the minister. Finally, witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. Giving false or misleading evidence to the committee may constitute a contempt of the Senate. Minister Macdonald, I welcome you. If you or Mr Taylor would like to make an opening statement, we would welcome it.

**Senator Ian Macdonald**—Thank you. I do not have anything to say, except that, as you are apparently required to read out what you have just read out, I always say that there are matters on which I will instruct the officers not to answer questions where they relate to

advice to me or cabinet or to matters that are cabinet-in-confidence or commercial-in-confidence, in accordance with the normal practice.

**Mr M. Taylor**—I wrote recently outlining details of the department's performance for the second quarter of the 2003-04 financial year, and I think that provided a good outline for the committee in terms of the focus of the eight outputs of the department and its performance during that quarter. Importantly, the department's additional estimates statements were tabled on February 11. Particular measures noted are the national water initiative, interim exceptional circumstances, exceptional circumstances, import risk analysis activity and budget estimates. I note that the Wheat Export Authority is also represented, outlining changes to its outcome and outputs following the passage of legislation to establish a charge on exports to fund the authority. Importantly, my chief operating officer, Bill Pahl, and chief financial officer, Allan Gaukroger, are here to answer any specific questions of the committee on detail with respect to the additional estimates statements, as well as the management services corporate governance of the organisation.

I want to refer briefly to some important developments that have been taking place. Firstly, I will give a very brief update on the drought, a matter which will be discussed in more detail by Dr Cliff Samson. As at 31 December, more than 53 applications for exceptional circumstances have been approved. That was against an extraordinary period of demand and involved very active work on the part of the department's staff. It was at a period when more than 60 per cent of Australia's agricultural land has been eligible for some form of assistance.

The other important development, as Mr Truss announced, is a process for reviewing drought policy, which culminated in a drought policy last year. That is a roundtable with national and state farming organisations. Quite consciously, the minister announced that it would be convened when the drought had eased somewhat. To assist that process, the minister has appointed a drought review panel, chaired by Professor Beth Woods, which has been consulting widely and broadly with groups adversely affected by drought. That group will report to the minister soon, and it will have input into the roundtable discussion. Importantly, we expect that roundtable to be held later in the year and that it will clearly help shape the future of the nation's drought policy.

The Department of Foreign Affairs and Trade has been the lead agency in negotiations on the proposed United States-Australia free trade agreement. The Department of Agriculture, Fisheries and Forestry of course supported the Department of Foreign Affairs and Trade in many of the agricultural and SPS aspects of the negotiations and worked very closely with industry on the development of arrangements for those negotiations. But, importantly, in the case of the FTA, they are ultimately matters for the Department of Foreign Affairs and the Minister for Trade. In particular, we will also be working closely with industry in implementing aspects of the FTA that might require administration of the detail by our department—for example, quota access. Importantly, there is also the issue of the opportunities that the FTA would open up and which we would wish to facilitate.

In respect of the Keniry inquiry into the live export trade in Australia, a report was provided by Dr Keniry at the end of December 2003. It was released by the minister on 8 January for consideration by the public in parallel with its consideration by government. Importantly, the report examined matters relating to the *Cormo Express*, animal welfare codes



of practice as they apply to livestock exports, regulatory arrangements for livestock exports and supervision of export voyages, among others. The report makes some eight recommendations which are very much aimed at improving the arrangements for livestock export. We have been working closely with industry and other community stakeholders in the examination of those eight recommendations in order to develop a response to the report. I think it is fair to say that the report has made some far-reaching recommendations, including a heightened regulatory role for government, the role of industry in enhancing QA systems and the adoption by industry and government of a risk management approach along the whole length of the export chain.

Importantly, some developments have already taken place prior to the final consideration of those recommendations, including the placing of veterinarians who report directly to AQIS on long voyage export programs. As well, a visit was undertaken to the Middle East across a broad range of agricultural issues to progress government-to-government issues regarding livestock exports to the Middle East. Given the discussion that took place at previous hearings, I think it is important to note that any work on the option of the return of animals to Australia has not been pursued, as was indicated when we last met.

Finally, I would like to briefly reflect on the fact that there have been some major issues relating to animal diseases occurring internationally—BSE in the United States and avian influenza in South-East Asia and across the Asian subcontinent. My colleague Dr Gardner Murray will be available to provide the committee with a detailed outline of Australia's response to those threats and the product integrity output.

Before going to questioning in the management services area, I would like to thank the Senate committee for allowing us to deal with the market access and biosecurity input, in particular the US FTA and IRAs, near the start of this meeting and, importantly under the food and agricultural output, the issues of sugar and live animal exports. Chair, thank you for allowing me to make those opening points.

**Senator O'BRIEN**—At the commencement I want to go to a written answer from the last hearings. It is entitled 'MS live exports A08' and it relates to whether or not consideration was given to releasing a scientific assessment of the risks associated with the returning of the sheep on the *Cormo Express*. I asked the question of, I think, Dr Banks. The written answer states:

Dr Banks confirms that no consideration was given to releasing the scientific assessment to stakeholders or the public on or about 20 September. If the matter had been considered, Dr Banks as the officer in charge of the risk evaluation would have been aware.

Mr Chairman, you will probably recall that I pushed Dr Banks on this point and asked him to go away and check his records before he gave a final response to my question, because I was keen that he make absolutely sure of the basis for his response. It is important that we are able to rely on answers that we are given in these committees, and that is the reason I am pursuing this matter.

I would like someone to check departmental records to ascertain whether or not a meeting took place in the executive conference room of the department on 22 September last year. I believe that such a meeting did in fact take place. I understand that it commenced at 2 p.m.,

closed at 2.45 p.m., was chaired by David Adams and nine other officers attended the meeting, and a record of the meeting was drafted. The record shows that the meeting considered three issues: the current situation in relation to the vessel and the condition of the sheep; the management of public relations, including the establishment of a call centre to deal with public inquiries; and contingency planning.

I believe that the meeting was advised that the import risk assessment had been completed—that is, the meeting was advised that the import risk analysis would be released the next day. It was advised that no decision had been taken as to whether the import risk analysis would be released publicly. I understand that one option that was considered was that Biosecurity could release a media statement about the IRA result and that it was considered that this might calm the fears of the farming community. If there is in fact a record, we have a big problem with the answer that I referred to, because it means that the minister, through his department, has misled this committee.

**Senator Ian Macdonald**—That is a very detailed question. Before we embark on a hunt for accuracy, perhaps Senator O'Brien could indicate where he has got his information from so that we can see whether it is worth while following this or whether it is just part of the scuttlebutt that goes around.

**Senator O'BRIEN**—I believe that it would be helpful if inquiries could be made quickly. I have detailed the date of the meeting, the location of the meeting and the person who chaired it. I believe that there is a draft record of the substance of the meeting in existence. I understand that it was attended by officers from AQIS, Product Integrity et cetera.

**Senator Ian Macdonald**—If you tell us where you got your information from we can see whether it is reliable and worth following up.

**Senator O'BRIEN**—It is a normally reliable source, I think.

**CHAIR**—Off the back of a truck, I think he is trying to say.

**Senator O'BRIEN**—It was not off the back of a truck.

**Senator Ian Macdonald**—Someone who was at the meeting?

**Senator O'BRIEN**—That is a very good question, and one which I cannot answer.

**Senator Ian Macdonald**—I cannot help you.

**Senator O'BRIEN**—Mr David Adams chaired the meeting—

**Senator Ian Macdonald**—We will go and check that, then.

**Senator O'BRIEN**—on 22 September, which started at approximately 2.00 p.m. in the executive conference room.

**Senator Ian Macdonald**—I am sure there were many meetings held every day around that intense period. We will go and have a look and see if there are any records.

**CHAIR**—If there was, what is the hit point?

**Senator O'BRIEN**—The point is that the answer tells us there was no consideration given to releasing the scientific assessment to stakeholders, yet I believe that there are minutes that in fact show that that was considered on 22 September.

**CHAIR**—Then surely prompts this question: was it consideration by the government or some lesser person down in the bowels?

**Senator Ian Macdonald**—What date do you reckon that happened?

**Senator O'BRIEN**—The meeting, I believe, was on 22 September at 2.00 p.m.

**Senator Ian Macdonald**—The answer given to you says Dr Banks confirms that no consideration was given to releasing the scientific assessment to stakeholders or the public on or about 20 September.

**Senator O'BRIEN**—On or about; that is right.

**Senator Ian Macdonald**—You are talking about a meeting subsequent to that date. Anyhow—

**Senator O'BRIEN**—I think it is on or about. Two days subsequent is—

**Senator Ian Macdonald**—It depends on what you mean by 'on or about'. I am guessing, but knowing the frenzied activity at the time I am sure there were lots of meetings every day dealing with this same issue. We will have a look at what you have alleged. As I say, it would be useful if you could indicate where this comes from so that we can perhaps make inquiries as to whether there is a confusion of dates or a confusion of times or whether people are just playing games. But if that is not possible then we will check what we can and get back to the committee when we can. But I would assume it will take some time to do that because I imagine there are lots of records of lots of meetings. We will have a look at it.

**Senator O'BRIEN**—As I said, it would be helpful if the inquiries could be made quickly. We can then have a strong view as to whether the meeting took place and what was considered at the meeting. Mr Chairman, during the last hearings I raised the issue of lateness of answers and you pursued the matter on behalf of the committee. The deadline for those answers was 11 July and we got them on 13 October. We know the department did its bit and got those answers to the minister on 3 and 4 July, so these answers sat in Mr Truss's tray for nearly four months.

I received answers to questions on notice from the last estimates round on 9 February; last Monday. The committee required answers by 19 December, as I recall it. I do not mind deadlines in relation to answers not being met to the day, but this sort of delay is unacceptable. Can the department advise when it provided answers to the minister's office in this case?

**Senator Ian Macdonald**—We get an inordinate number of questions—many on notice; many that go nowhere—and the department at my request keeps some indication of the time it takes to answer these things that, quite frankly, never seem to lead anywhere; not that that is at all relevant. This department is a very lean department. It does not have a lot of resources. It has had an enormous workload in the last 12 months with exceptional circumstances, with the *Cormo Express* and our input into free trade and a hundred other issues that do not immediately come to hand but which require this department to work to make sure that good government of Australia continues.

Although it is Mr Truss's call, if I have any influence on that I insist that they do the important things for Australia rather than turn up records—some of which are many years

old—trying to answer questions that, quite frankly in my view, never relate to the estimates before it. Those answers are done as soon as possible. They are in many cases answers from the minister and the minister is required to check them, as I check matters relevant to me.

Again, whilst we understand that answers should be given to parliament and we do that, there are only 24 hours in a day and only seven days in a week. You have to prioritise the things you do in what you consider to be the best interests of Australia. Where there are issues running and there are important meetings or conferences or discussions to be had, those things take preference, in my view. I would assume that Mr Truss would feel the same way, although I do not pretend to speak for him. The departments are asked when they particularly gave advice to the minister. I am not sure that is a question that departmental officers should be asked to comment upon in estimates committees. It is advice to the minister.

**Senator O'BRIEN**—I do not think it is advice; I think it might be the timetable, but those questions have regularly been answered in the past. I refer to one such answer given by the minister's office previously.

**Senator Ian Macdonald**—The fact that we have erred on the side of generosity in the past—

**Senator O'BRIEN**—I do not think you have erred.

**Senator Ian Macdonald**—does not mean that we should err on the side of generosity now. I will take that on notice and see if I can find answers that would be useful to the committee.

**Senator O'BRIEN**—I guess the question, Minister, is: does the minister—do you, Minister—and does the department take seriously the deadline for the timetable for answering questions set by the committee?

**Senator Ian Macdonald**—I thought I had just answered that.

**Senator O'BRIEN**—I do not think that you did. What you suggested is that, if it takes three months, it is all right.

**Senator Ian Macdonald**—Of course we take it seriously. I have to say that the rules set by the Senate in many instances are quite unreasonable. We abide by them to the best of our ability and we do take them seriously, but, where there are major issues of importance to the Australian public that require attention, there has to be some prioritising. In my instance—and I am sure in Mr Truss's instance, without speaking for him; and I sure with the department—you do what has to be done in the interests of Australia. In answering interminable questions that require an enormous amount of research going back many years, and in my view are quite beyond the purview of this committee, those things sometimes have to be put off. But we will make the inquiries and see if we can be, again, helpful as always to this committee.

**Senator O'BRIEN**—Given that in the previous case the draft answers were provided by the department to the minister's office on 3 and 4 July for a deadline of 11 July but we did not see the answers for another three months, what I would like to know is whether the department was able in the same way to meet the deadline for the current answers—that is, provide them to the minister's office before 19 December.

**Senator Ian Macdonald**—As I say, we will try and find that out if it is relevant. The answers come from the minister in the end result. Many of them are issues in which he and

his office have been involved and they do require a double-check. Our department is first amongst equals and it is an excellent department, but they are not always right.

**Senator O'BRIEN**—Regarding the timetable for answering questions on notice, what input have you or Minister Truss had to the ability of the department to meet that timetable?

**Senator Ian Macdonald**—Sorry, what was the question?

**Senator O'BRIEN**—Have you made some submission as to the timetable being too short?

**Senator Ian Macdonald**—To the committee?

**Senator O'BRIEN**—Yes.

**Senator Ian Macdonald**—To the Senate?

**Senator O'BRIEN**—Yes.

**Senator Ian Macdonald**—I certainly have not and I doubt that Mr Truss has. You know the way the Senate is balanced: they are not particularly interested in the needs of proper governance of Australia. In many instances, in my view, a lot of the resolutions of the Senate seem to be destined for political point scoring and making things as difficult as possible. We try to meet them.

**Senator O'BRIEN**—I thought the timetable for the estimates answers was a matter of agreement between the parties, which your Manager of Government Business signs up to when the resolution goes through the Senate.

**Senator Ian Macdonald**—I can assure you that if it is a matter it is one that is never referred to me; perhaps people do not bother seeking my opinion. What we try to do is get answers out as quickly as possible. It used to be the practice years ago that you would wait until everything was finished and then send them in one bundle. So far as I have the authority to do so, I have asked that, as answers are provided and checked off by me, they go out straightaway so that as soon as possible we can give you the answers. But things that require more detail sometimes have to be delayed.

**Senator O'BRIEN**—Does the department now know the answer to the question of when the drafts were provided to the minister?

**Senator Ian Macdonald**—We will take that on notice.

**Senator O'BRIEN**—Were you directing them not to answer that question?

**Senator Ian Macdonald**—I imagine that it will take them time to double-check—

**Senator O'BRIEN**—I am simply asking: do they know now?

**Mr Pahl**—I do not have the exact date that they were provided on this last round.

**Senator O'BRIEN**—There was some pursuit of the answers through an email trail from the committee which has been copied to the secretariat. For example, on 2 February, Andrew from the committee secretariat says to Senator Heffernan—which was copied to me:

I have received advice from AFFA's estimates officer that the minister will not be able to approve the department's answers to questions on notice from the November supplementary budget estimates until February 9 at the earliest. He is apparently out of the office until then.

I would like to know how long he had had the matters and, in that context, what was the relevance of him being out of the office. Can you supply that information to us today? I am sure it would be easily ascertained.

**Mr Pahl**—I will see if we can get it for you today.

**Senator O'BRIEN**—Thank you.

**Senator Ian Macdonald**—Have you not got the answers?

**Senator O'BRIEN**—We got the answers on 9 February. I am trying to ascertain how long they sat on the minister's desk, given that the previous round sat on his desk for three months.

**Senator Ian Macdonald**—All I can say is that it is a hell of a lot better than it used to be. In our day, we would not even have been given the courtesy of a reply to most of the questions that were asked.

**Senator FERRIS**—We have spent half an hour on this.

**Senator O'BRIEN**—It is a very important issue. Actually, Senator Ferris, we have not. You arrived during that, but we spent some time on a matter before that, plus there were statements by the minister and by the secretary of the department.

On the question of staffing levels, on page 19 of the additional PBS there is a table showing an increase of 387 in the staffing level of the department. Can you tell me where that growth has occurred and whether it is in a specific area or spread across the department's operations?

**Mr Pahl**—The majority of that number reflects the transfer in of Western Australian and Northern Territory quarantine staff, which took place in December last year.

**Senator O'BRIEN**—So it is in AQIS?

**Mr Pahl**—Yes, it is.

**Senator O'BRIEN**—That is the majority?

**Mr Pahl**—It is roughly 250 of them.

**Senator O'BRIEN**—There are about another 130 or 140. Are the rest of those spread across the agency?

**Mr Pahl**—I would say that that is spread across the agency. There may be a few more in there for AQIS. I am not sure when they took some additional people on to deal with the AI issue—whether that was just prior to Christmas or after—

**Senator O'BRIEN**—Which issue?

**Mr Pahl**—Avian influenza. Plus December is traditionally their busiest time, so it is quite possible that they have taken on a small number of additional staff to deal with their busiest period of the year.

**Senator O'BRIEN**—I take it those WA and NT staff are field staff?

**Mr Pahl**—They are border staff, primarily.

**Senator O'BRIEN**—On page 39 of the additional PBS there is a table, 3.6, entitled 'Schedule of budgeted administrative financial performance (for the period ended 30 June)'. Under the heading 'Expenses', two-thirds of the way down the page, there is a line 'Personal

benefits'. It is showing that the number for 2002-03 was \$136,012,000 and that the revised number for 2003-04 is \$403,452,000. What does that actually relate to?

**Mr Gaukroger**—The increase is predominantly exceptional circumstances, particularly in the special appropriations and also in bill 3 with the interim benefits for exceptional circumstance drought assistance.

**Senator O'BRIEN**—Can you give me a description of what falls under the heading 'Expenses, personal benefits'?

**Mr Gaukroger**—Personal benefits are predominantly income support. If you refer to page 10 of the PAES, there is an amount that comes through under special appropriations, for example, of—offhand—\$162 million. Under the summary on page 10, special appropriations are \$162 million. That is part of the increase. There is also an increase in the interim support. Also, you are comparing actuals with a budget and the actuals for that particular year may be under the budget for that particular year as well. It is a combination of the factors of what is in the portfolio budget estimates, what is in the additional estimates and how the actual year for 2002-03 panned out.

**Senator O'BRIEN**—So it is predominantly income support. It means that for the previous financial year, 2002-03, we spent \$136 million on income support under exceptional circumstances. Is that how it should read?

**Mr Gaukroger**—That is correct.

**Senator O'BRIEN**—The expected expenditure for 2003-04 is \$403,452,000.

**Mr Gaukroger**—That is how much is being provided for it in the budget.

**Senator O'BRIEN**—What was the previous number? This is the revised figure. I am doing this on the run; it may appear clearly somewhere.

**Mr Gaukroger**—The budget estimate for the portfolio budget statements on page 94 was \$181,055,000. The issue with this, too, is that it is a demand driven program.

**Senator O'BRIEN**—Sure. Was there a forward estimate previously for 2004-05?

**Mr Gaukroger**—Sorry; the figure that I was referring to is in the portfolio budget estimates for 2003-04. The \$181 million is the previous figure that was in the budgets.

**Senator O'BRIEN**—So what does that show for 2004-05?

**Mr Gaukroger**—What we have in the additional estimates would be the difference between the \$403 million and the \$181 million.

**Senator O'BRIEN**—Okay, but the additional estimates statement shows the estimate for 2004-05 is \$179,706,000. What was the previous figure and how has that been revised?

**Mr Gaukroger**—The forward estimate for 2004-05 was \$74,735,000.

**Senator O'BRIEN**—On page 41, under 'Schedule of budgeted administered cash flows', the figures appear to be identical under 'Cash used' and 'Personal benefits', a little more than halfway down the page, but the figure for the forward estimates here changes marginally—by a couple of million, but marginally nevertheless—and the forward estimate for 2005-06 goes up by about \$1.3 million. Can you explain that for me, please.

**Mr Gaukroger**—The table on page 39 is prepared on a full accrual basis. What it shows are the accruals for the year and any prepayments. As for page 41, the cash side of it can vary because it shows the net movements in accruals. So, while 2002-03 was exactly the same, the budget modelling for the future years is assuming that there will be some sort of net movement with any accruals during that period of time. You are talking about less than a couple of million dollars in each of those years.

**Senator O'BRIEN**—Sorry, the door was closing; I did not hear what you said.

**Mr Gaukroger**—With the budget modelling you are talking about a couple of million dollars difference between the cash and the accrual figures for each of those years.

**Senator O'BRIEN**—So on page 41 it is when you think it really will be paid rather than perhaps when the invoice is drawn.

**Mr Gaukroger**—Yes, the accrual figures are basically saying that we have a legal obligation to pay; the cash figures are when we actually dish it out the door.

**Senator O'BRIEN**—Thanks for that. It is always delightful to get an explanation for these little variations in the document! Mr Pahl, I am sure you recall that at the last estimates hearings in November you told me that you hoped you would be able to advise the committee that the Hewitt matter had been resolved. That was in November and it is now February of the following year. Is it true the matter remains to be resolved?

**Mr Pahl**—That is true. As you will recall, after the Ombudsman's report in 1999 we sought a claim from the Hewitt brothers under the scheme for defective administration. We have been working hard since that time with our legal people and indeed with Messrs Hewitt's legal team to bring this matter to a resolution. It has been a difficult matter to deal with because it goes back to mid-eighties, which makes it nearly 20 years old—in fact, I think next year it will be 20 years old—so it has not been an easy one to deal with. I can happily report, however, that an offer has been made by the Commonwealth to Messrs Hewitt. They are currently considering that offer, which was made by letter dated 9 February.

**Senator O'BRIEN**—The department is running up quite a bill in dealing with this matter. The last cost figure we have, at 24 October, was \$176,000-odd.

**Mr Pahl**—Yes.

**Senator O'BRIEN**—What has that grown to now—can you tell us?

**Mr Pahl**—I do not have the exact figure here, but I think you would be looking at in the order of \$200,000.

**Senator O'BRIEN**—Assuming there is a settlement, once it is agreed what is the process of raising the funds and paying them over?

**Mr Pahl**—The funds will be taken from an appropriation as set down in the CDDA scheme. Effectively the first call will be on our existing funding. If we are unable to meet it, we would have recourse to the department of finance in the normal way.

**Senator O'BRIEN**—There does not need to be a special appropriation?

**Mr Pahl**—From recollection I think the scheme says that the money is to be drawn from an appropriation made for that purpose. I have consulted with my department of finance



colleagues to ensure that, if this matter does come to resolution, we deal with the financial aspect of it in accord with the law.

**Senator O'BRIEN**—What would the status of the payment be in the hands of the recipient? Would it be income and taxable?

**Mr Pahl**—I could not give advice about how the Australian Taxation Office would deal with it. I just do not have any basis on which to do that, and nor do I have any knowledge of the Hewitts' financial affairs.

**Senator O'BRIEN**—Does this matter need to go to cabinet?

**Mr Pahl**—The minister has taken a decision on this matter.

**Senator O'BRIEN**—It does not need to go to cabinet—is that what you are saying?

**Mr Pahl**—I cannot comment on how the minister came to his decision. All I can say is that he has taken the decision on the basis of advice he has been given.

**Senator O'BRIEN**—Will this matter be reflected in subsequent accounts?

**Mr Pahl**—It will, yes.

**Senator O'BRIEN**—When will we find out what the cost to the Commonwealth of this exercise has been?

**Mr Pahl**—I expect that that cannot occur until we know whether or not the claimants are prepared to accept the offer that has been made to them. Assuming that they do accept that offer and get back to us, I would think you are looking at late March as being the sort of timing for the payment, so any time after that.

**Senator O'BRIEN**—You will be able to report the details to the committee?

**Mr Pahl**—Yes, I think so.

**Senator O'BRIEN**—Thank you for that. At the last estimates hearings I asked about the cost of the rebranding—if I can call it that—of the department and agencies. We were talking about the issues of exemptions in this portfolio. Are there any?

**Mr Pahl**—No, there are not.

**Senator O'BRIEN**—In answer to question on notice 2122, you advised that the department had done no costings of the rebranding exercise for itself and all the agencies. Has such work now been done by the department or separate agencies?

**Mr Pahl**—We have incurred some costs, which to date are in the order of \$9,500. Most of the stationery and so on is printed on demand nowadays, so changing logos does not cost anything for letterhead and so on. We have adopted a process of exhausting existing supplies of things like business cards and all those sorts of things. As they are exhausted we are printing new material with the new branding, which is an expense we would have incurred regardless of how the organisation is branded. I think the majority of that \$9,500 has been for some signage.

**Senator O'BRIEN**—Thank you. I am ready to move to Market Access and Biosecurity.

[9.52 a.m.]

**CHAIR**—We will now move to Market Access and Biosecurity.

**Senator O'BRIEN**—I will now go to the US free trade agreement and the outcome for rural Australia. I am working off the document headed 'Australia-United States Free Trade Agreement—Fact Sheets'. I want to clarify the status of the Farm Bill. The US Farm Bill remains in place, doesn't it?

**Senator Ian Macdonald**—Is that a DFAT document that you are talking about?

**Senator O'BRIEN**—I thought it might have been a departmental document as well.

**Senator Ian Macdonald**—I am told that it is a DFAT document. My caution at this stage is that a lot of the material on the free trade agreement would be more relevant to trade department officials and the trade estimates committee. Where it directly relates to AFFA, I suppose it is relevant to us. I guess we can proffer some information regarding the Farm Bill in the United States, but it really is not the jurisdiction of this portfolio. I think Mr Taylor made that point in his opening address.

**Senator O'BRIEN**—In terms of the trade situation, I believe that the department has expertise in the area of market access.

**Senator Ian Macdonald**—We do. I am not saying that we should not answer any of your questions, Senator; I am just cautioning you and the officers to stick to matters that are our department's and not to stray into matters that are really the responsibility of a different department. If we have not been directly involved we rely on hearsay, and you can get yourself into trouble with hearsay if officers who have direct knowledge in other estimates are dealing with the issue and we are giving information that is to the best of our belief but not quite accurate. I do not want to be too pedantic on this, but the free trade agreement is really a matter for another estimates committee.

**Senator O'BRIEN**—We run the risk, of course, that there are matters within the understanding of this department that are not well understood within DFAT. For example, one question I would ask is: is Australia's agriculture heavily oriented towards commodities that receive significant support under the US Farm Bill—our export commodities in particular?

**Senator Ian Macdonald**—Because our officers are widely read and very diligent, I guess they have some of this information, but I am not sure if it is information which is rightly—anyhow, perhaps with that caution to the officers, I really do not want them getting into matters that are the responsibility of the department of trade. If they are matters that are directly related to our department, we should. But on things like when the American Farm Bill is going to be passed, I guess we all read the papers, and someone could give you an answer on that. I guess you have the answer yourself anyhow.

**Senator O'BRIEN**—My assumption is that the Farm Bill has not changed with the US FTA—it remains in place. That is a fair comment, isn't it, Mr Morris?

**Mr Morris**—Before I answer, I will add one other caveat. At this stage we do not have the legal text of the agreement. It is still being finalised between the parties at this stage. So we will try and be as helpful as we can in answering your questions, but that final text is not

available yet. In terms of the Farm Bill, it is correct that it has not been changed as a result of this FTA.

**Senator O'BRIEN**—Do you know what the value of subsidies to US farmers is under that bill?

**Ms Greville**—When the Farm Bill was passed, the amount of money that was talked about at the time was \$73.5 billion additional, and a total value of somewhere around \$160 billion over the life of the Farm Bill. Not all of that is in farm product support. There is also a large amount on conservation spending and other kinds of spending. But from memory, that was the ballpark figure that was talked about at the time the Farm Bill was passed.

**Senator O'BRIEN**—Does that mean that some of the subsidies are production based and some not production base?

**Ms Greville**—There is certainly a range of very complex farm programs included in the Farm Bill some of which are directly related to production, some of which are related to conservation and farm management practices, some of which are research and development—there is a whole range of categories. The ones that we have always been most concerned about are the ones that are production related and therefore most trade distorting.

**Mr Morris**—But it is fair to say too that the tariff and quota policies applied to the US farm sector are not in the Farm Bill; they are separate from the Farm Bill.

**Senator O'BRIEN**—That is right. My understanding is that the commodities receiving the most support are commodities which Australian agriculture is heavily oriented towards: sugar and dairy, for example.

**Mr Morris**—If you combine both what is in the Farm Bill and the range of tariff and quota barriers, TRQs, that are in place, then certainly the most heavily protected sectors in the US are the dairy sector and also the sugar sector. To a certain extent beef as well is quite protected, at least in terms of the TRQ barriers that are in place.

**Senator O'BRIEN**—Referring to the United States free trade agreement fact sheets, fact sheet 1 refers to shift to zero for 60 per cent of agricultural tariffs.

**Senator Ian Macdonald**—Senator, I really am going to call a halt to this. This is a DFAT document and, quite frankly, DFAT have published it, it is DFAT's authorship and they really should be responsible.

The purpose of this committee is not to have a bit of a chat about what documents might be around. If you want trade department information and to question their document, you really should go to them.

**Senator O'BRIEN**—I am asking about the agricultural aspects of it. I understand that this department has been involved in the FTA negotiations.

**Senator Ian Macdonald**—Yes, we have been involved.

**Senator O'BRIEN**—We have an understanding about where we ended up with regard to agriculture. Is that a fair comment?

**Senator Ian Macdonald**—We certainly did have someone involved. The decisions are made by the department of trade, in the end result. By all means go to the Trade estimates and

ask what you like but it gets a bit inappropriate when this department are really being asked to comment on, give advice on and give facts on information that, yes, whilst they were part of the delegation, the actual leadership and the rules of engagement, so to speak, were in another department, who would have all this information. Someone can correct me if I am wrong here, but I guess that there is nothing in anything that you are asking that a department of trade official would not have the answer for.

**Senator O'BRIEN**—Can I ask this: does this department have a schedule of the tariffs which have been reduced to zero which represent 66 per cent of agricultural tariffs?

**Senator Ian Macdonald**—That is fair enough.

**Mr Morris**—We have a draft, as I said in my introductory comments, so at this stage a final version of the agreement has not been passed between the parties.

**Senator O'BRIEN**—Is it possible to supply the committee with a copy of the draft?

**Senator Ian Macdonald**—I would not think so.

**Senator O'BRIEN**—Why not?

**Senator Ian Macdonald**—I guess a draft would be in the way of advice to government. If it is only a draft it is something that goes to the government by way of consideration, I would have thought.

**Mr Morris**—As I understand it, DFAT is trying to go through the process of finalising the agreement with the US at the moment in terms of the actual text, and the draft will be made available to the public, on their timetable, in around three to four weeks. On that sort of timetable, the full version of the schedules will be available. Rather than providing drafts at the moment, it may be better to wait for that final version to be available in three to four weeks.

**Senator O'BRIEN**—So, if it changes, it will not be 66 per cent; it will be some other percentage. If more are added on or some are taken off we will have a different percentage; is that right?

**Mr Morris**—I do not think that will change. That is based on what our understanding of the agreement was, and we do not expect that to change.

**Senator O'BRIEN**—I am trying to understand. You have a list of tariffs that are mentioned. They amount to 66 per cent. If some come off, mustn't that change the percentage? If some go on, mustn't that change the percentage? It is just so that I can understand the relevance of the document that you are talking about.

**Senator Ian Macdonald**—This is a conversation you could have with anyone, but if you want to get the ant's pants of it you really should ask the department of trade people who are doing this. Our department was there giving advice and it was part of the delegation. The responsibility does not lie in this department. Our involvement is, of course, to do the very best we can for Australian agriculture in its broadest sense, and I think we have done that, but to get into the details of the free trade agreement is not within the purview of this department or of this committee, I suggest with respect.

**Senator O'BRIEN**—I am simply asking as a matter of fact whether the representation, which has been expressed by the government and which I understand the minister, Mr Truss, has supported, says that there is a list of tariffs shifting to zero which represent 66 per cent of agricultural tariffs. I am simply seeking to understand whether, if something goes in or something comes off, that will change the 66 per cent. It seems self-evident but perhaps I am wrong.

**Senator Ian Macdonald**—If it is self-evident that is your view and you are very entitled to it and I am sure it is a very reasonable and very sensible view. But it is a general discussion out there. If you want estimates committee precision about this, you really should go to the department of trade. I am sure these officers have as good an idea of it as you and they can chat over a beer and say, 'Yes, that seems to be right.' But it is not really this department's responsibility and I think there is nothing served in the genuine interests of the estimates committee process by getting another department to double-guess the actual department. Not only is it inappropriate under the rules of the estimates committee; it is just not helpful. It might be helpful to find a divergence of views that someone could politically run as a great story in the newspaper, but we are not here for that purpose.

**Senator O'BRIEN**—Does the department understand which tariffs are proposed to remain in place, that is, that are not subject to the agreement?

**Senator Ian Macdonald**—Of course they do, but that is not a matter for this inquiry.

**Senator O'BRIEN**—Certainly on the question of market access and what this department may or may not be able to advise Australian agriculture about, it certainly is relevant. What you are saying, Minister, is that if someone rings up the department in the next four weeks and says, 'Will we be affected by the free trade agreement?' this department will say, 'Talk to DFAT.'

**Senator Ian Macdonald**—And I am sure they will say, 'Read the newspapers, read what NFF is putting out.' But in all cases they will qualify it by saying, 'There are some draft documents around, which is a recollection of the discussion that DFAT had, but the precise document will be out in three or four weeks and anything we could tell you in the meantime would be hypothetical.' Hypothetical is perhaps not the right word—

**Senator O'BRIEN**—So what is understood now might change as to whether certain commodities will be the beneficiaries of tariff relief. What they believe now might change as to which commodities might be beneficiaries of tariff relief.

**Senator Ian Macdonald**—This department's opinion or belief is, as the chairman mentioned at the beginning of this, not relevant to the estimates committee. I am sorry to seem like I am being difficult, but it really is a matter for the department of trade.

**Senator O'BRIEN**—So, if this department is contacted by an agricultural commodity group about how their commodity fared, they will simply have to refer them to DFAT. Is that what you are saying?

**Senator Ian Macdonald**—Yes. Well, we try to be helpful, but the officer has indicated to you that he does not have a precise draft. Perhaps DFAT does, though I doubt it. That is the point I am making: you are really asking the wrong people. Once the details are known and

are precise, certainly our department will work on advising everyone that we have to. But it is not useful to ask those questions of this department, although very legitimate in the trade estimates. It is like asking this department how Centrelink works in an area that is not this department's responsibility. We use Centrelink but we do not know the precise way in which it works.

**Senator O'BRIEN**—What instruction has gone to members of staff about what they can say about the free trade agreement, Mr Morris? Can you help us there? Is there some direction which has been provided as to what may or may not be said?

**Senator Ian Macdonald**—Perhaps Mr Wonder is the person to answer.

**Mr Wonder**—I can make some comment, Senator. In terms of information that we have available to advise any phone caller or whoever it might be, we are able to point them to relevant web sites or public information sources, of which there are a number on which clients of this portfolio are able to access that information. We are also able to provide advice with respect to the details that Mr Morris has just given you in regard to prospective developments over the next little while in terms of finalisation of documentation. We are able to refer to the DFAT fact sheets that you have already mentioned—again, that information is very helpful—but, as the minister has suggested, in terms of going to the heart of the negotiations and the like, and matters of detail that are properly part of the Department of Foreign Affairs and Trade, we would refer people to the relevant officers in the Department of Foreign Affairs and Trade and be as helpful as we possibly could be.

**Senator Ian Macdonald**—Senator O'Brien, if you found something in that document that you did not agree with or that did not make sense, and you challenged it, it is not for the officers here to comment upon the work of another department; you would really have to challenge the authors of the document. We can have a general discussion—but let us go and have a beer and do that.

**Senator O'BRIEN**—The point is that, if people are ringing up about their particular commodity and asking how they are affected, I want to know whether you are saying, 'The DFAT document does not mention your commodity, so you'll need to ring them.' Is that the answer they would get if they ask, 'Is my commodity in the 66 per cent of commodities that will be tariff free'?

**Mr Wonder**—Mr Morris is, no doubt, fielding some of these calls, together with Ms Greville. I will ask Mr Morris to answer that question, because I am sure it is a reality that has already happened.

**Mr Morris**—That is right. We do get a large number of questions on individual commodities. We have done our best to answer those questions with the best information we have at this point in time, but always with the caveat that, until the final text is out, we will not be able to give a final answer on any of those.

**Senator O'BRIEN**—So, to the best of your belief, all cereals are to be tariff free?

**Mr Morris**—That is correct.

**Senator O'BRIEN**—And cereal flour mixes?

**Mr Morris**—As we understand it, that is correct.

**CHAIR**—To put that in context, what is the tariff on them now?

**Mr Morris**—We would have to look at the detailed tariff schedules for that. That may take a little bit of time, so it may be better for us to take that on notice rather than spend a lot of time on it now. I should just let you know that there are 1,824 tariff lines on agricultural products in the tariff schedule. There are a large number of codes under the tariff schedule for dairy and other items, so we will have to take that on notice in terms of the cereal products.

**Senator Ian Macdonald**—Who will actually change the tariff when it is done? Will it be the Department of Agriculture, Fisheries and Forestry?

**Senator O'BRIEN**—I imagine that it will be the US.

**Senator Ian Macdonald**—Who in the Australian government will be instrumental in agreeing on these or negotiating them? Will it be the Department of Agriculture, Fisheries and Forestry or will it be the department of trade?

**Mr Morris**—It will be the department of trade.

**Senator Ian Macdonald**—That is my point.

**Senator O'BRIEN**—What I really want to ascertain is, at the moment, will you deal with a commodity-specific inquiry subject to the caveat you have just expressed?

**Senator Ian Macdonald**—Yes.

**Senator O'BRIEN**—Is there a list of the commodities which, subject to that caveat, are free from tariff? Is there a list somewhere that you rely on? Do you have a document that says, 'We think you are in or out, judging by this list'?

**CHAIR**—Are these questions that are being asked in the wrong room?

**Senator Ian Macdonald**—That is the point I have been trying to make.

**Senator O'BRIEN**—I am asking what this department is doing in relation to advising people who ring it. The question is: is this department working from a document that, subject to the caveat that you have already outlined, you use to advise people who contact the department?

**Senator Ian Macdonald**—I stand to be corrected but, if there is such a document, it can only be a document that they have got from DFAT. If it is wrong and you are challenging these people, they cannot argue this point because, in the end, it is not their responsibility. They may have had a contribution to the document, but it is DFAT's document and it is DFAT's information. You could ask the department of health—

**Senator O'BRIEN**—Can we clarify that; is that the case? Is the department working from a DFAT document which lists the commodities which are to be tariff free?

**Senator Ian Macdonald**—The information would have to come from DFAT.

**Senator O'BRIEN**—Perhaps you are making that assumption; can we have that clarified?

**Mr Morris**—Yes.

**Senator O'BRIEN**—So the document you are working from has been supplied by DFAT?

**Senator Ian Macdonald**—Or it is information from DFAT.

**Senator O'BRIEN**—Is there a DFAT document or a series of documents?

**Mr Morris**—The information is from DFAT, yes.

**Senator O'BRIEN**—Is it a document?

**Mr Morris**—It is in documentary form.

**Senator O'BRIEN**—And in that documentation is there information about the nine per cent of commodities that it is proposed go to zero tariff in four years?

**Mr Morris**—Yes.

**Senator O'BRIEN**—Is that something different to the fact sheet that is on the web site?

**Mr Morris**—They would be consistent.

**Senator O'BRIEN**—But it is not the same document?

**Mr Morris**—No.

**Senator O'BRIEN**—No. It actually lists each of the commodities?

**Mr Morris**—We have information, tariff line by tariff line.

**Senator O'BRIEN**—Thank you. Is there any problem with supplying that to the committee?

**Senator Ian Macdonald**—Yes, there is.

**Senator O'BRIEN**—Can you explain that?

**Senator Ian Macdonald**—Look, Senator, if you ask the health department what the impact on the Pharmaceutical Benefits Scheme would be, they would have a view, but they did not negotiate it. They do not have a responsibility for it in the end; the department of trade does. You could go across every aspect of government—for example, with the access lawyers get to America, I am sure the department of justice would have had a view and given advice; perhaps they even had a negotiator there. But in the end Mr Vaile's department was the lead agency for this, and they are the people who would provide the information that others rely on.

**Senator O'BRIEN**—I think we have established that, subject to a caveat, there is documentation which has been supplied to this department that this department would use to advise commodity groups and others who might contact the department to find out what—subject to their caveat—is the likely outcome for their industry. I do not understand why we cannot see the document in its entirety.

**Senator Ian Macdonald**—Because—

**Senator O'BRIEN**—This is a document that this department is using to perform its duties in conversing with the public about issues which are no doubt relevant to industry planning.

**Senator Ian Macdonald**—It is no doubt a document which comes to us for the purposes of advising the ministers on the issue in advance of the final document coming out. Officers of different experience will try and be helpful to clients of the department, but officers make the qualification. So it is almost to the degree of being hypothetical—that is not quite the right word, but I am using that word to bring it within the purview again of the estimates committee



rules. Really, you have got to stick to what this department is responsible for under its portfolio additional estimates statements. It has made a contribution—

**Senator O'BRIEN**—It is responsible for advising members of the public—

**Senator Ian Macdonald**—Yes.

**Senator O'BRIEN**—and we have just had a discussion about how they do that. We have had a discussion about the information source; I have asked if this committee could have a copy of the document which is the information source. You are saying no—

**Senator Ian Macdonald**—No.

**Senator O'BRIEN**—even though it is subject to the caveat that that might change.

**Senator Ian Macdonald**—That is right.

**Senator O'BRIEN**—That is what you have said; that is what I think the department's officers are saying—that that might change over the next four weeks. So, subject to that caveat, I do not understand why you are being so coy about the document. This is what this department is using to advise members of the public.

**Senator Ian Macdonald**—What I am saying is that in four weeks time, when the precise document—which will be meaningful to the committee and to the public generally—is there, you can have that. Of course, it will be widely published before you get it. In the meantime, it is not appropriate to give over work that is not completely finished.

**Senator O'BRIEN**—This has been announced to the public. These matters are being conveyed to the public subject to that caveat.

**Senator Ian Macdonald**—Go to the department of trade estimates and argue those points. That, again, supports my argument. That says why it is not relevant to this. Ask the department of trade why they released it and why they have not provided it. Ask them all these questions. These are matters for them; they are not matters for the agriculture department. That is the point I am trying to make.

**Senator O'BRIEN**—The minister announced it. Do we have to ask the Prime Minister every question? Mr Vaile was involved, this department was involved and other departments were involved. This department and others are communicating with the public about what might or might not be in the agreement.

**Senator Ian Macdonald**—Yes, but if you want to know what is in the agreement, go to the trade department. I am not trying to curtail you from obtaining this information; I am just cautious about one department answering questions that are really the jurisdiction of another department.

**Senator O'BRIEN**—There must be a lot of problems with this one.

**Senator Ian Macdonald**—It is an avenue fraught with danger, which, of course, suits you, but it does not suit us. We want to be precise and we want to do it in accordance with the rules of the estimates committee. That is why it is inappropriate to continue to ask these questions of these officers. Once a final decision is made, the whole of government has all of this information and our department has processed whatever parts are relevant to us, then that will be the case. We do not set the tariff. It was set in the United States, as someone quite rightly

pointed out. If you want to know what tariffs are coming into Australia, it is the department of customs that you should ask, I would imagine.

**Senator O'BRIEN**—Is it true that, insofar as beef is concerned, this deal covers manufacturing type beef and not high value cuts?

**CHAIR**—Hamburgers or T-bones? That is what he is after.

**Senator O'BRIEN**—Something like that.

**Senator Ian Macdonald**—I think the department of trade have told us that that is the case.

**Senator O'BRIEN**—That is the case as far as this department knows. Is there any change to the regime insofar as it affects higher value cuts?

**Senator Ian Macdonald**—On the basis of what the department of trade has told us and comparing that to the current situation, what is the answer, Ms Greville?

**Ms Greville**—Senator, as you are aware, we have an existing WTO quota of 378,214 tonnes. There are no caveats on what kind of beef can be used to fill that quota. It is true that the additional quota agreed as part of the FTA is limited to manufacturing type beef, which excludes chilled, high value product.

**CHAIR**—Jersey cows and Friesians.

**Senator O'BRIEN**—Yes, cattle that have been moved all over the country by various graziers. Is there some safeguard if the proportion of higher value cuts changes?

**Ms Greville**—There is no capacity to influence what we use the 378,214 for. So, were the make-up of our trade to change significantly, we could use as much of that as we wished to for high value cuts. The only stipulation is that the additional tonnages agreed as part of the FTA are limited to manufacturing type beef.

**Senator O'BRIEN**—How is the impact of BSE on US exports going to impact on this proposed deal?

**Senator Ian Macdonald**—Can you be more precise? What is the question?

**Senator O'BRIEN**—I think there is a requirement that beef exports be at a certain level. BSE is going to have an impact on that.

**Senator Ian Macdonald**—BSE is going to have an impact on what?

**Senator O'BRIEN**—On US beef exports. That is, some countries are not taking US beef at the moment. We cannot predict how long that will continue, but there is a three-year window that operates at the front end, as I understand it. How are those factors likely to work with the US market?

**Mr Morris**—There is a caveat on the agreement. Basically, the US beef exports have to reach 2003 levels before the increase in beef access takes effect—or no later than year 3 of the agreement.

**Senator O'BRIEN**—So the likelihood in that scenario is that it will take the three years before the first increase occurs, because of the limitation on US beef exports?

**Mr Morris**—We cannot really speculate on that. It depends how quickly other markets open up to US beef again and how quickly US beef exports recover.

**Senator O'BRIEN**—Were US beef exports in 2003 comparable with the previous decade? I know there was a fall because of the Japan market problem with BSE but, generally speaking, have they grown back to what they had been pre the Japanese BSE problem?

**Mr Morris**—I think we will have to take that on notice; I am just not sure. We thought they might have been higher than normal, but we will have to check that.

**Senator O'BRIEN**—So, just to check my maths, the end point is that after three years—or earlier, depending on the factor that we have just been discussing—there is an increase in 20,000 tonnes proposed. Then, every two years after that, there is an increase of 5,000 tonnes. So we are talking about a 70,000-tonne increase in the quota over 18 years?

**Senator Ian Macdonald**—Is that what DFAT is saying?

**Ms Greville**—Yes, that is correct, Senator O'Brien. It is not every two years. In lots of cases it is two years, but towards the end it is every year.

**Senator Ian Macdonald**—To save the time of the committee, I refer you to an addition of the *Land* newspaper of 12 February. It has a lot of this information in it.

**Senator O'BRIEN**—Do you want to table that, Minister?

**Senator Ian Macdonald**—I am just alerting you to that. It will no doubt answer a lot of your questions and, with respect, be just as relevant as the answers being given here.

**Senator O'BRIEN**—Mr Morris, should we understand that, effectively, at the end of 18 years it has become free trade?

**Mr Morris**—At the end of 18 years there is no further quota in place and no tariff, but there is a safeguard arrangement. It depends on whether you regard that as free trade.

**Senator Ian Macdonald**—The *Land* newspaper says free trade in year 19 with a permanent safeguard. If you want to argue the point or get precision on that, go to the trade department estimates and find out exactly what that means; otherwise accept the word of the *Land* newspaper. I should probably get a free subscription to the *Land* for mentioning them.

**Senator O'BRIEN**—After 18 years, the quota becomes non-existent. So there is no quota but there is a safeguard?

**Mr Morris**—Correct.

**Senator O'BRIEN**—For the first nine years, the over-quota tariff remains at the 26.4 per cent.

**Mr Morris**—Correct

**Senator O'BRIEN**—There is then a transition safeguard for the next nine years. How does that work?

**Mr Morris**—It is a fairly simple one. The safeguard is triggered if the exports to the US exceed the TRQ level plus the additional amount by 10 per cent.

**CHAIR**—It is time for morning tea, ladies and gentlemen.

**Proceedings suspended from 10.30 a.m. to 10.47 a.m.**

**CHAIRMAN**—The committee will hereby recommence. Senator O'Brien.

**Senator O'BRIEN**—If under the safeguard in the second nine years the imports exceed the tariff rate quota, what import duty applies?

**Senator Ian Macdonald**—Again there is the difficulty that there have been discussions that are pretty firm, but they are subject to the caveat. Therefore, I think the safest thing is to take the questions on notice and we will get back to you with a response before the time set by the committee for answering. When is that?

**Senator O'BRIEN**—Do you faithfully promise this time?

**Senator Ian Macdonald**—What date is it?

**Senator O'BRIEN**—It is 24 March, I am told.

**Senator Ian Macdonald**—Yes, we will do that—with these questions, because they are important. That is not to say that we will be able to answer every question about other issues but this one is important, so we will get you an answer by then.

**Senator O'BRIEN**—To understand an answer that Ms Greville gave in relation to the manufacturing versus high-value cuts market, we can vary the proportion of high-value cuts which fall within the 378,000 tonnes from currently maybe five per cent up to 75 per cent if we want. That is the implication of your answer; is that correct?

**Mr Morris**—Correct.

**Senator O'BRIEN**—But insofar as you can differentiate the additional potential 20,000 to 70,000 tonnes, that has to be manufacturing beef?

**Ms Greville**—Yes, Senator.

**CHAIR**—Before we go any further, can I correct something that we have misled you on. You actually have a few more days than 28 March; it is 2 April.

**Senator Ian Macdonald**—Okay; excellent.

**Senator O'BRIEN**—You are making decisions on the run. That was agreed, was it?

**CHAIR**—Yes.

**Senator O'BRIEN**—I understand that the post-transitional safeguard, or the post-18-year safeguard—we call the Japanese situation a snap-back tariff—is to be triggered when the average monthly price is 6.5 per cent below the average of the previous 24 months. Have I got that right?

**Senator Ian Macdonald**—I think that is what the *Land* newspaper says, and that is the expectation, but again, Senator, you are asking for a definitive answer for something that is not definitive until it is actually signed. Again, with that question I can either refer you to the *Land* newspaper for their opinion on it or take it on notice and give you an absolutely precise answer before 2 April.

**Senator O'BRIEN**—Can you tell me what analysis has been done by this department about what impact these safeguards might have on the actual outcome for Australian producers?

**Senator Ian Macdonald**—The first question is: has there been analysis done by this department? I think that is probably a legitimate question.

**Mr Morris**—There were discussions in Washington during the negotiations on the impact of the safeguard with industry, and industry had done the analysis of what the impact was likely to be.

**Senator O'BRIEN**—The industry appears to be saying now that these safeguards are likely to be triggered every second year.

**Senator Ian Macdonald**—That is obviously the industry's view. If you want the government's view, again we will take that on notice and—

**Senator O'BRIEN**—Mr Morris just said it was—

**Senator Ian Macdonald**—He said they discussed it with industry—

**Senator O'BRIEN**—Yes.

**Senator Ian Macdonald**—and this was industry's view.

**Senator O'BRIEN**—Was it their view then? It is obviously their view now; it has been reported—perhaps not in the *Land* but in some other relatively reputable publications like the *Financial Review*.

**Senator Ian Macdonald**—Is the question whether it was their view then?

**Senator O'BRIEN**—Yes. Was that view reported to the department—

**Senator Ian Macdonald**—The opinion of this department's officers on whether that was their view then is getting a bit beyond what this estimates committee is about. If the officers said that was their view, I assume that, in their opinion, it was their view at the time. This is the difficulty of this department trying to answer for the industry or for the trade department. If you want to know, ask the industry what their view is, and if you want to know what the trade department say, ask them, but it is only hearsay.

**Senator O'BRIEN**—I raise that because the answer was that the government was relying on the industry view when this matter was negotiated, apparently, from Mr Morris's evidence to this committee.

**Senator Ian Macdonald**—What is the question?

**Senator O'BRIEN**—Given that the industry is on the record now as saying that these safeguards are likely to be triggered every second year and Mr Morris said that they were consulted in the discussions when this matter was being considered, has their view changed?

**Senator Ian Macdonald**—Whose view?

**Senator O'BRIEN**—The industry's view.

**Senator Ian Macdonald**—You would have to ask the industry that, wouldn't you?

**Senator O'BRIEN**—Did the industry report a similar view during the process?

**Senator Ian Macdonald**—Did the industry—

**Senator O'BRIEN**—Report a similar view to that view which they are putting now, which is that these safeguards are likely to be triggered every second year?

**Senator Ian Macdonald**—Mr Morris, is that your understanding of what the industry said at the time?

**Mr Morris**—They reported a similar view at the time.

**Senator O'BRIEN**—In terms of sugar, we currently have access to 87,000 tonnes. What was Australia's negotiating position with regard to improving that access?

**Senator Ian Macdonald**—I suppose along the line that we wanted more. Was that our negotiating position?

**Mr Morris**—Our negotiating position on all items was for free trade—no quotas or tariffs.

**Senator O'BRIEN**—We did not seek some intermediate position?

**Mr Morris**—Our position throughout the negotiations was that we would want free trade.

**Senator O'BRIEN**—We did not at any stage seek an increase within the context of the existing TRQ arrangement?

**Mr Morris**—It is fairly difficult to comment on the details of the actual negotiating process because our officers were not in the room on every occasion of the negotiations. That is really a case where it is much more appropriate to ask DFAT, who were in the room on all occasions. It is very difficult for us to answer that question.

**Senator O'BRIEN**—I accept that qualification. We will ask them those questions. For dairy I understand that the above-quota tariffs remain as they were. Is that correct?

**Mr Morris**—Correct.

**Senator O'BRIEN**—Is there a simple way of expressing what that tariff regime is and, if so, could you do that for the committee?

**Mr Morris**—There are a very large number of dairy lines, so it is quite hard to generalise.

**Senator O'BRIEN**—Mr Vaile talked about the ability to increase exports by around \$55 million in the first year. How would that be achieved? What particular benefit will enable that?

**Mr Morris**—A lot of the items we have some access for already. Obviously we are already exporting under those items and can expand our exports under those items. For some of the items we did not have an individual country quota, so that is a new or better opportunity for certain producers. The details of how we are actually going to implement the new quota arrangements still have to be sorted out.

**Senator O'BRIEN**—Presumably the US is drawing up a schedule of manufactured dairy products, which will permit us increased access. Is that part of the process?

**Senator Ian Macdonald**—Sorry, what was the question?

**Senator O'BRIEN**—Presumably the US is drawing up a schedule of manufactured dairy products on which we will receive additional access. Is that how it is working?

**Mr Morris**—Both the US and Australia have to go through domestic legislative processes to implement the agreement. That would be the case with the dairy quotas for the US.

**Senator O'BRIEN**—Okay. When will we know what is actually intended to be on the schedule of improved access items?

**Mr Morris**—When the draft final agreement is available, which, as I mentioned earlier, is probably three to four weeks, as an estimate.

**Senator O'BRIEN**—Of the horticultural items that are intended to be tariff free, how many are subject to quarantine restrictions?

**Mr Morris**—I think I will have to take that on notice. We have started looking at that but we have not got a final view on that yet.

**Senator O'BRIEN**—So that is work in progress at the moment, is it?

**Mr Morris**—That is right. The negotiations were not about quarantine arrangements; they were about tariffs and quotas mainly.

**Senator O'BRIEN**—So some of the items presumably will fall foul of quarantine restrictions and not be admissible even though there are no tariff arrangements.

**Senator Ian Macdonald**—That is to be seen.

**Senator O'BRIEN**—That is in contemplation, is it, Mr Morris?

**Senator Ian Macdonald**—As I mentioned in the Senate, I do not think we would expect the Americans to give up their legitimate quarantine arrangements, and neither would they expect us to give up our legitimate quarantine arrangements.

**Senator O'BRIEN**—I am certain that we should not give up our quarantine arrangements. I do not think it is fair to say that the US do not expect us to.

**Senator Ian Macdonald**—Quarantine is quarantine—it is a quite separate thing.

**Senator O'BRIEN**—But I am asking about access to the US market and their quarantine provisions, which we certainly do not expect them to give up. We have not asked them to give them up. It is not part of the agreement, as I understand it, that they need to give up any of their quarantine restrictions.

**Senator Ian Macdonald**—If they are legitimate, and one would assume—

**Senator O'BRIEN**—We have not asked them to give up any quarantine restrictions under the agreement, have we?

**Senator Ian Macdonald**—I do not know. You would have to ask the department of trade. I am answering these from a basis of commonsense. If you have legitimate quarantine arrangements in place, no matter which country it is, one would expect that they would remain.

**Senator O'BRIEN**—So there is some work being done on preparing details of the commodities which, although there is free access, we currently cannot export to them because of quarantine restrictions.

**Mr Morris**—I do not think we will go through the whole list. There are some priorities that the horticultural industry has and we will work on those priorities.

**Senator O'BRIEN**—There are a number of them?

**Mr Morris**—There are a number of priorities they have had for quite some time and we have been seeking quarantine access. We will continue to work on those, plus any new ones they might have.

**Senator O'BRIEN**—Which particular items are likely to be priority items?

**Mr Morris**—Obviously avocados is going to be a big one. You have seen that in the media. That will be important for industry.

**Senator O'BRIEN**—Is that the only priority item?

**Mr Morris**—Tropical fruit has been on the agenda for quite some time for us as well. We work closely with Horticulture Australia Ltd and the horticultural industry generally to define priorities for access throughout the world.

**Senator Ian Macdonald**—If they are genuine quarantine requirements, we could not have an argument, I would imagine. But if they are not genuine quarantine requirements we have rights under the WTO, don't we, to take them on?

**Senator O'BRIEN**—We have rights under the WTO, I would have thought.

**Senator Ian Macdonald**—That is what I said.

**Senator O'BRIEN**—I am sorry; I wasn't sure whether you said FTA or WTO. Could you advise the committee where we can find details of the horticultural products that Australia produces that have problems or are unable to be exported to the USA because of their quarantine restrictions?

**Senator Ian Macdonald**—We could take that on notice.

**Senator O'BRIEN**—Is there a resource somewhere we can look to?

**Mr Morris**—I do not think there is a document, but we can certainly provide to the committee some information on our requests at the moment.

**Senator O'BRIEN**—Thanks very much.

**Senator Ian Macdonald**—Do we have a list, or can we get a list from anywhere, of every horticultural product that is subject to a quarantine restriction in the United States? I suppose some of them that we have never had market access for we would not know about. Would that be right?

**Mr Morris**—What we would tend to do is this: when there is a request from the horticultural industry for us to obtain access we would definitely work on those items, but there may be a whole lot of other items that the industry has not raised with us as items of interest to them, and we do not waste our resources on that.

**Senator Ian Macdonald**—Is that because they have no intention of trying to export them to the US?



**Mr Morris**—Yes, that would be right. They have not been approached by industry, by growers, to export to the United States, and so they have not raised those particular items with us.

**Senator Ian Macdonald**—So, on notice, we will get those that we know about. Of course, we cannot get those we do not know about.

**Senator O'BRIEN**—I suppose that is fair. On the question of avocados, there have been media reports and statements from industry spokespersons that access was limited to the periods when we could not supply fruit. I understand we can ship 2,500 tonnes in the period from 15 September to 31 January and 1,500 tonnes from 1 February to 14 December. Is it correct to say that the peak growing period in this country is from June to August?

**Senator Ian Macdonald**—Have we got any avocado experts here? Perhaps we had better take that on notice. Our officers are excellent, but I do not know that their expertise goes to the intricacies of the avocado-growing industry. As you know, and you are obviously quoting, that was the advice I was given and which I have related to the Senate. But, there not being an avocado expert amongst us, we will take that on notice and get back to you.

**Senator O'BRIEN**—So you were not professing to be an expert when you answered questions in the Senate. I thought you were.

**Senator Ian Macdonald**—I do have an avocado tree in my backyard. Unfortunately, the possums eat most of them before they ripen to maturity.

**CHAIR**—Much to Senator Conroy's surprise, I have some avocados in June too. He did not think they grew down there.

**Senator Ian Macdonald**—That is right; you have.

**Senator O'BRIEN**—I know you can grow avocado trees anywhere—you can grow them in Tasmania; they just do not produce fruit in Tasmania.

**CHAIR**—The frost, I guess.

**Senator O'BRIEN**—There may be a variety that does.

**Senator Ian Macdonald**—It will not be long before we can grow them in Tasmania as well.

**Senator O'BRIEN**—Is that global warming you are referring to?

**Senator Ian Macdonald**—No; it is just that our brilliance in discovering new varieties will allow us to do that, I am sure.

**Senator O'BRIEN**—A document released by the US administration on the free trade agreement, entitled 'Trade facts', states:

The U.S. and Australia will work to resolve sanitary and phytosanitary barriers to agricultural trade, in particular for pork, citrus, apples and stone fruit.

Given that Biosecurity Australia is about to announce a decision on access for US pork, why would the Americans identify pork as an immediate matter for interest?

**Senator Ian Macdonald**—We are getting a bit beyond estimates when we are asking our officers to guess why American officials would do something or say something. We are not going to answer that. If you need to know that, I suggest you ask the American ambassador.

**Senator O'BRIEN**—Is it the case that Australia and the US will be working to ensure that the burden of risk mitigation processes on the US is minimised in any export of their pork to Australia?

**Senator Ian Macdonald**—Can you say that again?

**Senator O'BRIEN**—Is it true that the discussions with the US regarding pork to resolve sanitary and phytosanitary barriers will be to ensure that the risk mitigation to the US is minimised?

**Ms Harwood**—No, it is not. Our import risk analysis process for pork is according to Australian standards of quarantine. We are obliged with the IRAs to use the least trade restrictive measures, but there is no specific or general undertaking in relation to pork.

**Senator O'BRIEN**—I am just looking at the terminology they use—'to resolve sanitary and phytosanitary barriers'.

**Senator Ian Macdonald**—That is their terminology.

**Senator O'BRIEN**—It certainly is. They are one half of the agreement, and they have published this on their web site.

**Senator Ian Macdonald**—Regardless of what anybody else says, Australia's position is, and always has been, that our issues are determined on science; they are entirely science based. We do not waiver from that, and the Americans know that.

**Senator O'BRIEN**—So the Office of the United States Trade Representative on that matter is wrong?

**Senator Ian Macdonald**—You can form your own opinion on that. That is not for our officers or for me to pine over. We can tell you what our position is and you can make up your own mind on what anyone else's position is.

**Senator O'BRIEN**—I quote:

USDA's Animal and Plant Health Inspection Service and Biosecurity Australia will operate a standing technical working group, including trade agency representation, to engage at the earliest appropriate point in each country's regulatory process to cooperate in the development of science-based measures that affect trade between the two countries.

How will that relate to the current import risk assessment process?

**Ms Harwood**—It is essentially a working group to look at technical and scientific issues as they arise in relation to access requests in either direction. It does nothing to change or alter the import risk analysis process. But, if there are scientific matters on which communication and technical exchange will assist, they can be handled through that working group.

**Senator O'BRIEN**—So it will operate completely independently and in a way that is not of direct relevance to the import risk assessment process?

**Ms Harwood**—It can be constructive to assist in terms of resolving technical matters that would help in doing the import risk analysis work—that is, it can help in providing information to it.

**Senator O'BRIEN**—Do I take that to cover, for example, the spraying of fruit in the United States versus the spraying of it when it arrives here—for instance, Californian table grapes? Is that the sort of issue that you would think this group would work on? I am just trying to get an idea of the sort of—

**Senator Ian Macdonald**—I know—but you are straying beyond estimates. You are asking for opinions.

**Senator O'BRIEN**—That is an example of what has actually happened.

**Senator Ian Macdonald**—Perhaps you could rephrase your question so that we can understand exactly what you are asking?

**Senator O'BRIEN**—There are protocols for the importation of product from the United States which have been the subject of modification in recent times—for example, the spraying of shipments of US table grapes, which I think were originally required to be sprayed in the United States but now may be sprayed on arrival in Australia. Is that the sort of technical issue that this group would be working on?

**Ms Harwood**—It could be any scientific or technical issue relating to quarantine for traded products. It could be seeking information about the health status—for example, the pest and disease status of the exporting party. It could relate to mitigation measures or whatever. It is just a forum for technical exchange on matters of mutual interest relating to quarantine.

**Senator O'BRIEN**—DFAT fact sheet No. 2, headed 'Sanitary and phyto-sanitary measures', says:

A framework for discussions on specific products has been established.

Is that the same consultative mechanism?

**Ms Harwood**—As I understand it, yes.

**Senator O'BRIEN**—We were told last Monday at the pork import risk assessment hearing that these products were not yet agreed and the group had not been established. Is that still the case?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—And we were told that Biosecurity Australia and its US counterpart would be the decision makers on what will be on the agenda.

**Ms Harwood**—I chair the body with my APHIS counterpart Bobby Acord, yes.

**Senator O'BRIEN**—Are there any matters which have already been agreed at a ministerial level to have on the agenda?

**Ms Harwood**—Not to my knowledge, no. The working group does not exist and it will not exist until the agreement enters into force.

**Senator O'BRIEN**—Either party will be able to put matters on the agenda and there is no right of veto. Is that how I should understand it?

**Ms Harwood**—Essentially the agenda will be constructed by mutual consent.

**Senator O'BRIEN**—What is the relevance of the minister's view on what should or should not be considered?

**Ms Harwood**—I do not understand your question.

**Senator O'BRIEN**—Would the minister's view carry any weight in Australia or the United States considering that a matter should or should not be on the agenda?

**Senator Ian Macdonald**—Which minister?

**Senator O'BRIEN**—Minister Vaile or Minister Truss, for example.

**Senator Ian Macdonald**—The Australian government view on what issue?

**Senator O'BRIEN**—Will the Australian government view on what should or should not be on the agenda carry weight with how Biosecurity Australia—

**Senator Ian Macdonald**—On the agenda for what?

**Senator O'BRIEN**—For the discussions between Biosecurity Australia and the US FDA that are to be established under the free trade agreement.

**Senator Ian Macdonald**—The government's view, the ministers' view and everyone's view is that it should be based on science. I do not think they need to impose that view. I am sure Biosecurity Australia is—

**Senator O'BRIEN**—So the minister will not have a view on whether matters should or should not be on the agenda and will not communicate that to Biosecurity Australia; is that what you are saying?

**Senator Ian Macdonald**—The discussions are about science. I am not sure what expertise the ministers have in science issues. If you like, I can take it on notice to ask Mr Truss what he knows about science; but it is the government's position, the ministers' position—and I am sure the officials' position, without being told—that these things are scientifically based.

**Senator O'BRIEN**—Can someone explain to me what the statement in the US 'Trade facts' document about marketing arrangements for reform means when it says:

In response to U.S. concerns about Australia's agricultural state trading enterprises, Australia committed to working with the U.S. in the ongoing WTO negotiations on agriculture to develop export competition disciplines that eliminate restrictions on the right of entities to export.

**Senator Ian Macdonald**—We are not commenting on anything the United States says, particularly in this portfolio. Perhaps the trade department might like to but certainly we would not here.

**Senator O'BRIEN**—This department clearly had a direct interest in these negotiations as they related to our single desk arrangements. What are we proposing to sign up to in that regard?

**Senator Ian Macdonald**—We are not commenting on what the Americans say. Our position has been clear and I think it has been stated.

**Senator O'BRIEN**—Can you tell us what they mean by a state trading enterprise?

**Senator Ian Macdonald**—No. Look, let me tell you what we say:

State trading enterprise single desk arrangements are preserved ... A clause has been included that commits the US and Australia to work together in the WTO to develop a comprehensive package on export competition measures that would include elimination of restrictions on rights to export.

That is our position. To save you writing it down, that is in Mr Truss's press release.

**Senator O'BRIEN**—So we do not know why they are using the term 'state trading enterprises'.

**Senator Ian Macdonald**—That is not a matter for our department to speculate on.

**Senator O'BRIEN**—At the last hearings I asked about the ability of Australian food exporters to comply with the US Bioterrorism Act and we were advised that every effort was being made to communicate the new rules to Australian exporters. What has happened, where is the process up to and what impact are these requirements having or likely to have?

**Mr Banfield**—That might be a question that is more appropriately dealt with under Product Integrity and Animal and Plant Health, which have the prime responsibility within the portfolio for the US Bioterrorism Act.

**Senator O'BRIEN**—So it is not a market access issue?

**Mr Banfield**—The implementation of US government requirements and the communication of those requirements have been undertaken in Product Integrity.

**Senator O'BRIEN**—These measures are required to be least trade restrictive, are they not?

**Senator Ian Macdonald**—Can we leave that until we get to that area?

**Senator O'BRIEN**—This is a market access issue and I am asking a market access question. These measures are required to be least trade restrictive under WTO principles, are they not? Or, because they use the word 'terrorism', do the WTO sanitary and phytosanitary rules not apply?

**Mr Morris**—To the extent that they affect trade in items or other matters dealt with by the WTO, they are required to be consistent with the WTO agreements.

**Senator O'BRIEN**—Has Biosecurity Australia looked at these measures in that context?

**Ms Harwood**—There has been consultation between different groups in the department about them.

**Senator O'BRIEN**—So Biosecurity is involved in an interdepartmental consultation, or is it within—

**Ms Harwood**—Within the department, but the lead is Product Integrity in terms of how that issue is handled.

**Senator O'BRIEN**—Does DFAT become involved in any way? Not yet?

**Ms Harwood**—It is probably appropriate to ask them in terms of their role.

**Senator O'BRIEN**—The department has not referred the matter to them?

**Ms Harwood**—Again, Product Integrity has the lead on that.

**Senator O'BRIEN**—I want to ask some questions about the Keniry review process. First, do we understand why the sheep on the *Cormo* were rejected, or is that still unknown?

**Mr Banfield**—That is still unknown.

**Senator O'BRIEN**—What has the Keniry exercise cost?

**Mr Banfield**—I do not have the costs to hand. I will take that on notice. I am sure it is available but I just do not have the facts to hand.

**Senator O'BRIEN**—Do you think we will get that by early April?

**Mr Banfield**—We will endeavour to provide that as soon as possible.

**Senator O'BRIEN**—I am sure you will—to the minister.

**Senator Ian Macdonald**—I cannot imagine that it would be a terribly big cost.

**Mr Banfield**—No.

**Senator Ian Macdonald**—Not that the size of the cost is relevant to the time to answer a question, mind you.

**Senator O'BRIEN**—I would be interested in getting a breakdown of the cost, not just an overall figure.

**Mr Banfield**—We will provide that on notice. I do not think there is much other than some sitting fees for the members and some travel.

**Senator O'BRIEN**—I understand that all of those costs are met from the departmental budget.

**Mr Banfield**—That is correct.

**Senator O'BRIEN**—I know that the report was delivered on time, but did Dr Keniry seek an extension?

**Mr Banfield**—Not to my knowledge. The original deadline was 31 December. The report was provided and, as you know, released publicly by the minister on 8 January.

**Senator O'BRIEN**—What is happening with the Live Export Consultative Committee?

**Mr Banfield**—We might have to get some colleagues from AQIS to the table to answer that question in detail.

**Senator O'BRIEN**—I want to know whether the implementation of the action plan is still in a state of suspension.

**Mr Banfield**—It is probably better to get the relevant officers who have been working on those particular issues to the table to answer those questions.

**Ms Gordon**—The Live Export Consultative Committee, which is the consultative committee to AQIS, has not met since the Keniry inquiry began. A number of the projects that were being progressed under the APLEI—the action plan for the live export industry—have been completed. I can provide you with details of that on notice if you would like me to.

**Senator O'BRIEN**—Thank you for that.

**Ms Gordon**—Other projects have been suspended subject to the outcome of the government's response to the Keniry recommendations.

**Senator O'BRIEN**—Do we know when that response is to be given?

**Mr Banfield**—The government is currently considering the recommendations. No definitive time has been set but we would expect it over the next couple of months or so.

**Senator O'BRIEN**—What consultation with industry groups has taken place over the Keniry recommendations?

**Mr Banfield**—A number of consultations has occurred and obviously will continue. If you want a complete list detailing the particular consultations I will take that on notice. We had a roundtable with industry last week, with representatives of MLA, Livecorp, the National Farmers Federation, the Australian Veterinary Association et cetera and also some representatives of the state farming organisations. We have had separate consultations with the animal welfare groups and with the Australian Veterinary Association, and consultations will be ongoing with our colleagues in state governments. So quite a comprehensive range of consultations will be undertaken in considering the government's response to the Keniry report.

**Senator O'BRIEN**—Do the Keniry recommendations require any legislative amendment?

**Mr Banfield**—I would not want to comment on the government's response to the Keniry report, but I think it is fair to say that amongst the recommendations in the Keniry report there would be legislative amendment. In fact, he talks about national codes and requirements in legislation. But, as I say, those and other issues are being considered by the government in developing its response.

**Senator O'BRIEN**—Ms Gordon, at the last hearings you gave some advice in relation to mortality reporting. You said at that time that the department have not had the opportunity to fully consider the compliance and investigations unit report on the allegations aired in the *60 Minutes* program about underreporting, and that there be a review of the arrangements that operate in terms of obligations for reporting mortality figures. Has that review been concluded?

**Ms Gordon**—Since we gave that answer, we now require all consignments of exports to the Middle East to be accompanied by a veterinarian, who is required to report directly to AQIS on a range of matters, including mortalities on board the vessel.

**Senator O'BRIEN**—That is what was recommended in the review and it has been implemented. Is that what I should understand that answer to mean?

**Ms Gordon**—When we reviewed the circumstances of the way in which reporting had been taking place, the conclusion was that we required direct reporting to AQIS on mortality figures so that we would be able to identify very quickly if there were any discrepancies.

**Senator O'BRIEN**—Is that system now working?

**Ms Gordon**—I believe so. We get daily reports from the vet on board on the condition of animals on board all export consignments to the Middle East and that gives us a running total.

We also get a final report from the vet directly about the outcomes of the voyage in terms of mortalities.

**Senator O'BRIEN**—Thanks for that. I want to ask Ms Harwood about the banana import risk assessment.

**CHAIR**—Before we go to bananas, I want to raise a couple of issues which were raised in the pork hearing the other day. It was the question of the theft of uncooked imported meat which apparently occurred in June 2002. As I understand it, AQIS Sydney cleared three containers of imported uncooked Danish pig meat. My note says that each container held 850 cartons of meat. The approved transport company failed to deliver the meat to the approved processing factory in Sydney. This arises out of issues that were raised in the hearing about the security of uncooked meat entering Australia. Instead, for unknown reasons it was stored in the transport company's own Sydney facility, which was not approved for storage of pig meat. The premises were burgled and money and a carton of uncooked pig meat apparently stolen. New South Wales Police were involved and AQIS was asked to investigate whether in fact a carton of pig meat had been stolen or if there was a clerical error in the documentation. Late in June AQIS reported that a carton were still unaccounted for. AQIS apparently completed investigation in July 2002. There is apparently no record of the report by AQIS on the incident. I am sure you will give a fulsome answer right now.

**Dr Carroll**—There was a carton of pig meat unaccounted for following the break-in to three sea cargo containers of pig meat at the transport facility. We still not have been able to ascertain whether the carton actually was missing or whether it is a clerical error. We have not been informed of the outcome of the police investigation to the effect that anyone has been charged. At the same time we believe there was also a break-in at the office facility there and money may have been taken and a break-in at a nearby barbecue store where barbecue implements were also removed.

**Senator O'BRIEN**—And they bought the gas with the money they stole from the office, I suppose!

**Dr Carroll**—On balance, we believe it is likely that a carton of pig meat was in fact taken, that about 22 kilograms of frozen pig meat was removed. Since then we have implemented additional controls on the movement of pig meat from the cold stores to the processing plants, including that it may only be held at a transport premises which is an approved quarantine premises and only where it is directed to go to that premises, and then for a maximum of five days. In addition, we have implemented procedures whereby the containers have to be stored door to door, end to end, so that you cannot break into the containers through breaking the locks off the front. At this stage, as I said, I cannot absolutely confirm that one was stolen or one is missing; it is not possible to check to that level of detail because it will still in transit.

**CHAIR**—But I guess it would be fair to say that it does demonstrate the frailties of human systems and structures, doesn't it? It perhaps was stolen, it perhaps could have been contaminated meat and perhaps that could have got out there. There are a whole lot of perhapses that might have followed. So there is a risk in bringing in uncooked meat.

**Dr Carroll**—The pig meat had not gone through the full gamut of our risk mitigation practices. It was fully certified; it was muscle meat with no bone included. It came from



certified sources and it came with the appropriate certification. There was a problem with the system in that this meat was not supposed to be there. It was directed from the cold store to the processing plant.

**CHAIR**—So did someone lose their licence as a consequence of that?

**Dr Carroll**—Compliance investigation was launched and appropriate action taken. The importer themselves have the import permit. The cold store is quarantine approved and gets movement directions. I believe this particular incident occurred because they had left the cold store and driven some time to get to the premises where the meat was going to be processed, to find it was shut for the day. It was too late. So, instead of going back to the cold store, they had stored it overnight in the premises of the transport company. I think there was probably not awareness by the transporters that they could not do that, so we have looked to reinforce that message.

**CHAIR**—Was it only in there one night?

**Dr Carroll**—It was overnight.

**CHAIR**—You would not have to be a very smart detective to work out how many people knew it was there to bust in to get the thing and get the barbecue going.

**Dr Carroll**—The fact that they broke into I think it was three containers and took one carton of pig meat means it is possible they expected to come across containers full of seafood or something of a much higher value. They possibly took the container of pig meat in a case of ‘We may as well take something’.

**CHAIR**—But it does demonstrate that no system is perfect.

**Dr Carroll**—It does. Our response to it, though, I think increases the security quite a bit. By putting the containers door to door, end to end, you would have to do some destructive intervention on the container before you would actually be able to gain access to pig meat now.

**CHAIR**—I would not know why they would want to do that, given pork is so cheap at the supermarket, but if they really want to they will; that is the point. They might not do it there; they might do it somewhere else. There is a risk associated. Thank you very much for your answers.

**Senator O’BRIEN**—On banana import risk assessment, Ms Harwood, you told us in November last year that the panel was finalising its report on bananas and that the report would be out soon. How are we going approaching that release?

**Ms Harwood**—It will be out very soon.

**Senator O’BRIEN**—This month? Do you know when it is due to be released?

**Ms Harwood**—It is not possible to give a precise date but it will be out very soon.

**Senator O’BRIEN**—Will it be a draft import risk assessment or a final import risk assessment?

**Ms Harwood**—The actual form of the document is being finalised, so at this stage I would not comment on that.

**Senator O'BRIEN**—In November you told us that the panel was finalising its recommendations; that is 3½ months ago. What has been the reason for the hold-up?

**Ms Harwood**—It takes some time to pull the reports together. They are very large technical documents and that has taken a little longer than we expected.

**Senator O'BRIEN**—What is happening with the freedom of information request from the banana industry?

**Ms Harwood**—I understand there has been further correspondence between the department and the legal representatives of the banana industry.

**Senator O'BRIEN**—So nothing has happened; it is still in the correspondence stage.

**Ms Harwood**—Yes, discussions are continuing.

**Senator O'BRIEN**—Has the forum established with the Philippines to look at quarantine issues, as announced by the Prime Minister, met yet?

**Ms Harwood**—No.

**Senator O'BRIEN**—I believe the minister is going to launch the banana biosecurity plan in Cairns on 24 February. How does that fit with the import risk assessment process?

**Senator Ian Macdonald**—I think that was me, but I do not think I am now available on that date. I am not sure whether that is the old date or the new date. I know there was some difficulty in my being available.

**Senator O'BRIEN**—So it is not going to happen on that date?

**Senator Ian Macdonald**—Does anyone know? It is something they have been trying to arrange with my offices up that way on a date that we thought we had, but I have had some other difficulties meeting that date.

**Ms Harwood**—It is a domestic industry biosecurity plan separate from the import risk analysis. It is a separate sphere of action, essentially.

**Senator O'BRIEN**—Is it dealing with disease issues for the local industry?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Is the existence of such a plan part of risk mitigation measures once imports are approved?

**Ms Harwood**—I would ask my colleagues in PIAPH to give you detail on the domestic industry biosecurity plans because they really relate to action inside Australia by the domestic industries.

**Senator O'BRIEN**—Is there any coordination between the release of the banana import risk assessment, draft or otherwise, and the banana biosecurity plan?

**Senator Ian Macdonald**—The biosecurity plan is the industry's plan, isn't it?

**Ms Harwood**—Yes. It is essentially an initiative of the industry.

**Senator Ian Macdonald**—They release that when they want to. They can release it today, I assume. But they were hoping to have either Mr Truss or I release it, which I was very

happy to do. We tentatively picked a date, but I am told by my staff that I have other things on on that date and cannot do it or will not be in the north or something.

**Senator O'BRIEN**—What is happening with the New Zealand apple import risk assessment?

**Ms Harwood**—That one is also very close—it is a revised draft import risk analysis report but it is in the final stages of preparation.

**Senator O'BRIEN**—This one is a draft.

**Ms Harwood**—Yes.

**Senator Ian Macdonald**—Can I go back to the banana one? I should probably say that I think it is very significant that the industry is doing this sort of work itself and thinking about these issues. It is a good step forward for the industry to be involved. Sorry, I know we are talking about apples now.

**Senator O'BRIEN**—I am happy to revert to bananas. There are various disease control measures—best practice methods—that would be important to be discussed within the industry. That is what the document is about. What is happening with the import risk assessment on uncooked chicken meat?

**Ms Harwood**—That is also at the stage of preparation of the draft import risk analysis report.

**Senator O'BRIEN**—So we will see that soon as well?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Is that 'soon' or 'very soon'? 'Soon' was 3½ months plus, so I want to see if—will it be very soon?

**Ms Harwood**—Soon.

**Senator O'BRIEN**—Soon? Okay. After May? All right. You have allocated \$2 million, which is for part of this year, to speed up the import risk assessment process—that is a one-off item in the additional estimates statement on page 14. I suppose, given that there is a very long list of assessments in the pipeline, you say:

The funding will be also used to promote Australia's science-based quarantine system in the World Trade Organization.

How will that work?

**Ms Harwood**—Some of the money will be used for the work in preparing the technical dossiers and preparation for the current WTO cases brought by the EU in the Philippines. It is preparing technical information about, for instance, all the commodities that they cite and the quarantine characteristics and history of treatment of those products.

**Senator O'BRIEN**—What is the breakdown of the IRA acceleration and the WTO promotion?

**Ms Harwood**—About fifty-fifty.

**Senator O'BRIEN**—How will the additional funds speed up the import risk assessment process?

**Ms Harwood**—They will enable us to bring some more expertise to bear on a range of IRAs, both in terms of contracted expertise, drawing particular pieces of work, and also some additional in-house expertise under short-term arrangements.

**Senator O'BRIEN**—Is there a breakdown between import risk assessments?

**Ms Harwood**—No.

**Senator O'BRIEN**—There is no budget saying: 'This assessment needs X dollars and this assessment needs Y dollars'?

**Ms Harwood**—Not as such.

**Senator O'BRIEN**—In the context of the cost of import risk assessments, how significant is the additional million dollars?

**Ms Harwood**—It will make a good contribution to enabling us to bring in more expertise.

**Senator O'BRIEN**—Why is the allocation made now and not left to the next budget period? I presume that it is targeted at particular import risk assessments to get them completed quickly. I do not really understand what other purpose there would be, given that the figures end at the end of this financial year.

**Ms Harwood**—The first comment I would make is that the WTO work needs to be done now—that is, the panels have been formed for both cases and there is a large body of technical preparation to do, so it is important that that work is done in this financial year to prepare for those cases.

**Senator O'BRIEN**—Yes. What about the import risk assessment money?

**Ms Harwood**—We have a very large body of import risk assessment work to do. We have had some additional pressures last year because of the drought, for example, which meant that some resources were necessarily diverted to assessing particular grain sources and so on. Essentially, it will help us handle those pressures on a wide range of import risk assessments for a number of trading partners.

**Senator O'BRIEN**—But it will not be necessary for that additional money to be available in the coming financial year?

**Mr Wonder**—As you say, the way it is described on page 14 of the additional estimates is that \$2 million has been made available during 2003-04. The government may wish to look at the situation in the context of its 2004-05 budget but, as Ms Harwood has indicated, the immediate provision is to deal with the task that the business and the department is facing right now.

**Senator O'BRIEN**—I take it there is a shortfall in funding right now to complete specific import risk assessments.

**Mr Wonder**—That is correct. So the \$2 million measure addresses the 2003-04 situation.

**Senator O'BRIEN**—And half of that is for import risk assessments. Would that be basically—

**Mr Wonder**—I think Ms Harwood just provided evidence to that effect.

**Senator O'BRIEN**—But, in general terms, the funding of Biosecurity Australia has been adequate to complete the import risk assessments in as timely a fashion as possible?

**Mr Wonder**—I think the reality is that the volume of business that Biosecurity Australia has to deal with goes up and down, as you would appreciate, depending on what assessments they have to conclude. It is unlike some of the other businesses in the department in that it is subject to fluctuations in the level of activity that it has to engage in. But the government has recognised the particular pressure that that business is under in 2003-04 by making \$2 million available.

**Senator O'BRIEN**—The workload of Biosecurity Australia is governed in some respects, at least, by the number of import risk assessments that it is undertaking?

**Mr Wonder**—Yes.

**Senator O'BRIEN**—What is the workload looking like for the coming financial year?

**Mr Wonder**—Ms Harwood could address that matter. I do not have the—

**Ms Harwood**—We have a full program of work. We have essentially a schedule of IRAs that we are working on.

**Senator O'BRIEN**—I do not recall additional money being provided in this way for import risk assessments in the last few years, but perhaps you can correct me. Has it been normal practice to fund Biosecurity Australia or its predecessors with additional money to complete specific import risk assessments?

**Mr Wonder**—The department annually makes judgments about the allocation of its resources across businesses, so we always have some discretion and flexibility to carve up our available resources to their competing needs. But, in this particular instance, as Ms Harwood has indicated to you, because of the challenges that the Philippines and the EU have brought plus the particular load that they have in respect of import risk assessments at this time, the government has provided some further wherewithal to address that in 2003-04. With respect to future years, it remains open to the government to address that in future budgets should they see it as necessary. It is also, of course, somewhat uncertain in respect of knowing in advance just what level of activity we will have in the out years. It is something that is quite difficult to predict.

**Senator O'BRIEN**—How much money would you budget to allocate to Biosecurity Australia for the import risk assessment process year by year?

**Mr Wonder**—I do not have that detail available.

**Ms Harwood**—I do not have my detailed budget with me, but I am happy to take that on notice in terms of the normal investment for the last few years, if that is what you mean.

**Senator O'BRIEN**—Yes, thanks. In the context of that budget, how significant is \$2 million?

**Ms Harwood**—It is a reasonable additional investment for—

**Senator O'BRIEN**—You would have to say that, wouldn't you. But can you give it as a proportion, perhaps?

**Ms Harwood**—Again, I will take that on notice.

**Senator O'BRIEN**—Okay, if you cannot give me any rough figures. Regarding the million dollars that is to be provided to promote Australia's science based quarantine system at the WTO, would that be some sort of road show? How will you go about promoting it?

**Ms Harwood**—I think it is just a phrase summarising our technical preparation for those cases, so that we have a robust technical defence for the quarantine regime per se and the individual commodities that are cited in the request for consultations brought by the European—

**Senator O'BRIEN**—So is it research and preparation of submissions money?

**Ms Harwood**—Yes, it is preparing detailed dossiers, for instance, on all of the commodities cited in the European challenge and also a detailed technical preparation for a defensive quarantine system per se.

**Senator O'BRIEN**—Could you also let me know how much you would otherwise be spending on this department's work in the defence of our science based quarantine system at the WTO?

**Ms Harwood**—The comment I would make in response to that is that we have not faced this situation before. The challenges have only come to be at a live panel stage in this financial year, so it is not an issue that we have had to address.

**Senator O'BRIEN**—With the defence of previous import risk assessments, where this department has had a role, what sorts of costs have been incurred by the department? I am thinking of salmon as the last case that went to a panel.

**Ms Harwood**—In relation to the department's costs for engagement in the salmon dispute?

**Senator O'BRIEN**—Yes.

**Ms Harwood**—We would have to take that on notice.

**Senator O'BRIEN**—Thank you. I have one question which you might be able to assist me with. I want to find out the details of the time and temperature regime for imported canned chicken meat. I am not necessarily asking you to take this on notice, but could someone let me know where the information could be found? Is it on the web site or is some technical data available through the library?

**Ms Harwood**—Did you say 'canned'?

**Senator O'BRIEN**—Yes, canned.

**Ms Harwood**—The cooking profile for canned chicken meat?

**Senator O'BRIEN**—Yes.

**Ms Harwood**—I am sure we could provide that on notice.

**Senator O'BRIEN**—Or just tell me where to find the information.

**Ms Harwood**—It would be on the databases for quarantine conditions, but we can provide that to you.

**Senator O'BRIEN**—Thank you very much. It is alleged that shipments of flour from Australia have been found by the relevant Indonesian authority not to comply with Indonesia's health and safety requirements. Is the department aware of those claims?

**Mr Morris**—Is that a recent claim?

**Senator O'BRIEN**—I believe it is recent.

**Ms Harwood**—Could we ask our colleagues from AQIS or do you want to leave that until later?

**Mr Wonder**—Senator, are you quoting from a release of some sort? It would be handy to know the information we are responding to.

**Senator O'BRIEN**—The information I have been given is not from a release, as I understand it.

**Mr Wonder**—It is difficult to comment on claims when we do not know what the claims are.

**Senator O'BRIEN**—If you have not heard of them then we will leave that. I understand that there have also been allegations of dumping. The Indonesian anti-dumping authority claims that flour sold to Indonesia by Manildra and Western Milling is sold at dump prices. Is that something the department is aware of?

**Mr Banfield**—I am not personally aware of it. If you could provide us with the information, we would be happy to investigate that.

**Mr Morris**—We will look into that. There may have been some information around some time ago, but we will need to double-check our facts on that.

**Senator O'BRIEN**—That is all I have on market access and biosecurity.

**CHAIR**—When would be the correct time to ask some questions about GM canola?

**Mr Banfield**—It depends on the nature of your questions, but AQIS has a role in the importation of GM seeds. The questions could either go to AQIS or rural policy and innovation.

**CHAIR**—This is to do with segregation of commerciality.

**Mr Banfield**—Importation or domestic? If it is domestic, I would suggest it is for rural policy and innovation.

[12.00 p.m.]

**CHAIR**—We will now move on to food and agriculture.

**Senator O'BRIEN**—Can you give me an update on the revenue from the sugar tax to date, please?

**Mr Pittar**—To date the sugar levy has collected \$6.1 million—as of 30 January.

**Senator O'BRIEN**—Okay. It raised just over \$3 million last financial year?

**Mr Pittar**—Yes, something of that order.

**Senator O'BRIEN**—What is it expected to raise in 2003-04?

**Mr Pittar**—It is difficult to make an estimate because, as you would be aware, a number of pre-existing contracts were not subject to the sugar levy. They will expire during the course of this year so, at this stage, it is difficult to make an estimate.

**Senator O'BRIEN**—I think we were told last time that there was no explicit review of the government's 1998 sugar package other than, perhaps, the Hildebrand report in 2002 which did not go to the effectiveness of the various aspects of the 2000 package other than to establish that the industry was still in a lot of trouble. At the time of the last hearing, you advised that there was no evaluation process in place for the 2002 package, which I guess has been stalled for some time. Is the memorandum of understanding between the Commonwealth and the Queensland government with respect to that package still in place?

**Mr Mortimer**—The memorandum of understanding still exists. There has been no change to its formal status.

**Senator O'BRIEN**—So the principles of the agreement remain but the detail of the package remains in dispute?

**Mr Mortimer**—No, I did not say that, Senator. Essentially, the MOU set out a broad range of issues which would be pursued by different governments and that is still there.

**Senator O'BRIEN**—I am trying to understand what is still there given that a substantial part of the package is not proceeding. What is still there?

**Mr Mortimer**—Essentially, the MOU put in place an agreement about a number of things that the Commonwealth and Queensland would do to assist the sugar industry. The Commonwealth has done that, and you would be aware of those measures. It has also indicated other areas where they cooperate in terms of the industry guidance group activities, for example. Those issues are still being worked through. There certainly has not been finalisation, but the MOU is still there and the issues are being worked through.

**Senator O'BRIEN**—How long have they been 'being worked through', to use your terminology?

**Mr Mortimer**—Essentially, until all the parties are happy.

**Senator O'BRIEN**—But how long have we—that is, the Commonwealth and the Queensland governments—been working through those issues?

**Mr Mortimer**—Since the MOU was signed up, effectively.

**Senator O'BRIEN**—When was that?

**Mr Mortimer**—I do not have the exact date here.

**Senator O'BRIEN**—We have forgotten, it was so long ago.

**Mr Pittar**—I believe it was during September 2002.

**Senator O'BRIEN**—In terms of that package and, in particular, the exit grant component, the \$30 million of the government's package to do with the exit component was basically the standard 45,000 exit packages, as I recall it. How did we arrive at \$30 million as the appropriate level of funding for exits?



**Mr Mortimer**—Essentially that was settled on the basis of what was considered to be a reasonable expectation at the time. The industry was going through considerable distress. It was expected that there would be a need—indeed a demand—for exit grants. It has to be said that they have not been taken up to the extent that was expected. That is essentially the situation as it stands.

**Senator O'BRIEN**—I think I might have asked the same question some time ago. So there was no idea of how many people should or might leave the industry if there was an incentive to do so?

**Mr Mortimer**—It is a difficult issue. Participants in the industry make up their own mind. It is their decision as to whether they want to leave or not and there is no exact science about what that decision might be.

**CHAIR**—Do you have any idea of the difference between the size of the average sugar farm now and its size when grandpop was doing it?

**Mr Mortimer**—I have to say I do not have that in the top of my head.

**CHAIR**—It would be interesting to compare those figures. When I was a kid, you could make a living off 2,000 merino wethers and 600 acres. If you tried that today, you would be well and truly down the chute. I would be interested to know what the average area of a sugar farm was in 1950 compared to now.

**Mr Mortimer**—Can we take that on notice. I take the point you are making about the way efficiency has evolved in a range of agricultural industries. I do not have that detail in front of me in terms of sugar. My understanding is that sugar farms are relatively small, but it is really a matter of what value they can generate from that. We will see whether we can find some numbers for you.

**Senator O'BRIEN**—As to the expenditure to date through the 2002 package, previously you advised that \$15.6 million had been spent on household support and business support. The household support program has ended. Is that correct?

**Mr Mortimer**—Yes. Access to the scheme has ended. In terms of the expenditure, I will ask Mr Pittar to give an answer.

**Mr Pittar**—The amount spent on income support to 2 February was \$15.6 million. The amount spent on the replanting interest rate subsidy was \$2.6 million. In addition to that, there were viability tests and business plans, the development of which were supported. So far, just over \$1 million has been spent on those.

**Senator O'BRIEN**—The figure as at November was \$15.6 million. So that has not changed?

**Mr Pittar**—That is correct. The income support ceased on 30 September last year.

**Senator O'BRIEN**—Is the \$2.6 million expended on the planting subsidy likely to increase?

**Mr Pittar**—Applications for that also ceased on 30 September, so that should not increase now.

**Senator O'BRIEN**—Are there any other areas in which the expenditure in the package would be likely to continue?

**Mr Pittar**—The provision for exit assistance is still there. At this stage the expenditure there has been in the order of \$623,000. So the exit component of the package is still there.

**Senator O'BRIEN**—How many exits is that?

**Mr Pittar**—That is 15 exits to date, 15 successful applications. The IGG also is still a component of the package, and they are currently overseeing the conduct of an environmental audit in the sugar industry, so that is the extent of it at this stage.

**Senator O'BRIEN**—So the household support program has ended, as I understand it. Are farmers able to seek help through Centrelink?

**Mr Mortimer**—I think they access the program through Centrelink, yes. Then they put in an application, and it is assessed against the eligibility criteria.

**Senator O'BRIEN**—But that has now ended, so they need to access some other program, I take it.

**Mr Mortimer**—The farm help scheme is available to farmers who wish to receive income support for any purpose.

**Senator O'BRIEN**—How many sugar growers have sought help through Centrelink since the family support component of this package ended?

**Mr Pittar**—In terms of applications for income support under the 2002 program—

**Mr Mortimer**—No, I think we are talking about the farm help scheme. In terms of the farm help scheme, I do not think we have that data in front of us. We would have to ask Centrelink to provide some separate advice on that.

**Senator O'BRIEN**—So there has been no ongoing eye to what has been happening with the industry since the sugar income support package ended?

**Mr Mortimer**—Yes, there has indeed. What Mr Pittar pointed out was that access to a number of measures closed late last year, but that does not mean that the income stream for that support disappears at that point in time. That relevant assistance is paid over some time that follows then, so farmers are currently getting income support in the sugar industry, and they will do so in the next financial year—and ditto the replanting interest subsidy. So those measures are there, and they were designed to see the industry through a period of a few years.

**Senator O'BRIEN**—In the information you have provided, I notice that 1,465 farmers received assistance. Is it true that the new package being developed will seek to have between 1,500 and 1,600 cane farmers leave the industry?

**Mr Mortimer**—I cannot comment on that, Senator.

**Senator Ian Macdonald**—Where did you get that figure from?

**Senator O'BRIEN**—It is just one that is floating around, Minister. The fact that nearly 1,500 sought income support assistance might have some relevance to their viability. It seems to make some sense, doesn't it?

**Senator Ian Macdonald**—I guess it is a way of looking at it.

**Senator O'BRIEN**—What assessment has been made of the impact on the viability of sugar mills as a result of farmers leaving the industry? Has any work been done there?

**Mr Mortimer**—Essentially, there is no particular measure that provides support for mills at this point in time. Those sorts of issues will be picked up in broad terms, I expect, in the activities that might flow following the implementation of the industry guidance group report.

**Senator Ian Macdonald**—Senator, there is a misconception that some of our colleagues sometimes have. The fact the people move out of the industry does not necessarily mean that the acreage and tonnage of cane harvested will alter; it just means that neighbours buy up neighbours. So in some areas the mills—

**Senator O'BRIEN**—It might be hard to get finance for sugar industry properties in this environment, mightn't it, Minister?

**Senator Macdonald**—There is no doubt that the industry and individual members of it are very distressed, but there are some people without debt who have put money aside in the good years. Some of those who have confidence in the future may well decide to realise some other investments and invest into the industry. As for the banks, as always, it does not matter what business you are in, they will look at the bottom line, the business plan and the balance sheet and make a determination.

**Senator O'BRIEN**—Enterprise prices are going to be particularly low in this environment where growers want to leave the industry and sell their farms. It might be attractive for low debt enterprises, if they can get the finance, to buy in those circumstances because property prices will be very low.

**Senator Macdonald**—That is right. It depends—the market will have an impact. As you probably know, a few years ago people were paying absolutely ridiculous prices for land on which to grow sugar. Regrettably, those people are now finding some difficulty. But that is all part of business. All of these things need to be looked at, I think, by the government in determining a package.

**Senator O'BRIEN**—It is also certainly true that quite a number of small cane growing enterprises have low or no debt situations but are not likely to want to change and may simply not invest in planting, hence the question about the potential for an impact on the milling sector. Of course, the cane throughput for the mills determines their viability. I was just wondering what work, if any, has been done on this by the department.

**Mr Mortimer**—The department monitors the situation and the activities and advises the minister from time to time and as need be.

**Senator Macdonald**—And the millers would no doubt be doing their own work and making that available to the government along with the growers.

**Senator O'BRIEN**—Has the Bundaberg mill closed?

**Mr Mortimer**—I do not think so. One did—I think it was at Nambour.

**Senator Macdonald**—Yes, Nambour has closed.

**Mr Mortimer**—That is the only closure I am aware of.

**Senator Macdonald**—Bundaberg is still going, although I heard a report that the mill was actually buying up land. This is relative to the issue that you are making, Senator. The mill was actually buying land because many cane farmers were diverting their crops or selling out to tomato growers or small crop growers, and then that does have an impact on the mill. I was told—not internally, but just in the street—that the mill was buying land. I cannot say whether it is true or not—it might just be scuttlebutt. But, again, that scenario one could well appreciate, because the mill has a very big investment and has to ensure that there is a throughput of cane.

**Senator O'BRIEN**—One suggestion that has been made—and I do not know how viable it is—is that the most likely crop for parts of the industry, particularly around the Burdekin, is cotton. I do not know whether the department has made any assessment of that, but, if there was a dramatic shift in that region from sugar to cotton, it might have a very significant impact.

**Senator Macdonald**—I can tell you that I picked cotton as a kid in the Burdekin. It is a most unrewarding and difficult job, handpicking cotton, because they paid you by the pound and you needed a lot of cotton—

**Senator O'BRIEN**—I think machines do it a bit better these days.

**Senator Macdonald**—Yes. But there has been no interest in cotton in the Burdekin since then that I am aware of. Again, a lot of those places will have to consider these things and there would be new varieties of cotton. I had not heard that one. That is interesting.

**Senator O'BRIEN**—Hence the questions about impact, which, I suppose, is a regional impact as well. A number of mills would obviously rely upon continued levels of production. I hear what you say, Minister, but I find it hard to believe that that is going to continue in the current environment.

**Senator Ian Macdonald**—Things like cotton and alternative crops are principally a matter for the state Department of Primary Industries. They are set up for that and, unfortunately, we are not. They have done a good job over the years in conjunction with the Queensland Department of State Development. I know that in all cane areas communities are looking at alternative crops. I lament publicly as well as privately that the Burdekin did have a very good rice industry but it failed for some reasons which I think could have been avoided. But everyone thought cane was a more profitable crop and a more secure feature that did not require as much work and a very good rice industry disappeared from the earth. I guess all that will come back now.

**Senator O'BRIEN**—Maybe the varieties of rice that could be grown there are less competitive than those that can be grown in the Riverina.

**Senator Ian Macdonald**—You could sell Burdekin long-grain rice anywhere in the world, but they wanted new varieties that grew quicker. I think there were a few bad management decisions and it collapsed. Sugar was expanding and everyone thought it was much easier and much more profitable to grow sugar. You are getting me on my hobbyhorse.

**Senator O'BRIEN**—Is it the case that to be effective any exit package will have to be well in excess of \$45,000 per enterprise?

**Mr Mortimer**—That is a good question which we have discussed previously. It is hard to know, really. It is fair to say that the department's experience across a range of schemes has been that farmers generally do not want to exit or, if they do, they want to do it on their own terms and in their own timing. I think the stats will show that exit assistance has never attracted huge uptake but, at the end of the day, it is an incentive that is there and available to farmers if they wish to take it up.

**Mr Banfield**—I think it is worth making the point that we would not want to guesstimate what might or might not be in any future package for the sugar industry. That is a matter for the government at the time.

**Senator O'BRIEN**—Regarding assessments of the impact of the crisis for the sugar industry across sugar regions, would it be fair to say that the number of recipients of sugar industry household and business support would be a fair indicator of where the industry is in greatest need of assistance and therefore most likely to be discontinued?

**Mr Mortimer**—We cannot say authoritatively. It is possible. The real question is the extent to which those farmers can improve their competitiveness through whatever measures are available to them. At best, it could be considered an indicator.

**Senator O'BRIEN**—The table in F and A 01 that was provided in answer to a question on notice, and which I have referred to earlier, says that there are 455 recipients of income support from Townsville and 556 from Mackay in enterprises that are somewhat marginal. Would you take from that that those are the areas in which there would be the greatest number of exits from the industry?

**Mr Mortimer**—As I said, at the end of the day these are purely indicators of stress in the industry at that point in time. Whether it goes beyond that and how those farmers decide to operate is essentially their decision.

**Senator Ian Macdonald**—In reviewing them, I suggest that they would seem to be proportionate to the size of the industry in those areas too. I do not know if the figure has been done as a percentage of the total number of farmers in those areas—I would suspect that is probably relevant. Certainly the Mackay area would be by far the biggest; Townsville has the Burdekin and Ingham and perhaps Tully, I am not sure.

**Senator O'BRIEN**—Okay. I want to now refer to the additional estimates on page 22 which deals with the industry levy revenue. The industry levy revenue has been revised down from \$30 million to \$15 million. Can you tell me why?

**Mr Mortimer**—Are you looking at the line which shows the sugar industry reform package and the variation of \$800,000?

**Senator O'BRIEN**—I am looking at page 22, table 1.6, the line entitled 'Sugar levy'. It shows a budget estimate of \$30 million and a revised estimate of \$15 million—variation: minus \$15 million.

**Mr Mortimer**—My expectation is that that would reflect the expenditure pattern by the sugar R&D corporation. The expenditures by the R&D corporations are matched when they are spent. Is that right, Mr Pittar?

**Mr Pittar**—No. To pick up from Mr Mortimer, the reduction from an estimate of \$30 million down to \$15 million relates to this issue of contracts that were grandfathered and some expectation that the receipts from the levy this year will be less than originally thought, so less than \$30 million and closer to \$15 million.

**Senator O'BRIEN**—So it is to do with exclusions under the grandfathering provisions?

**Mr Pittar**—Correct.

**Senator O'BRIEN**—What is now going to happen to the regional advisory groups set up under the 2002 package, and what is going to happen to the work they have already done?

**Mr Mortimer**—The industry advisory group report is with the government. Essentially, it is a document that is still in process. It is fair to say that when the situation between Queensland and the Commonwealth is settled in terms of regulation of the industry that issue will be revisited.

**Senator O'BRIEN**—How much has been spent on that part of the package to date?

**Mr Pittar**—The industry guidance group and regional guidance groups to date have used nearly \$1.6 million. That includes the six sugar executive officers that are in the sugar regions in the state as well as the activities of the industry guidance group.

**Senator O'BRIEN**—If the overall package is now abandoned—and it looks like that is what is going to happen—what will come of the work that they have done, if anything?

**Mr Mortimer**—I think it is unreasonable to suggest that the overall package is being abandoned, but I will not comment any more on that. Essentially, the arrangements are still there; where the government wishes to go with them is a decision it will take. I do not think we can say that they are being abandoned.

**Senator O'BRIEN**—Well, we will see who is proven right. During the last hearings, we were talking about the reviews of both the Dairy Structural Adjustment Program and the Supplementary Dairy Assistance Scheme.

**Mr Mortimer**—Senator, could I just bring Mr Williamson to the table. Also, I think I may have given a wrong date in terms of when the income assistance flowed to farmers. Could I ask Mr Pittar just to correct that.

**Mr Pittar**—I think Mr Mortimer might have suggested that income support continued to be payable after 30 September last year. That is not in fact the case. Income support payments did cease as of 30 September 2003.

**Senator O'BRIEN**—What about the Farm Help: is that available?

**Mr Pittar**—Farm Help is an existing program that would be open to sugar cane farmers—as it is to any other farmers—to apply against the criteria.

**Mr Mortimer**—My apologies for that. I assumed that there was a different arrangement in place.

**Senator O'BRIEN**—Mr Williamson, in the last hearings we were talking about the reviews of the Dairy Structural Adjustment Program and the Supplementary Dairy Assistance

Scheme. Evaluations were scheduled to be completed shortly, as we were advised then. Was that work completed last year?

**Mr Williamson**—The evaluations have been completed and will be released shortly.

**Senator O'BRIEN**—When were they completed?

**Mr Williamson**—In November-December last year.

**Senator O'BRIEN**—What was the evaluation looking into?

**Mr Williamson**—It was evaluating the effectiveness and efficiency of the Dairy Structural Adjustment Program and the Supplementary Dairy Assistance Scheme.

**Senator O'BRIEN**—So it was not an audit; it was an assessment of effectiveness.

**Mr Williamson**—That is correct.

**Senator O'BRIEN**—Can I refer you to page 21 of the additional estimates statement. It contains a table which details revenue from industry levies. There has been a significant downward revision of the all milk levy from \$36 million to \$30.5 million. Why has that revision been made?

**Mr Williamson**—That is due to the impact of the drought on levy receipts. The all milk levy is a combination of the old Dairy Research and Development Corporation levy—the R&D levy—and the promotion levy. The levy is based on the quantum of milk produced.

**Senator O'BRIEN**—I am struggling with that answer. The drought affected a number of sectors but in fact, overall, the revised estimate sees an increase of \$12 million. You have explained the sugar levy going down for reasons unconnected with the drought but say that the milk levy has gone down because of the drought.

**Mr Mortimer**—Essentially, that table brings together levies across a whole range of industries which are calculated sometimes on different bases. I think Mr Williamson has pointed out that the all milk levy is essentially based on milk production, whereas the sugar levy is essentially based on sales. Indeed, Mr Pittar just explained the basis of that as being a variation in the estimation of sales, so that the minus \$15 million there is really the difference between a forecast figure and a figure that resulted, more or less, from an administrative decision.

**Senator O'BRIEN**—I would like to ask questions of the Wheat Export Authority. The Wheat Export Authority is funded through a compulsory levy collected by the government from growers. How does the authority view its obligation to growers in that context?

**Mr Walter**—We see growers as our key stakeholders because of the nature of our legislative remit. We have obligations in relation to the way in which we maintain our accounts and expend other funds which we receive, consistent with our statutory obligations. We are, as you said, funded through a levy mechanism, which gives rise to payments to the authority from a levy administered by the government.

**Senator O'BRIEN**—Yes, it is a compulsory levy levied by an act of parliament.

**Mr Walter**—It is, but in a sense that is the function of a government decision. We have statutory obligations consistent with the statute and regulations which give rise to that.

**Senator O'BRIEN**—I take the view that it is the parliament's job to ensure, having made the obligation, that farmers are getting what they pay for. Is that your view?

**Mr Walter**—Consistent with our obligations and the perspective we have of the growers as our key stakeholders, and the way in which we, I believe, make sure that our expenditure is appropriate and proper in the circumstances, I certainly hope—but I do not know that it is expressly reflected in those terms in the statute—that we provide something that is consistent with our statutory obligations. I certainly hope that the report we provide to the growers is something which the growers are able to consider and then establish in their own minds the function of the Wheat Export Authority and its role in the overall operation of the wheat industry.

**Senator O'BRIEN**—Could I ask you about the authority's analysis of the Geneva office of AWB. You told us last November that you were looking at it. You said that you had sought and received material and that you were analysing that material. Has work on that analysis finished?

**Mr Walter**—You will see that the growers' report also makes reference to the Geneva office. That is something which I think is also consistent with the testimony that I gave when those questions were asked last year. You will see that we make reference in the report to the business rules which operate. You will see that, amongst other things, the arrangements with respect to business rules are—and I am quoting from page 17 of the report:

AWB Geneva must not sell wheat to any customer outside Australia unless it has disclosed all information about that sale to AWB(I)—

That is to say not AWB Ltd, which is of course the parent company—  
and AWB(I) has consented to the sale.

We have sought and received documentary evidence from AWBI as to the operation of the Geneva office. We have sought and received, as I think is apparent from the growers' report, information and the text of the business rules which operate, and we have sought and received information about transactions which have taken place under the aegis of the AWB Geneva office. You will see that the report says that, on the basis of our analysis, which is based upon the period of time for which the Wheat Export Authority was reporting, our determination was that the AWBI appeared to be exercising the business rules effectively.

**Senator O'BRIEN**—Is there any further work being done on that subject?

**Mr Walter**—Yes, it remains a matter which is firmly on our agenda because it is a situation where of course the business rules governing the operation of the Geneva office continue to operate. You will see also that one of the issues that the Wheat Export Authority has identified with respect the Geneva office is that it believed that there may be long-term benefit to the national pool by retaining high-value customers and markets. It may be of particular relevance to consider the way in which those steps are taken in the context of a drought crop, where, for the pooling period which we will be examining this year, it will indeed be a drought crop and therefore potentially—and, as I say, the data has not been examined—the involvement of the Geneva office in retaining customers for AWBI-sourced wheat over the longer term is a factor to be considered, and that comment in the report is



made in the particular light of those circumstances. That is a long answer to a question which could be very shortly answered. The answer is yes.

**Senator O'BRIEN**—I go to the additional portfolio budget statements starting at page 44. The adjustment to accommodate the independent panel is laid out in this document. Can you tell us exactly how that relationship will work?

**Mr Walter**—I cannot tell you exactly how it will work, because, as you might imagine, it is a matter which is continuing to develop, the panel only having been appointed on 24 December, from memory. But, to address the issue of the allowance, which is of the order of \$0.525 million for the period to the end of 2004—this is on page 45—for the functioning of the panel, it is of course funded through the payments which are made to the Wheat Export Authority, which are two in number: the levy which you identified, which will almost certainly be the overwhelmingly preponderant contributor to the income of the authority; and the fees which are charged with respect to non-AWBI export consent applications. It is therefore a matter in which we are responsible, in a sense, for the acquittal of the expenditure which is made by the independent review panel.

Having said that, as the papers indicated it is a body which is independent of the Wheat Export Authority. One of its functions, apart from conducting the 2004 review panel tasks which previously applied to the Wheat Export Authority before the legislative changes of last year, is to examine and report on the functioning—I express those terms generally—of the Wheat Export Authority. From the Wheat Export Authority's perspective, I have met individually with the chairman of the panel, the members of the Wheat Export Authority have met with the members of that panel and the Wheat Export Authority secretariat has had ongoing meetings with the secretariat of that panel with a view to making sure that such information as we have which may be of assistance to them is made available to them. A briefing paper of considerable length has been prepared, together with attachments, for the panel, and that has been provided to them.

I should say that the authority has also given consideration to the way in which some of its tasks might be brought forward to be as consistent as possible with the identified timetable of the panel. We have also given consideration to the activities of the panel and, of course, the ongoing function which we have in respect of monitoring, with a view to ensuring that, as far as possible, the activities of the two groups undertaking different tasks—but of course essentially relating to AWBI—are conducted so that we do not fall over each other in relation to some of those tasks.

**Senator O'BRIEN**—So would it be fair to say that the independent panel will rely on the authority for the information it will use to do its work?

**Mr Walter**—Certainly we have the capacity to provide them with information and we are proactively seeking to provide them with information, but no doubt the panel will also seek information from other sources. That, of course, is not a matter for me to answer but for the panel to answer.

**Senator O'BRIEN**—What is the \$230,000 that the WEA is going to have to assist the independent review going to pay for?

**Mr Walter**—You will recollect that parliament provided certain powers to the Wheat Export Authority in 2003. You will also understand that, as you have mentioned, the mechanisms which operate between the Wheat Export Authority and the panel are that this is simply an allowance or a budget item. But I can certainly envisage that, in the gathering of information which may be relevant for the panel making a report, the authority would be involved in that to a considerable extent. You referred quite properly to the question of those whom the Wheat Export Authority sees as its stakeholders. I am sure that both the panel and the Wheat Export Authority—I am sure I can speak on its behalf—see the growers as our constituencies and, so far as is appropriate with the independent nature of the panel, we are concerned not to duplicate activities.

**Senator O'BRIEN**—The panel gets \$525,000 and the authority gets \$230,000—that is a lot of money just for a secretariat, so presumably the Wheat Export Authority is going to provide the research material.

**Mr Walter**—These are allowances based upon discussions prior to the appointment of the panel so, in a sense, they are estimates, but they certainly had some substance in them. They were discussed with the department as to its contemplation of the requirements. I should say that we understand that, to address the particulars, there will be—and there is in this allowance—provisions for the gathering of additional information. There is provision for meetings and there is provision for some travel allowance. They have been compiled both in a top-down and a bottom-up way.

**Senator O'BRIEN**—So the Wheat Export Authority would be paying for some travel with the \$230,000?

**Mr Walter**—I can take it on notice as to the composition of these individual items, if that would be of assistance to you

**Senator O'BRIEN**—It would be useful, thank you.

**Mr Walter**—Let's do that so I can respond specifically. Let's do it in an informed fashion rather than through my recollection of the circumstances.

**Senator O'BRIEN**—Certainly. On page 4 of your latest report to growers, you say that the Wheat Export Authority has received feedback that there is a low level of awareness amongst growers about what you do—that is, what the authority does. How did you get that feedback? Where did it come from?

**Mr Walter**—You understand, of course, that the authority has two grower representatives, the secretariat has an active campaign of engaging the constituencies, and the chairman also has a role of speaking and presenting to gatherings with the constituency, in particular the grower constituency. It is fair to say that, from those sources—though I think the level of understanding is greater now than it was—that all those circumstances suggest that it is a comparatively complex arrangement which it has taken some time for the stakeholders to come to understand.

**Senator O'BRIEN**—The authority has been in existence since 1999. Why the sudden discovery?

**Mr Walter**—I am not certain that it is a sudden discovery.

**Senator O'BRIEN**—It is certainly the first time you have reported the discovery.

**Mr Walter**—I cannot say that it is the first time, but I would not describe it as a sudden discovery.

**Senator O'BRIEN**—Is it your plan to address this problem of not being known through annual reports to growers, or are you looking at the other options as well?

**Mr Walter**—We have looked and, indeed, have a process of communication planned effectively around the growers report. As you would be aware, the growers report has been physically sent to every grower in Australia with a mailing with Crop Care. There is a specific program for engaging with growers around the growers report, which involves in particular the grower membership of the Wheat Export Authority assisting in that process.

**Senator O'BRIEN**—On page 5 of the report, you state that the wheat industry benchmark is not a suitable means of assessing the performance of AWBI and you list a number of reasons for that view. However, that benchmark is the basis on which the performance of AWB Ltd is measured and the basis on which significant bonuses are paid, isn't it?

**Mr Walter**—It is the basis for the outperformance payments, yes.

**Senator O'BRIEN**—The authority is now of the view that the wheat industry benchmark is not a basis on which bonuses should be assessed, I take it.

**Mr Walter**—We have not gone so far as to say that. We have said, if you look at the words which precede the matters to which you have drawn attention, that AWBI has suggested that the WIB should be the single performance measure which the Wheat Export Authority uses in assessing the performance of AWBI. We have said that we cannot do that. That is not to say that the WIB itself is something that is inappropriate or necessarily inappropriate to the basis upon which payments should be made. We have made, as you have no doubt seen, some comment as to aspects of the operation of the WIB. One of the specific items which we have mentioned in our report is that our report under the review, which is the second bullet point, goes far beyond the WIB. The performance monitoring framework is much more extensive.

**Senator O'BRIEN**—You say:

... more than a single measure is needed to verify that incentives and performance are aligned to maximising benefits to growers and not just above or below a hypothetical competitor.

That is a fairly strong statement, I would have thought.

**Mr Walter**—It is not a statement that we resile from.

**ACTING CHAIR (Senator Ferris)**—Senator O'Brien, it is three minutes to one.

**Senator O'BRIEN**—It might be good to finish the wheat authority. I do not have much more. The wheat industry benchmark is a measure which sees a lot of growers' money flow to AWB Ltd. It is a very significant issue, isn't it?

**Mr Walter**—It is.

**Senator O'BRIEN**—You say that that test is not tough enough.

**Mr Walter**—We have made some comments about it, yes.

**Senator O'BRIEN**—As I understand it, the basis for the payments of bonuses was a matter considered by the authority board back in 2000, and the majority of the board at that time did not seek to pursue the matter of how tough the test was.

**Mr Walter**—I would be grateful if you could identify the source of that comment.

**Senator O'BRIEN**—That is an understanding that I have been given. Sources are sources. I am asking whether that is correct.

**Mr Walter**—I direct your attention—and this is the reason I am having trouble coming to terms with the question—to figure 8 on page 19 of the growers report. You will see that the combination of the WIB and its interaction with the performance based remuneration model was only applicable to the last pool year in relation to which we have data to make a report. It is for that reason that I have some trouble with the comment.

**Senator O'BRIEN**—Could you check that and advise us on notice of the view of the board?

**Mr Walter**—Could I clarify the question.

**Senator O'BRIEN**—The understanding I have been given is that the question of the wheat industry benchmark as a bonus measuring tool—that is, as the basis for payment of bonuses—was considered by the board back in 2000 and the majority view of the board was that it did not seek to pursue the matter of how tough the test was.

**Mr Walter**—As you know, I try to be careful in my responses. I cannot recall that, nor does it strike me as consistent with the facts, but I am not prepared to deny. I will inquire.

**Senator O'BRIEN**—Thank you. I understand the question of the net pool value against the gross pool value was certainly a matter discussed in early 2000.

**Mr Walter**—Yes. I think we have made that comment previously.

**Senator O'BRIEN**—So it would be easy to get us the numbers on how much the bonus to AWB Ltd had been over this period.

**Mr Walter**—I think that, as far as we are able to reveal figures, they are in the growers report.

**Senator O'BRIEN**—What figures have been reported in the growers report? This is a very significant number.

**Mr Walter**—You will see that we have reported EBIT. We have reported outperformance of WIB. There is also publicly available data with respect to the national pool and from the AWB report, which is referred to in the growers report, in relation to the remuneration that AWB has received from the pool. I think I am correct in saying that.

**Mr G. Taylor**—That is correct. There is some information on page 9 of the report, which has the outperformance results for the 2001-02 national pool. I would also inform you that there are public statements in the AWB International pool report and also the annual report of AWB Ltd that refer to the payments made to AWB Ltd by AWB International.

**Senator O'BRIEN**—On page 19 at figure 8 you have a graph which shows wheat industry benchmark outperformance in US dollars per tonne. Is that charting a figure of \$8 million for 2001-02?

**Mr Walter**—I ask Mr Taylor to correct me if I am wrong, but it reconciles to an EBIT on the left-hand side, which is the bars, and is overlaid by the WIB outperformance test.

**Mr G. Taylor**—Perhaps I could clarify that for you, Senator. The WIB outperformance numbers are derived from a separate set of figures. The EBIT column on the left-hand side is in Australian dollars, and that is the earnings before interest and tax payments from AWB International to AWB Ltd against those pool periods. The WIB outperformance is in US dollars per tonne. That is derived from a separate source of information from the WIB itself.

**Mr Walter**—I had meant to say that they are derived from different sources; they demonstrate different things.

**Senator O'BRIEN**—Most growers do not have the benefit of you sitting in front of them as they read it to ask you the questions. Perhaps they are a lot more able to understand these things than I am. But I think it would be useful to have that broken down, if it could be, on notice.

**Mr Walter**—We have some limitations in this area, as you would understand.

**Senator O'BRIEN**—Yes. I thought some of them had been lifted. I look forward to those answers on notice.

**Proceedings suspended from 1.04 p.m. to 1.59 p.m.**

**CHAIR**—I welcome back my learned friends from the Wheat Export Authority and everybody else. Do you have a view on why it is that AWB International cannot employ its own people other than the original construct? Do you have a view as to whether it would be better if they could?

**Mr Walter**—That is not our job. Our job is, of course, to report on what is and to monitor what is.

**CHAIR**—Yes, but your job is to determine that the growers' interests are ahead of the shareholders' profits.

**Mr Walter**—With respect, I think our task is to monitor and report on AWB International's function. If the parliament had meant us to report on AWB, I assume parliament would have said so.

**CHAIR**—I asked this question of you down in Corowa the other day. What does this mean:

While some of the performance measures are readily quantifiable, in many instances they are not and require the WEA to make a qualitative assessment based on all the available information.

What the hell does that mean and how do you do it?

**Mr Walter**—All I can do is tell you the way I see it.

**CHAIR**—No, no, it is the way you do it, not the way you see it. You must have done that.

**Mr Walter**—You are asking me what it means.

**CHAIR**—And I will add: and how do you do that?

**Mr Walter**—I am endeavouring to respond. The distinction I think that is drawn there is between what I would describe as analysis of verifiable numbers, which is quantitative, and that which depends upon the formation of a judgment based upon looking at the factual circumstances. So let me give you an example. In the context of the material which you will see in the report with respect to price differentiation between markets or price discrimination, we can look at figures and we can see, applying particular models, what the nature of the price differentiation is and the value that might be associated with that, and we have said that. There are other areas where our examination of the factual circumstances and our reporting on the facts, which determines what we say—

**CHAIR**—Let us go to the facts.

**Mr Walter**—For example, part of the qualitative assessments relates to our looking at the service level agreement and seeing the way the incentives might be aligned with the interests of the growers who are participants in the pool. So if you look at one of those statements, which I would see as qualitative in that sense, we have said that the net pool returns are a better measure for out performance incentive payments than gross pool value.

**CHAIR**—With great respect, all of what you have just said would not mean anything to a wheat grower. It is great bureaucratic language which does not actually lead anywhere. Could I take you to an example—

**Mr Walter**—May I have the opportunity to respond to that?

**CHAIR**—As far as I am concerned, you have answered the question. Could I just take you to an example, say, at the silo and the cash price at the silo. You understand how bookies work. Bookies always work to give the punters the least margin. So they look over their shoulder at what the bookie next door's price is in case someone has plonked a whole lot of money on a racehorse. At the silos, not much different happens. If there is a local miller who is short, he will put a cash price up on the board and that will lead the day. But generally, everyone looks over their shoulder at the Wheat Board Ltd's price. Do you understand that?

**Mr Walter**—I acknowledge the role that AWB plays in the bidding process.

**CHAIR**—That is right. They are the leading cash price setter unless there is a short in the market by a local or someone else. How do you make a determination that the cash price at the Junee subterminal on any particular day for wheat of any standard does not have in it a deliberate margin of profit for the shareholders? That is one question.

**Mr Walter**—Yes.

**CHAIR**—How do you know that?

**Mr Walter**—Let me respond to that by saying that we do the job we have been asked to do.

**CHAIR**—That is not your job?

**Mr Walter**—It is not our job to look at that as such. The only way we can look at that—and we have, and I think in the testimony that I have given to a previous estimates committee I have indicated that—is to look at the implications that might have for pool participants,

because it is AWB(I) and AWB(I)'s conduct alone that we can look at. Parliament has not given us any capacity to go beyond the activities of AWB(I).

**CHAIR**—But a constitution—as I understand it—requirement is that the benefit to the shareholder has got to be preceded by this test: was it to maximise the benefit to the grower?

**Mr Walter**—I think it is beyond our legislative remit to examine those issues. We are only able to look at—

**CHAIR**—So you are not able to look at whether the actions and plays of AWB Ltd on behalf of the shareholders actually do maximise the benefit to the growers?

**Mr Walter**—We are only able to look at the activities of AWB(I), which is the pool. I think that we have said to you on previous occasions that we look very carefully at the interactions between AWB(I) and AWB Ltd and we have looked very carefully at the transactions which take place between AWB(I) and AWB Ltd.

**CHAIR**—So then you could look at the dumping of wheat into the pool, but not at the actual acquisition price of the wheat that got dumped in the pool?

**Mr Walter**—You used the term ‘dumping’. Our analysis of all of our—

**CHAIR**—That is just a colourful play of language—put in the pool, delivered to the pool.

**Mr Walter**—All of our analysis, as the report to growers indicates, suggests that there is no particular correlation between the activities of AWB in putting, to use the term that you have used, wheat in the pool, and its conduct with respect to cash pricing.

**CHAIR**—Do you feel that you should have any responsibility in these areas, given that as the AWB public company aggressively enters the marketplace and has more acquisitions such as the recent one with Wesfarmers et cetera its shareholder base becomes more devolved and more removed from the original argument, which was: ‘What does it matter if shareholders benefit? They are the growers, as it were’. Does the Wheat Export Authority see a point, or should you be concerned about a point when the limited company, which has obligations to its shareholders, becomes so aggressive and so diversified that the international bit, which has this constitutional requirement placed upon AWB Ltd to maximise the benefit for the growers, at the same time has this impossible task of looking after shareholders? Is that a role for you, or is that a role for the man on the moon, or who is that a role for?

**Mr Walter**—We do our job, and I think that you would appreciate what our job is. The question which you are asking, I think, is not a question which I can answer. I think that it is best directed elsewhere.

**CHAIR**—Have you got any light that you can shed on that question?

**Mr Mortimer**—Probably not. I think the chairman has pointed out the role of the WEA as set out in the legislation.

**CHAIR**—So who is the policeman?

**Mr Mortimer**—The only other comment that I would make is to point out that, at the end of the day, the company is owned by growers and growers elect the board and the board meets to actually determine these issues.

**CHAIR**—No, but with great respect, anyone—you included, or Senator O’Brien, if he wants to—tomorrow morning can buy 10 per cent of AWB Ltd. It is not confined to the growers. As time goes on and dad dies and leaves the shares to the daughter and the farms to the son, or whatever happens, the shareholder registry of AWB Ltd will become very diversified—and especially if Senator O’Brien were to buy 10 per cent of the shares in AWB Ltd.

**Senator O’Brien**—Which is highly unlikely.

**CHAIR**—He would have some expectation of maximising his dividend. What I want to know is: who is going to police that with respect to the constitutional requirement which says that all these things have to be concerned under ASIC such as the benefit to the shareholders, but there is this other business with the growers?

It is the same question. You may smile, Mr Taylor, but a lot of the blokes who take the cash price at the silo are the blokes who can least afford it. They need the cash; they cannot wait for the pool to deliver. How can we be confident that they are not getting duded with the cash price, given that AWB Ltd can deliver that wheat to the pool to give their shareholders a profit? How do we know that they struck the price and they were not looking over their shoulder for an extra \$5 or \$10 a tonne profit for the shareholders when they struck the price because the local mill had enough or whatever happened? How does the grower know that?

**Mr Walter**—Senator, I think that is a question which should be directed elsewhere. I think that our task is AWB(I) and you have directed a question—

**CHAIR**—Well, can someone at the front table tell me where ‘elsewhere’ is?

**Mr Mortimer**—I am not entirely sure what the chairman of WEA is saying there. I take your comment about ownership of AWB shares, but it is a dual share class structure which was carefully designed so that the actual key decisions and indeed control of the company rested with A class shareholders who have to be growers. They elect the directors to the board and so have ownership there. That board, under Corporations Law, essentially has to run the company consistent with the constitution of the company, and the constitution of the company says that they have to maximise net returns consistent with return to shareholders. So, in that sense, I think the role of the board is critical.

**CHAIR**—But that really means that there is no mechanism—because they are a public company and can do what they like—for us to find the answer on behalf of the growers.

**Mr Mortimer**—It is a difficult issue.

**CHAIR**—I would have thought that most people thought that somehow the Wheat Export Authority or an independent type body would be able to take a snapshot of those activities.

**Mr Mortimer**—The WEA does that consistent with legislation in terms of the operation of AWB(I), and the chairman of the authority has pointed out how it does that. He has also pointed out that there are limits beyond which it cannot properly go.

**CHAIR**—It seems to be, in my view, unsatisfactory. It seems to me an extraordinary thing in that to make it a double jeopardy you have this cross-fertilisation, or you might even call it an incestuous relationship, through the two boards. I just wonder whether there is any true way of making a judgment on it—and it appears here today there is not—for a grower. There



are a lot of growers who grow 200 acres of wheat who have not got time to be reading what is happening here today. How can they be confident that the next cash price that is put up at the silo or the next aggressive corporate takeover by AWB Ltd somehow is going to benefit them? Do we assume that the directors say, 'This is a good idea, therefore it must be going to benefit the growers'? Who makes the judgment?

**Mr Mortimer**—It is a private sector company, as you appreciate.

**CHAIR**—With a very unusual monopoly arrangement with growers.

**Mr Mortimer**—Quite so.

**CHAIR**—So would the answer be that the growers should be putting more scrutiny upon these things?

**Mr Mortimer**—I think that is a fair comment, Senator, because the growers are the shareholders and the shareholders in any corporation have the right to ask questions, attend AGMs et cetera.

**Senator Ian Macdonald**—And to elect the board, I presume.

**Mr Mortimer**—Absolutely. I made that point a bit earlier, yes.

**CHAIR**—I can assure you, Minister, that a lot of wheat growers out there do not actually have the time. A lot of people I meet do not even know that the Wheat Board Ltd is not the Wheat Board. That is just the simple fact of the market. They are too busy feeding their sheep and putting the crop in.

**Senator Ian Macdonald**—Perhaps we need to revisit the legislation, do you think?

**CHAIR**—So you have answered some questions on Geneva. Can you tell us how you tick off a third-party sale made on behalf of the shareholders to see that it is going to maximise the benefit for the growers?

**Mr Walter**—Sorry, Senator. I am having some trouble—

**CHAIR**—If Geneva makes a sale from Pakistan to Woop Woop and Australia is not involved in the sale—the logic is that it was a sale that we were going to miss out on unless we filled it or we were going to lose the market share—can you tick the boxes for me to show me when they apply to you fellows for authority that it was somehow in the best interests of the growers? What is the logic? This is another question I have asked on other occasions and you usually fill me up with a lot of words that are meaningless.

**Mr Walter**—I will try not to do that, Senator. I think the answer is usefully set out on page 17 of *The growers' report 2003* which—

**CHAIR**—I have read that, but that does not actually show the process.

**Mr Walter**—We have sought the business rules. We have got the business rules, which, as you see, are partly referred to in the material. AWB(I) has effectively veto power over the sales out of Geneva. We have also sought material as to the number of such sales which have occurred with the consent—

**CHAIR**—All of that, but say AWB(I) says, 'Tick to AWB on that sale but cross to AWB on that sale'. How do you judge whether they were right?

**Mr Walter**—Senator, you referred earlier to issues of quantitative and qualitative analysis.

**CHAIR**—Yes, in which I said I thought that was meaningless to the average punter.

**Mr Walter**—Let me perhaps give you Geneva as an example of an analysis of the facts as they emerge against the criteria which we have to apply, and, in this context, we are looking at pool operations and the returns to growers. That is the way we look at it. In terms of the reporting period we were looking at, there were very few transactions which took place with the consent.

**CHAIR**—All of that.

**Mr Walter**—So it is very difficult to form an assessment against the overall criteria of return to growers.

**CHAIR**—So would it be fair to say that it is a little bit of a grey area?

**Mr Walter**—We have said that as far as we can see—and I think I said this in answer to questions earlier—the business rules seem to be working. We, I should say, also said that, especially in the context of a drought, which will be the period coming up, the operation of the Geneva office may be tested quite vigorously to see whether it plays a role in the preservation of long-term customer relationships for the pool, and it is that really that we will be looking at over the drought period of 2002-03. I think it is that which will be the key determinant of an analysis of the benefits or otherwise from the operation of the Geneva office as far as AWB(I) is concerned.

**CHAIR**—To go back to my question, if one sale is approved and another is disapproved, what logic do you bring to your minds to work out whether that was the right thing that was done? This is a vagary here. You say there is qualitative and quantitative guesswork. Is there a set of sums you do?

**Mr Walter**—We look at it against the criteria which we apply.

**CHAIR**—Could you provide us with the criteria?

**Mr Walter**—It is the benefits to growers which derive from the activities of AWB(I). If you look at the functioning of Geneva, and if indeed in an overall assessment—especially in a drought year—it preserves relationships for Australian growers, that would be positive.

**CHAIR**—All of that. I am not interested in whether it is a drought year, a boom year or a bust year. I am interested in how you come to determine what is in the interests of the growers in a particular third-party sale as opposed to the profits for the shareholders.

**Mr Walter**—Senator, I think that you make, with respect, an error in suggesting that it is an analysis which is carried out by reference to a particular third-party sale. It is a question of looking at the entire course of dealings to determine whether overall there are benefits. If it were demonstrated, for example, that these were sales which preserved relationships, that would be a positive.

**CHAIR**—All of that.

**Mr Walter**—But you sometimes cannot tell these things in advance. We do not look at these things in advance. We do not approve these things in advance. What happens is that we look at them in totality after the reporting period has finished. It is not a question of us ticking

boxes; it is a question of our assessing the overall performance of the AWB(I) and we can only do that by looking at the totality of their performance in this area.

**CHAIR**—Did you look at the recent sale of 800,000 tonnes—I think it was—to Egypt or somewhere like that?

**Mr Walter**—I cannot answer that question, Senator.

**CHAIR**—They tell me that it set a new benchmark in lowering the market. The rest of the market was rising and we were falling. Anyhow, thank you very much. I think we need to have another look at what your role is—for example, whether you need enhanced powers. I am pleased that you have some more powers to require information to allow you to do your job. I said in Corowa in the past that I did not think you were doing your job terribly well. It is my view that the Wheat Export Authority should be, as it were, a Centurion tank in the ring and if you make a judgment the industry should believe you. At the present time there is too big a proportion of the industry that does not believe you.

**Mr Walter**—Senator, all we can do is our job.

**CHAIR**—Going back to my original question regarding whether the AWB has the right price on the book at the silo, you are not in a position to make a judgment on whether that is in the best interests of the growers through the—

**Mr Walter**—I think I have answered that question, Senator. I do not think it is a question that can properly be asked of us within our legislative remit.

**CHAIR**—Well, we will leave that for another day. Does the Wheat Export Authority accept advertising in any of your literature?

**Mr Walter**—I am not certain, Senator.

**CHAIR**—Do you have sponsors?

**Mr Walter**—Senator, I think you will find that that report, which is the one you are referring to, was circulated to all growers very economically as part of a GRDC mail-out.

**CHAIR**—So do you have sponsors?

**Mr Walter**—We do not have sponsors. Nor, Senator, do I think it is appropriate for an authority which independently must communicate with the growers to have sponsors.

**CHAIR**—Thank you very much.

[2.23 p.m.]

**CHAIR**—We will now move to Fisheries and Forestry.

**Senator O'BRIEN**—I wanted to ask first about the Commonwealth fisheries review. At the last hearings I asked some questions about the work being done to the Commonwealth fisheries review document. I asked about the development of a policy paper on the issue of maximising economic efficiency whilst ensuring the principles of ecologically sustainable development. Mr Quinlivan, I think you said it was work of a lesser priority, which surprised me somewhat. Can you update me on what work might have been scheduled in relation to that policy paper?

**Mr Quinlivan**—Senator, work has begun on that paper. In fact, I think there is a workshop today at the fisheries R&D corporation on that very issue which we are not at, obviously. I am not quite sure how long it will take to produce the paper, but a couple of months I would think.

**Senator O'BRIEN**—Was the national fisheries compliance strategy implemented by the end of last year?

**Mr Hurry**—We reviewed a draft of the national compliance strategy at the Australian fisheries management forum meeting two weeks ago in Adelaide. There is some additional work that needs to be done to make sure that it fits in with the development of the national plan of action for IUU fishing and also a report that has recently been produced by the police on cross-border crime and to make sure that the recommendations out of that fit with any strategy that we might bring up—more in terms of getting some complementary legislation in the states to make sure that we can effectively manage the crime in fisheries across borders. So there is a little bit more work to do on it, but we have a draft and we have reviewed it.

**Senator O'BRIEN**—Last time we met, Mr Meere, whom I wish well in his new job, said there was a draft around. So it has been circulating since November.

**Mr Hurry**—Yes, there is a draft around, Senator. We reviewed it the other day and I suspect we will have it finished within the next six months.

**Senator O'BRIEN**—What about outcome 22—the framework for the management of resource allocation? We were told last time there was to be a pilot scheme put in place for the east coast tuna and southern and western tuna fisheries. Has that happened?

**Mr Hurry**—No, it is developing reasonably well. We met with the task force that we have together to work on resource sharing in November and then two weeks ago we met with the members of both the east coast tuna and billfish fishery and the recreational and charter groups on the east coast to see whether we could find some arrangement for managing the east coast fishery. They have gone away to think a bit more about some proposals that were put on the table, and we expect to come back again in early March and try to move it forward from there. We have until about June to get a framework reasonably well developed in this fishery.

**Senator O'BRIEN**—So we can be confident that the target will be met?

**Mr Hurry**—It is a difficult issue, Senator, and I am not going to sit here and say I am totally confident that we will bring it home, but the developments to date are positive and it is looking as though it is advancing quite well. Whether we get it within six months or whether it is a few months later I am not sure, but it needs to be a well-structured and robust arrangement. It is developing well, but I would be hopeful that we get it in the time frame that we are aiming for.

**Senator O'BRIEN**—So what is the overall picture regarding Commonwealth fisheries review document? Is it behind schedule?

**Mr Hurry**—No, there were 52 recommendations in it of which 29 have been adopted and a number of which are ongoing work inside our agency and other agencies. There are 23

recommendations that are under way. We have a table or a schedule that shows you where each of the recommendations are at, and we would be happy to share that with you.

**Senator O'BRIEN**—I would appreciate that, thank you. I wanted to ask some questions about illegal fishing in the Northern Territory. What is the latest information you can give us on the number of illegal fishers captured in north Australian borders since 1 January this year?

**Mr Quinlivan**—I am not sure about the number of fishers. There have been 15 boats. How many people will be charged on those 15 vessels I am not sure.

**Senator O'BRIEN**—What was the final tally for the last calendar year?

**Mr Quinlivan**—One hundred and thirty-eight.

**Senator O'BRIEN**—That is boats, not fishermen?

**Mr Hurry**—That is boats.

**Senator O'BRIEN**—Last time, I asked a question about the number of boats captured more than once. The answer to questions F and F01 tell me that, since 2000, 25 boats have been identified as boats that were most likely recaptured. Is that right?

**Mr Quinlivan**—That is correct. That was the estimate we gave. The number was heavily qualified. Because of the difficulty we have in identifying boats—many boats have the same or very similar names, or there are boats with the same names but of slightly different types—it is only an estimate. We cannot be sure.

**Senator O'BRIEN**—So what happened to those boats and their crew?

**Mr Quinlivan**—The 25? I do not have that information to hand.

**Senator O'BRIEN**—Mr Meere told us boats captured more than once would be highly unlikely to be bonded a second time?

**Mr Quinlivan**—I think that is right, but I cannot give you an assurance here that all 25 were not bonded. We can certainly check that.

**Senator O'BRIEN**—I would appreciate it if you would.

**Mr Quinlivan**—We can check the 25 that we identified, for the purposes of answering your question.

**Senator O'BRIEN**—Are any of the 15 so far this year repeat offenders?

**Mr Hurry**—That 25 we gave you was on last year's arrests. I am reasonably sure we have not broken down that information on this year's arrests yet.

**Senator O'BRIEN**—If someone is caught in one year, do you check to see if they are caught in a subsequent year?

**Mr Quinlivan**—We are very careful with the people because, as we have explained before, we do attempt to charge recidivists. So we are very careful on the people. But as I have mentioned before, it is very hard sometimes to know whether a boat has been apprehended before, because the names change and so on. It is very hard to identify the vessels.

**Senator O'BRIEN**—In which areas are most of the boats captured? Is it in the Torres Strait area or further west?

**Mr Hurry**—This year the bulk of the arrests are coming out of that area underneath Irian Jaya and across towards the Torres Strait, which is a shift from previous years, when a number of them were further over towards the MOU box area and sort of off that Darwin to Broome sector. These days, they are largely in the top of the Gulf of Carpentaria and along the Arnhem Land coast, but again over towards the straits a bit. It is a shorter trip, I suspect, out of Indonesia.

**Senator O'BRIEN**—And they are all Indonesian? There are some joint fishing—

**Mr Hurry**—There was only one. I think on 20 January we took a large wooden trawler that, again, was registered in Indonesia but is Thai owned. But that is the only one that has been different from the others.

**Senator O'BRIEN**—Boats are captured and, after a process, they are released. Are all of the boats released?

**Mr Hurry**—There is an entitlement under the Law of the Sea for vessels to be bonded if you can place a bond within a reasonable period of time. I guess the same as we do with the patagonian toothfishers, we allow a bonding arrangement to take place on these Indonesian vessels. There is a value worked out for the vessels. If the owners can come up with the bond, then they are bonded and released.

**Senator O'BRIEN**—How many of the 138 last year were bonded and released?

**Mr Hurry**—Unless AFMA has got that figure, I will have to take it on notice and come back to you on it.

**Mr Paul Murphy**—Of the boats that come into Darwin, approximately two-thirds are bonded back, although not all of the 138 boats that you are asking about come into Darwin. Some go into Broome and Thursday Island.

**Senator O'BRIEN**—So what happens to the boats that go there? Are they normally kept? Are they all bonded? You qualified your answer saying that 'of the boats that came into Darwin'.

**Mr Paul Murphy**—There are different rates between Broome, Darwin and Thursday Island as far as bonding goes. The only figure that I know off the top of my head is that it is approximately two-thirds of the vessels in Darwin.

**Senator O'BRIEN**—Can you take that on notice and give us an accurate answer?

**Mr Paul Murphy**—Certainly, Senator.

**Senator O'BRIEN**—What happens to the boats that are not bonded, that is, the other third?

**Mr Paul Murphy**—The boats that are not bonded are destroyed.

**Senator O'BRIEN**—We will have pretty clear information on the boats that have been destroyed, won't we?

**Mr Paul Murphy**—Certainly, Senator.

**Senator O'BRIEN**—How long do you hold a boat before making a decision to destroy it?

**Mr Paul Murphy**—If the owners indicate they want to bond the vessel, it takes three to four weeks usually for the owners to raise the money. Then it goes back. If they do not want to bond the boat, then once the vessel is no longer used for keeping the people in Darwin and they are repatriated they are destroyed straightaway.

**Senator MURPHY**—Did you get a breakdown of the boats that go into the different ports?

**Senator O'BRIEN**—Not yet, no. I am assuming we will get that with the breakdown in answer to the question on notice about the proportion of last year's 138 boats that were bonded and released.

**Senator MURPHY**—You might tell us how many were destroyed as well.

**CHAIR**—Do you want to clarify that?

**Senator MURPHY**—I was wondering if Mr Paul Murphy knows what I mean in terms of the boats that were bonded and those that were destroyed.

**Mr Paul Murphy**—We could certainly give you that information.

**Senator O'BRIEN**—Can you explain the bonding process? Someone has been presumably convicted of an offence and pays a bond and takes their boat away or they pay the bond, take the boat away and then the proceedings for illegal fishing occur?

**Mr Paul Murphy**—The processes for bonding the vessels and going through the courts on fisheries offences are separate processes. They usually happen in parallel.

**Senator O'BRIEN**—So bonding the boats means what? They pay money and they take the boat away. What happens to the bond that they pay?

**Mr Paul Murphy**—It is held in trust pending the outcome of proceedings.

**Senator O'BRIEN**—If the proceedings are successfully concluded in the Commonwealth's favour, what happens to the bond?

**Mr Paul Murphy**—My understanding is that it is returned to consolidated revenue.

**Senator O'BRIEN**—So effectively it becomes a fine? The boat does not return; you keep the money?

**Mr Paul Murphy**—Yes, it is part of the deterrent.

**Senator MURPHY**—Do you set bonds on the basis of the value of the catch, if there is a catch, versus the potential outcome for a fine? How do you set the bond?

**Senator Ian Macdonald**—I suppose it is the same in either instance. I do not know that we ever include the catch in the northern ones, because they are usually not significant. But certainly in the toothfish boats the fish are forfeited; they are not included in the bond.

**Senator MURPHY**—What is the basis for setting a bond, in this case, for these northern boats?

**Senator Ian Macdonald**—The valuation done. With the northern boats it tends to be a reasonably pre-emptive setting. There is a standard scale, is there not? For the type 3 there is \$4,500, is it not?

**Mr Paul Murphy**—Yes, we get a valuer to look at the vessels. Typically, the bond is in the order of \$3,000 to \$4,000.

**Senator MURPHY**—And do they keep the catch?

**Mr Paul Murphy**—No, the catch and all their gear is confiscated.

**Senator MURPHY**—Catch and all gear? In most instances would not be much.

**Mr Quinlivan**—The objective is deterrence so, although the catch and the gear may—

**Senator MURPHY**—I would not have thought \$3,500 would deter them too much.

**Mr Quinlivan**—Maybe that does not seem very much to us, but it is a different order of magnitude for Indonesian nationals.

**Senator MURPHY**—Well, providing they own the boat.

**Mr Quinlivan**—Or they are indebted in some way to the owner of the boat.

**Senator MURPHY**—Is there some limit that we cannot go above—a particular amount of money—or could we, say, make it \$20,000?

**Senator Ian Macdonald**—It has to be an estimate of the value of the boat. The *Viarsa* is \$5 million or something.

**Senator MURPHY**—Is that something that is set internationally?

**Senator Ian Macdonald**—No. Internationally it is said that you assess the value of the boat, you offer it to the other side and they can challenge whether that is a real value. Again, in the case of the *Volga* they took us to the International Tribunal for the Law of the Sea to challenge our setting of the value.

**Senator MURPHY**—Which anyone else could do?

**Senator Ian Macdonald**—Anyone could do it, but obviously in relation to a boat worth \$4,500 there is not going to be—

**Senator O'BRIEN**—How many boats are released prior to a bond and told, 'Naughty boy. Take your boat, get out of our waters and go'?

**Mr Quinlivan**—Sometimes in relation to vessels that are apprehended at sea the catch and gear are taken and the vessel is released at sea. There can be a variety of reasons for that. It could be that the weather conditions are not conducive to returning a vessel to the mainland. It could be that the vessel does not look as though it is sufficiently seaworthy to withstand a tow back to the mainland. There can be some other operational reasons. Customs or Defence officers may wish to release the boat and go on to other things for operational reasons. If that is the circumstance you are talking about, that certainly happens.

**Senator O'BRIEN**—How many fell into that category last year?

**Mr Quinlivan**—That would be additional to the 138.

**Mr Paul Murphy**—Fifty-five.

**Senator O'BRIEN**—So there were 138 captured and 55 cautioned and sent on their way in some circumstances?



**Mr Paul Murphy**—Yes. We refer to that as an administrative seizure.

**Senator O'BRIEN**—And how many administrative seizures have there been this year?

**Mr Paul Murphy**—Three to date.

**Senator O'BRIEN**—So about 40 per cent last year were administrative seizures?

**Mr Paul Murphy**—I would have to do the maths, Senator.

**Senator Ian Macdonald**—I do not think that estimate is a question. Senator O'Brien is just being lazy. He can work it out himself. He has the number—

**Senator O'BRIEN**—I did not think I was being lazy; I thought I was putting to you a very rough calculation.

**Senator Ian Macdonald**—What do you want us to do? Agree?

**Senator O'BRIEN**—I thought you might know. You might have done the statistics on the breakdown.

**Senator Ian Macdonald**—Give me the figures and I will do it for you. It is about 25 per cent.

**Senator MURPHY**—I want to ask a few questions with regard to forestry. Minister, on 22 January you put out a statement with regard to the 20/20 vision. I want to ask a few questions about that statement.

**Senator Ian Macdonald**—What date was the statement?

**Senator MURPHY**—22 January 2004. It says that the Australian Government will look towards a greater focus on forestry stakeholder partnerships this year following the relaunch of a blueprint for commercial tree crops. It says that since 1997 it has been an outstanding success, that it has created wealth and jobs in rural and regional communities and greatly enhanced sustainability and international competitiveness of Australia's plantation sector, and that we have 500,000 hectares of new plantation forests and over \$1 billion pumped into new capital infrastructure for the sawmilling, paper manufacturing and wood based panel industries. With regard to the hardwood plantation sector, has the department done any assessment of the yields coming off plantations that are being harvested, particularly in Western Australia?

**Senator Ian Macdonald**—For hardwood?

**Senator MURPHY**—For hardwood plantations, yes.

**Mr Macnamara**—As far as I am aware there isn't that information, but we can take that on notice. I cannot give you an answer.

**Senator MURPHY**—I would hope you would for the minister's sake, to ensure he is able to indicate that, as he says later in the statement, the 20/20 vision strategy will ensure that important stakeholders, in particular I assume Australian industry, will be able to have the quantity and quality of resources they need to remain internationally competitive.

**Senator Ian Macdonald**—A lot of the information of course is contained within the state departments, and we would get their material, I would think. Mr Macnamara has indicated we will try to find that out for you.

**Senator MURPHY**—Mr Macnamara might also be able to check to see whether the department still has a view that the net economic return benefit to the Commonwealth from the plantation sector still stands at seven per cent, as I think it was stated previously. Can I ask additionally that you not only check the harvesting yields from the West Australian plantations but also South Australia, to a lesser extent, Victoria, Tasmania and New South Wales?

**Senator Ian Macdonald**—This figure of seven per cent was in the 20/20 vision update, was it?

**Senator MURPHY**—No. This arose as a result of another inquiry I was involved in which questioned the return to the Commonwealth from the investment it makes, primarily through taxation deductions to the investors. I would have to check my memory, but I think it was stated by the department as around seven per cent.

**Mr Quinlivan**—This is a return to the Commonwealth budget?

**Senator MURPHY**—Yes.

**Mr Quinlivan**—I do not recall that analysis, but we will certainly check it.

**Senator MURPHY**—It might take me a little while, but I think I could find it. I think that was the figure, from memory.

**Senator Ian Macdonald**—Do you think it was Mr Quinlivan who gave you the evidence?

**Senator MURPHY**—I do not know that it was Mr Quinlivan, but I know that Mr Quinlivan is aware of certain estimations that the department had made in respect of the return to the Commonwealth. I would be interested, because it is not so much the hectares of plantation forests that we have; it is what they actually yield versus the yields that come off native forests. There is a significant debate as to old growth forest harvesting and native forest harvesting versus plantations. So we would be appreciative if we could get some figures done on that, particularly as the Commonwealth is a party to the regional forest agreement, which is also very important.

**Mr Quinlivan**—Senator, what I can promise to do is to discover any existing work. What I cannot promise to do is to do any new analysis of these questions because I am not sure we will have the capacity to do that.

**Senator MURPHY**—Mr Quinlivan, I do not want you to do any analysis at all. I would appreciate it if you could base all the information you bring forward on what has happened, not on what might happen.

**Mr Quinlivan**—Fair enough.

**Senator O'BRIEN**—Following on from that, does the department receive information from state departments about stumpage returns and the like for plantation forests in Western Australia?

**Mr Quinlivan**—This part of the department does not as a matter of course, but ABARE does periodic analyses of the timber and wood products industry and receives a variety of information from private and state owned forestry organisations on their operations, and that would include stumpage prices and so on.

**Senator Ian Macdonald**—There is a state of the forests report done annually or biennially?

**Mr Macnamara**—Five yearly.

**Senator Ian Macdonald**—Anyhow, it was released towards the end of last year, and that has a lot of that material in it.

**Senator O'BRIEN**—So ABARE might be able to give us some information.

**Senator Ian Macdonald**—I am not sure if you just heard me, but there is a state of the forest report that is done five yearly, and the last one was done towards the end of last year. It has a lot of that information in it and ABARE does get material.

**Senator O'BRIEN**—Has there been any change to the funding arrangements of the states of Queensland and Western Australia with regard to moneys which have been available for regional forest agreements?

**Senator Ian Macdonald**—No.

**Senator O'BRIEN**—Going back to the fishing issue, what information can you give me about repeat offenders captured fishing in north Australian waters? Do you have any statistics on the number of repeat offenders prosecuted?

**Mr Roberts**—We would have to take that question on notice.

**Senator O'BRIEN**—Could you let me know the details of penalties applied in the first and second instance for repeat offenders?

**Mr Roberts**—Certainly.

**Senator Ian Macdonald**—Second offenders can be jailed. Someone might correct me if I am wrong, but, as I understand it, under UNCLOS you cannot jail people, but very often what happens with lower order fishing crew is that they are released on a good behaviour bond. If they repeat offend then they have breached the bond and can be jailed for breaching the bond as well as being dealt with in relation to the second offence. Does anyone disagree with that?

**Mr Quinlivan**—That is correct.

**Senator O'BRIEN**—How are talks with the Indonesians going about combating illegal fishing?

**Mr Quinlivan**—We continue to talk to the Indonesian government about illegal fishing matters. In fact, the Indonesian minister for marine affairs is visiting Australia next month, I think, for talks and illegal fishing will be very high on our agenda of issues to discuss with him. He is visiting as a guest of government. We also have this year a couple of AusAID sponsored programs which we will be running in Indonesia to try to improve the quality of the fisheries management and operations in Indonesia and also to do some work on alternative livelihoods for people living in those islands from which illegal fishers come.

**Senator O'BRIEN**—When we talked about this at the last hearing there had not been any talks since the previous hearing in May. How many have occurred between November and now?

**Mr Quinlivan**—Well, no formal talks as such, but, as I say, we now have decisions on these AusAID programs and we have organised a visit to Australia for the Indonesian minister. We have also had visits from Indonesian officials in the last few months. So no formal talks but a significant amount of activity.

**Senator Ian Macdonald**—It is a matter that does concern me, I have to say, Senator O'Brien. If you have any solutions, I would be—

**Senator O'BRIEN**—You never listen to my solutions anyway. I gave you several during the *Cormo Express* thing and you said I had no solutions—ended up picking them up, I suppose.

**Senator Ian Macdonald**—That was not my portfolio responsibility. I am sure Mr Truss would have considered them very fully, but this is a very difficult and complex problem. The solutions do not easily fall to mind, but if you have anything that you think might be in Australia's interests I would be very happy to consider them.

**Senator O'BRIEN**—I am sure Mr O'Connor will be working on that. In terms of the Southern Ocean, can you update the committee on the *Viarsa* matter, please? Where is the whole process up to? What has happened with all aspects of that matter?

**Mr Paul Murphy**—Following the apprehension last year, the vessel arrived in Fremantle on 3 October. The vessel, equipment and catch were seized under the Fisheries Management Act. The owners have challenged the seizure of the vessel. Charges for various fisheries offences have been laid against the captain, fishing master and three crew. All have been released on bail and remain in Australia. The remainder of the crew have been repatriated from Australia. The catch has been sold by tender to an overseas buyer and the proceeds held in trust pending the outcome of court proceedings.

**Senator O'BRIEN**—What was the value of the catch when it was sold?

**Mr Paul Murphy**—I do not have the figure here, but approximately 1.1 million.

**Senator Ian Macdonald**—A little under a million, I think it was—a fraction under. The owners requested a bond on the boat, which we have given them. They have not accepted that. They must be getting close to time, are they?

**Mr Paul Murphy**—I am not sure of the date, Minister.

**Senator Ian Macdonald**—Anyhow, we have given them our valuation of the boat. They have come up with a valuation much, much less than that and we have maintained our ground. Their options now are either to pay our value or to do nothing and leave it impounded or to go to ITLOS again to argue about the value of the bond.

**Senator O'BRIEN**—Was there a Uruguayan government official on the boat when it was captured?

**Senator Ian Macdonald**—Yes, there was. He was released at a fairly early stage.

**Senator O'BRIEN**—What was his role on the boat? Did we ascertain that?

**Senator Ian Macdonald**—Yes. We looked at whether he could be charged and there was no evidence of offences that he had committed, so he was released. We retained a lot of his material.

**Senator O'BRIEN**—But what was he doing?

**Mr Quinlivan**—His role was an observer rather than a member of the crew.

**Senator O'BRIEN**—From the Uruguayan government observing? Why was he observing for that government?

**Senator Ian Macdonald**—On most fishing ships in Australian waters we require an observer on board to check that the data is being collected and that environmental regulations are being complied with. They are a requirement under Australian law. Internationally that is generally the instance. Any Australian fishing boat that is down in the Southern Ocean has what is called a government observer. They are usually private people contracted by AFMA to be observers. I think the same applies internationally. I think it is a requirement under UNCLOS, isn't it?

**Mr Roberts**—Under CCAMLR. In CCAMLR waters they have an observer and an independent data officer. So there are in fact two observers on all of the Australian boats.

**Senator O'BRIEN**—What was the nationality of the crew?

**Senator Ian Macdonald**—Mainly Spanish in the case of *Viarsa*.

**Mr Roberts**—I think the officers were Spanish, but the crews were Chilean.

**Senator O'BRIEN**—Sorry; what was that answer?

**Senator Ian Macdonald**—Sorry; I am told that that is not right. We can get you all of this stuff. I am sure, if you read my press releases, of which I know you are an avid reader, you would have got this information at the time. But the officers in that instance were—

**Senator O'BRIEN**—It must not have been as clear as your other ones.

**Senator Ian Macdonald**—The officers were Spanish and in the lesser order of the crew there were some Spanish, I think, but mainly South Americans of different nationalities. In the most recent one, the *Maya V*, two senior crew were Uruguayan nationals. Then there was a smattering of Spanish, Chileans, Uruguayans and a couple of Argentinians, I think.

**Senator O'BRIEN**—Do we have a final figure for the cost of the *Viarsa* exercise?

**Mr Quinlivan**—Not yet. I understand that the costs booked to date for the actual apprehension are in the order of \$4.2 million. They are costs to Customs. But there are a couple of bills that remain outstanding that have not presumably been submitted and then there are some post apprehension costs, principally borne by AFMA. They will continue to rise as the apprehension work continues—and the prosecution.

**Senator O'BRIEN**—Have we had to pay any money to other countries, or businesses in other countries, to do with the apprehension?

**Mr Quinlivan**—At least one of the outstanding bills is from the South African government.

**Senator Ian Macdonald**—But they have not sent it yet—and we are not pushing for it.

**Senator O'BRIEN**—You do not push for bills normally, Minister, unless they go through the parliament.

**Senator Ian Macdonald**—I was just making sure that everyone understood that—although, having said that, we are very grateful for their assistance.

**Senator O'BRIEN**—I want to ask about the Fishery Resources Research Fund. I want to find out what it is used for.

**Senator Ian Macdonald**—That is a very good question.

**Mr Hurry**—It is used generally for research that leads to improved management of fisheries, but also research into a number of areas to sponsor meetings that lead to better policy decisions in fisheries, and I guess broad policy management and research that improves our overall stewardship.

**Senator O'BRIEN**—Is there available or can you supply for me a list of the items for which moneys from that fund have been applied?

**Mr Hurry**—Yes, we do an annual report.

**Senator O'BRIEN**—So it is in the annual report?

**Mr Hurry**—There is an annual report of the Fisheries Resources Research Fund published each year.

**Senator O'BRIEN**—So the last one is—

**Mr Hurry**—Should be the end of financial year 2003.

**Senator O'BRIEN**—Can you tell me, in that context, what funding contribution AFMA or the government is making to the funding of Mr Meere's position?

**Mr Quinlivan**—Australia's involvement in the OECD roundtable is on the same basis as everyone else's; each of the parties is meeting their own costs.

**Senator O'BRIEN**—What is our cost?

**Mr Quinlivan**—The cost will depend on the extent of our engagement. We will have several forms of involvement in the task force on illegal fishing. Minister Macdonald is a member of the task force, so there will be some costs of his involvement. Mr Meere is going to be a member of the secretariat, and we will be meeting his costs. It is likely that we will also be making some other contributions either from this end or via the OECD or in any other way that we can assist the work of the task force.

**Senator O'BRIEN**—So the Australian government is meeting Mr Meere's costs?

**Mr Quinlivan**—We are; that is correct.

**Senator O'BRIEN**—That is not coming out of the Fisheries Resources Research Fund?

**Mr Quinlivan**—It will be, yes.

**Senator O'BRIEN**—What sort of contribution does that require?

**Mr Quinlivan**—We are still working on the numbers, so I cannot give you a particular number yet. Even our estimates at this early stage will presumably be revised by what happens with the activities of the secretariat and the task force. It will only start work when Mr Meere gets to Paris. So some of the numbers are speculative at this stage. But we think it is a good investment, because we are investing, like lots of other countries, a lot of effort into

enforcement activity and so on. But there is no real work going on to try and reform the institutional and legal structures under which illegal fishing is prospering. This OECD work is the only game in town there. We think it is a pretty high-return investment.

**Senator O'BRIEN**—I am being told that the overall cost to the fund will be about \$700,000?

**Mr Quinlivan**—It could be in that order over a period of two years. Yes, it could well be.

**Senator O'BRIEN**—So that is funding that the industry will ultimately have met?

**Mr Quinlivan**—No, that is budget funded. The Fisheries Resources Research Fund is not cost recovered; it is budget funded.

**Senator O'BRIEN**—So it is not out of the contributions the industry makes to the running of AFMA?

**Mr Quinlivan**—No, not at all. In fact, it has absolutely nothing to do with AFMA. It is an appropriation to the department.

**Senator O'BRIEN**—So it is taxpayer money?

**Mr Quinlivan**—That is right.

**Senator O'BRIEN**—Thank you for that. The next issue I wanted to pursue is the Eden Regional Adjustment Package. On page 23 of the PAES—

**Senator Ian Macdonald**—Do you have any more that AFMA might be involved in, Senator O'Brien?

**Senator O'BRIEN**—I am going to ask about patrol operations in the Southern Ocean.

**Senator Ian Macdonald**—Okay. They can stay.

**Senator O'BRIEN**—On page 23 of the PAES under output 3, Industry Development, the budget estimate for this program was zero in 2003-04 and it is now \$231,000. Where does that number come from? Why the variation—an infinite increase?

**Mr Macnamara**—In 2002-03 there was a figure of \$588,000 allocated. What in effect is happening is that money is being brought forward from 2002-03 and rephased to meet the refurbishment costs of the Seahorse Inn at Boydtown. The reason for the delay essentially has been that, because it is a heritage building and a very old establishment, it has taken longer than expected to obtain local council and Heritage Council approvals. We expect that money to be expended this financial year.

**Senator O'BRIEN**—If it is not expended, some of this will possibly flow over into the next budget year?

**Mr Macnamara**—I think a decision could be made in terms of it being brought to account this financial year and ensuring that payments are made.

**Senator O'BRIEN**—Can you remind me what assessment process has been put in place to test the actual outcomes against the claimed outcomes by the proponents of the various projects that receive funds?

**Mr Macnamara**—There is a process of auditing by the committees—you are talking about the projects generally—involved, and the department from time to time undertakes spot checks of activities on the ground and we are held ‘auditable’ in the context of expenditure. In fact, I think I am right in saying that just before I took up this job, say, two-odd years ago, there was a full audit of the FISAP program.

**Senator O’BRIEN**—So these spot checks that have been going on since the full audit, what have they revealed?

**Mr Macnamara**—That the money is being expended in terms of our expectations. In other words, where there is capital expenditure—equipment and site identified and so forth.

**Senator O’BRIEN**—What about job creation?

**Mr Macnamara**—Job creation, I understand, is something that is also identified in the context of examining the project proposals in terms of satisfying ourselves that job creation is real and then audits are done of that as well to determine whether, in fact, there are the number of jobs. We could provide more detail, if you wish.

**Senator O’BRIEN**—Yes, please—just whether the promised outcomes are being achieved. The audit of that would be useful. The question I wanted to ask, which I flagged to the minister a short while ago, is regarding the new patrol boat for the Southern Ocean. When will it commence operations?

**Senator Ian Macdonald**—We hope as soon as possible after 1 July. Hopefully the budget will provide for the funds from 1 July. There will be a request for expression of interest going out this week some time.

**Mr Quinlivan**—There are two separate aspects to this. As the minister said, we expect the capacity to be operationally available from 1 July. Just what we do with it, of course, is highly confidential. But a bit later we will have a more permanent capacity in place and, as the minister says, we will be going to the market seeking that quite soon. But the fact that it is going to the market and being a bit later does not mean that we will not have the capacity available from 1 July.

**Senator O’BRIEN**—Is it intended that the vessel operation be contracted for two years?

**Mr Quinlivan**—Very close to two years. It depends a little bit on what happens in the next budget, but the government has announced a program for two years and, as we have just explained—although I realise in a fairly Delphic way—the first part of it may be slightly different from the ongoing program because of the need to go to the market. So it could be that we get squeezed a bit on the two years, but if it develops into the permanent long-term program, then it could be a period longer than two years.

**Senator O’BRIEN**—Have you determined where it is to be based—that is, the vessel.

**Mr Quinlivan**—It will be based wherever it is operationally feasible, given the need to resupply and maintain the vessel but also to preserve a good deal of secrecy about the movements of the vessel. So it may not have one physical base in Australia in the way some people have been hoping.



**Senator O'BRIEN**—The implication of what you have been saying is that there will be some interim arrangement before a contract is let—some existing vessel will be contracted on an almost fee-for-service basis. Do I understand you correctly?

**Mr Quinlivan**—That is not quite how I would have said it, but we will have the capacity to mount armed operations in the Southern Ocean in advance of going to tender. That is correct.

**Senator O'BRIEN**—There is no budget for this project for this vessel.

**Mr Quinlivan**—The Prime Minister has made an announcement that funds will be available for the program and he has given a rough outline of what the character of the program will be. The precise costings and the funding arrangements will be dealt with in the forthcoming budget.

**Senator O'BRIEN**—Thank you for that. That is all that I have for this section.

[3.15 p.m.]

**CHAIR**—We will move now to Natural Resource Management.

**Senator O'BRIEN**—On output 1 in the additional PBS at page 11: can you tell me where the negotiations between the member jurisdictions of the Murray-Darling Basin are up to?

**Mr Thompson**—The negotiations in putting together the Intergovernmental Agreement between the states and the territories that have committed to providing funds for the Living Murray have had a couple of meetings, the most recent last Friday. The key issues for discussion to resolve how the money might be spent—institutional arrangements—have been discussed and we are working towards a timetable of completing that work over the next couple of months.

**Senator O'BRIEN**—So we will have something by May?

**Mr Thompson**—We should have significant progress by May. I am not sure whether it will be resolved or not.

**Senator O'BRIEN**—In answer to question NRM02, you provided us with the details of the working groups that will develop the detail. A communique tells me that the substantial output of these groups was to be completed by the end of December 2003, but some elements might be carried through to February this year. Have those targets been met?

**Mr Thompson**—The significant output from those working groups has been completed in a couple of areas, such as water resource accounting, where there has been significant progress. Other issues work is still continuing.

**Senator O'BRIEN**—How much work is left to be done? What is the extent of the delay?

**Mr Thompson**—It varies a little from working group to working group. In some, like water resource accounting, there are defined tasks to be completed. Some of the other working groups have things within them that have been referred for further information or further requests to do pieces of work to help with some of the issues that have arisen as the intergovernmental agreements are advanced.

**Senator O'BRIEN**—Could you be more specific referring to each of the task teams?

**Mr Dalton**—You might recall from the responses that there were four principal task teams—water entitlements, markets and pricing, one to do with the management of environmental water, and urban issues, which is the fourth one. And, sorry, water accounting, a fifth one, has been made subsequently, which deals with the relationship between the Murray-Darling Basin issues on the overallocation of water in the Murray-Darling Basin. There has been, to my knowledge, a number of working group meetings of task team one, and each of the task teams, which has resulted in input into the discussion between a senior officer group charged by COAG for carriage through this period. The definition of ‘further work’ the task teams may be called upon to do depends to some extent on the further direction they get from the senior officers. I do not sit on the urban group, but I understand there is some further work being prepared there. But we could check on the timetables of that for you.

**Senator O’BRIEN**—If you would, please. You mentioned a new team that will be a fifth task team.

**Mr Thompson**—That is task team five. That is the one that is between New South Wales, South Australia, Victoria, the ACT and the Commonwealth, which is doing the work to develop arrangements for recovering, or providing funds for recovering, water to address overallocation in the Murray-Darling Basin. So those jurisdictions that have indicated they provide funds for that purpose are working together on an agreement as to how those funds might be provided.

**Senator O’BRIEN**—What is the timetable for its work?

**Mr Thompson**—Its timetable is roughly the same. It is, to a fair extent, being driven by the commitment to try and get that in place to align with the work that the Murray-Darling Basin Commission is doing to implement the Living Murray initiative. So we would be expecting finalisation of that this side of June.

**Senator O’BRIEN**—It has just started?

**Mr Thompson**—It has had at least a couple of meetings, I think. Its most recent meeting was on Friday, where it agreed a number of issues to do with structures and arrangements for recovering and managing water that needed to be discussed/negotiated between the states.

**Senator O’BRIEN**—So the target date remains, what, 30 June for all of this work to be completed?

**Mr Thompson**—That is the goal of all of this, yes.

**Senator O’BRIEN**—How realistic is that target now?

**Mr Thompson**—It is still a realistic target. It depends on the relative difficulty of any of the negotiations that might be necessary to finalise some of the arrangements for recovering water, managing water, and institutional arrangements to go into the intergovernmental agreement.

**Senator O’BRIEN**—So depending on how hard it is you might meet the target?

**Mr Thompson**—If the Australian government and the states can come to a resolution about the issues and the level of detail we could well meet that target. If it becomes protracted and bogged down in difficulties it may take longer.

**Senator O'BRIEN**—So we have an in-principle agreement and commitment to a certain level of funding now?

**Mr Thompson**—Each jurisdiction has announced a commitment to a certain level of funding for addressing that overallocation in the Murray-Darling, yes.

**Senator O'BRIEN**—On page 23 of the PAES there is a table of variations to administered expenses. There is a significant downward revision for the Great Artesian Basin sustainability initiative from \$494,000 to \$294,000. Can you explain that?

**Mr Thompson**—There have been a number of revisions to the Great Artesian Basin allocations over the last couple of years, which arose from some transfers between the Great Artesian Basin initiative and the National Landcare Program to enable the cash flow needs of both those programs to be best addressed. The bottom line of all of that—and I think Mr Willcocks can provide the details if you wish to pursue them—is that the Great Artesian Basin as a whole, recognising it has appropriations under payments to the states and appropriations for direct payment, has been retained.

**Senator O'BRIEN**—So this is just a glitch?

**Mr Thompson**—There was some money that moved from the Great Artesian Basin to the National Landcare Program and then back again. There was some money here that has been moved from bill one to bill two. This is finalising that sequence of payments.

**Mr Dalton**—This particular transfer from bill one to the other bill is taking money to put into payments to the states, so it is directed towards meeting some of the on-ground demand.

**Senator O'BRIEN**—I did not quite hear that.

**Mr Dalton**—So it is money being directed towards payments to the states rather than from a national component. So it is, in fact, a transfer between appropriations rather than a reduction in payments under—

**Senator O'BRIEN**—Where will the plus \$200,000 show up?

**Mr Thompson**—The \$200,000 there shows up in page 25 under the number there of 1851. It includes the plus \$200,000, but that number also includes some money that had to be returned from the Great Artesian Basin to the National Landcare Program.

**Senator O'BRIEN**—Page 25? I am trying to find the number you are talking about.

**Mr Thompson**—The top line is Great Artesian Basin, sustainable—

**Senator O'BRIEN**—Yes.

**Mr Thompson**—That is returning the \$2 million payment that was borrowed for the Great Artesian Basin last year from the National Landcare Program. This year it is being returned.

**Mr Dalton**—So that \$1.8 million is a net figure taking account of the transfer from bill one.

**Senator O'BRIEN**—So overall was \$2 million less being spent on the basin?

**Mr Thompson**—No. Overall, if we take it across the years back to 2001-02, no less money is being spent on the Great Artesian Basin. There is less money available this year, but more money was made available last year or the year before.

**Senator O'BRIEN**—We are still talking about this year's. This is the additional estimates. So there is less money available this year than was intended in the original budget?

**Mr Thompson**—Yes.

**Senator O'BRIEN**—What do previous years have to do with that?

**Mr Thompson**—Because we paid more in the previous years. The Great Artesian Basin has a series of bore capping activities over a period. Sometimes it can proceed quickly. Sometimes things get delayed. We were managing the program over a period of years to optimise the use of funds.

**Mr Wonder**—I think Mr Thompson's point is that the original intended expenditure that was originally announced is made good by the adjustments.

**Senator Ian Macdonald**—Can I also add that with the payments to the Great Artesian Basin we pay 40 per cent in different programs, but the states and the Commonwealth pay different amounts. There have been in previous years, particularly in the states getting enough money to pay—even this year I have just signed a letter to major states and we expect that the amount that the Commonwealth has available will not be available from the states. Therefore we may not even be able to spend what we have because the states do not have their share, although we are hopeful. There is an expectation.

**Senator O'BRIEN**—I am still trying to understand why at the beginning of the year there was \$9.4 million plus \$0.494 million estimated as the expenditure for the year and now it has come down by \$2 million according to my figures. What is the relevance of the previous two years? Surely you knew what the previous two or three years—

**Senator Ian Macdonald**—Can I leave the officers to explain these technicalities, which I do not quite understand? Again, I emphasise the point that we put in what the states put in. We do not expect—even this year—that the states will pay what we have budgeted for, but if they do we have the money available. I have just written to the minister saying that. Now Mr Thompson will explain these figures to you, which I always find confusing.

**Mr Thompson**—The reason for the \$2 million payment was that there was in fact last year an error when the Great Artesian Basin lent some money to the National Landcare Program, which was running ahead at the time. There was an error made last year and the amount that was linked to the NLP was repaid to the Great Artesian Basin twice. It was a doubling of it. So that is now being redressed. It was identified earlier this financial year and we are taking the opportunity at additional estimates to correct that error. As Mr Wonder says, the total commitment to the Great Artesian Basin over the period has been retained. It is just that there has been some movements of funds between the years.

**Senator O'BRIEN**—So the National Landcare Program is \$2 million better off?

**Mr Thompson**—No, the National Landcare Program could have been better off, but we wanted to meet that commitment to the Great Artesian Basin. So we made sure that the money was made good.

**Senator O'BRIEN**—I thought you said they lent money to the National Landcare Program and they paid it back twice.

**Mr Thompson**—The National Landcare Program receives some money for the Great Artesian Basin, but it paid it—instead of paying it, it paid back the same amount twice to the Great Artesian Basin. So the Great Artesian Basin has to return half of that to the National Landcare Program now.

**Senator O'BRIEN**—So the National Landcare Program is \$2 million better off?

**Mr Thompson**—No.

**Senator O'BRIEN**—It had already paid it. It was \$2 million worse off. It has now recovered its position.

**Mr Thompson**—It has recovered its position—

**Senator O'BRIEN**—It is better off than it was going to be before the error was discovered, however you want to categorise it.

**Mr Thompson**—Yes.

**Senator O'BRIEN**—So for the purpose of the National Landcare figure in the budget papers last year, should they be altered?

**Mr Thompson**—Budget papers are not altered retrospectively. They stay the same. What we are doing is maintaining the money over the period. We can only adjust the current budget figures.

**Senator O'BRIEN**—Where will I find the adjustment for National Landcare?

**Mr Willcocks**—The net figure is reflected on page 23 in the National Landcare Program 'for payment to the NRM account'. That variation is an increase of \$1 million. And on page 25 that is reflected in the \$1.051 million. That is the net of a \$1 million transfer from the 'payments to the states' line for the National Landcare Program to the NRM account and the \$2.051 million adjustment that was made to repay funding from the Great Artesian Basin program.

**Mr Thompson**—Senator, if you wished we could set down over the period from 2001-02 to now when these transfers between programs has occurred—sort of a reconciliation of the movement of the funds to show you what the ultimate net effect is. It might be simpler.

**Senator O'BRIEN**—It could well be. Thank you for that.

**Mr Thompson**—Because you would have it all in one piece of paper.

**Senator O'BRIEN**—At the last hearings we were told that bilateral agreements had been signed off with all the states except the ACT on the national action plan. Has the ACT now signed off?

**Mr Thompson**—The bilateral agreement on the national action plan still has not been signed with the ACT.

**Senator O'BRIEN**—Is there an expected timetable?

**Mr Thompson**—Mr Lee will be more up to date with details on that. To some extent the ACT was being negotiated with in the context of finalising some arrangements in New South Wales because the ACT is really a subcatchment within a larger New South Wales catchment.

**Mr Lee**—We are still awaiting a response from the ACT about its position in relation to its commitment to funding under the national action plan. To some extent that has been delayed by the work that the ACT has been doing in its planning post the Canberra bushfires. As I said, we are still expecting a position to be put to the Commonwealth by the ACT to participate in the national action plan, but we do not have the propositions yet.

**Senator O'BRIEN**—Mr Thompson, you told us that the process followed was through statewide salinity water management strategies then down to plans at a catchment level known as the national action plan catchments. Where is that process up to at the moment?

**Mr Thompson**—That process is well under way in most states. In New South Wales all the national action plan catchments now have accredited regional plans. It is similar in Victoria and South Australia, and in Queensland, Western Australia, Tasmania and the Northern Territory negotiations are continuing and the dates that those states have advised us that they expect completion varied from March through to October this year to complete the plans in Queensland, Western Australia, Tasmania and the Northern Territory.

**Senator O'BRIEN**—And Victoria again? Sorry.

**Mr Thompson**—All the national action plan catchments in Victoria now have accredited plans.

**CHAIR**—So what does that actually mean, an accredited national action plan?

**Mr Thompson**—It means they have got a plan that both the Commonwealth and the states believe meets the criteria jointly agreed between those jurisdictions for providing a framework for investments in on-ground actions to address salinity.

**Mr Wonder**—The regional community has come forward with their—

**CHAIR**—They throw all this confetti in the air.

**Mr Wonder**—They have put the plan forward to the two governments who are concerned—the Commonwealth and New South Wales, say, in the instance of New South Wales—and the Commonwealth and New South Wales have signed off and said, 'Well, we think that plan is suitable for the purpose of placing investment projects on.'

**CHAIR**—So if we wanted to use some national action plan money to encourage some of the forests down out of the high rainfall into the lower rainfall, would we be able to?

**Mr Thompson**—The step after accredited plan is develop an investment strategy, and quite a number of those have now been signed off. They contain provision for projects such as encouraging land use change to mitigate salinity and a number of them—

**CHAIR**—So are those sorts of ideas included in this?

**Mr Thompson**—The ideas are included in the plan and in some cases the types of projects that you refer to have been included in investment strategies which have subsequently been put forward for endorsement. Land use change to mitigate salinity—encouraging plantation forestry—is something that a number of regions are looking at.

**CHAIR**—So will this coordinate the whole? In the past salinity planning has sort of been you throw a whole lot of confetti in the air and wherever it settles you get some money, sort of thing. I mean, it was a scattergun approach. Is this a more coordinated approach?

**Mr Thompson**—The plan is intended to coordinate and set some sort of framework in which they operate. The plan says what the priorities are. It says where the broad areas for action might be. It lists all the people who might be operating in the area so that any projects that come forward are developed knowing what other people are doing, so it can be done in a prioritised manner. Since the activities are then set against targets, the things that should be making the biggest difference are the ones that get addressed first. The planning is aimed at improving coordination.

**CHAIR**—In the past, if you had a really keen person—there are lots of them out there—but he was in an isolated area where everyone else was asleep on salinity, he would get the money and do his bit of creek or whatever—recharge or discharge or whatever—and then for 20 miles down the catchment there would be nothing. So we are going to try and avoid that?

**Mr Thompson**—We would certainly like to avoid that, Senator. The targets that people have set in, say, the Murray-Darling Basin feed into the Murray-Darling Basin targets. One of the important things is to identify where the major sources of salinity are, where action can be taken to do something about them, and then to focus the attention on a sufficient volume of activity to actually make a difference on the ground, rather than one or two smaller projects, to get a concentration in an area that will make a significant difference.

**Senator O'BRIEN**—At this stage all the expenditure is on planning processes?

**Mr Thompson**—There has been expenditure on planning processes, there has been expenditure on information and there has also been expenditure on what are termed priority projects, which are those activities which, on the basis of the past planning or project development, are seen as key activities on the critical path to achieving something. In addition to the planning there has been some significant investment in actual activities which clearly stand out as things that will make a difference.

**Senator O'BRIEN**—Where will I find the information about that expenditure?

**Mr Thompson**—The plans themselves outline the sorts of activities that are to be funded. Some of the web sites of the catchment bodies themselves, and ourselves, list many of the typical projects that are being invested in.

**Senator O'BRIEN**—Is it possible for you to draw together a list for the committee?

**Mr Thompson**—Yes, that would be possible. Are you saying a list of the major investment types under the action plans?

**Senator O'BRIEN**—Where money is actually getting to a project on the ground.

**Mr Thompson**—Yes, we can do that, Senator.

**Senator O'BRIEN**—Will you know how much has been spent to date—committed and spent—or is it just that the money is allocated to the project, they get the cheque and you hear about it later?

**Mr Thompson**—Well, we certainly know how much money has been allocated to various activities. We know how much money has been committed. The amount of money that has actually been spent by a catchment body on the ground we would obtain through state and catchment bodies, but that information is collated and recorded. Information we pay out is

available daily, but information that comes through from the regions comes through on a periodic basis. But we do keep track of activities.

**Senator O'BRIEN**—I think the last time you told us that Victoria and South Australia were going okay, New South Wales were catching up, but WA and Tasmania were lagging behind. Can you update the committee as to where each state is at the moment, please?

**Mr Thompson**—Victoria and South Australia still continue to run essentially on time. There can be some delays with actually making payments as contracts are finalised. New South Wales has caught up at a considerable speed. They now have all their national action plan regions with accredited plans and a number of investment strategies agreed in New South Wales. The formation of the new catchment bodies in New South Wales should see that accelerate further. Tasmania, Western Australia and Queensland are still lagging. In Tasmania and Western Australia it is to do with matching funding from the states, to some extent the amount of money that is available. In Queensland the planning processes are taking a little bit of time as people make the transition from community based approaches to the broader regional approach. Queensland did not have a regional approach on which to graft the NAP and the NHT.

**Mr Lee**—Senator, if I can add to the Queensland situation, we have seen some considerable progress now in Queensland with two regional plans out in the public for exhibition. They are from the Fitzroy Basin region and the Queensland Murray-Darling region. So we are seeing the planning process start to move along in Queensland now.

**Senator O'BRIEN**—This program commenced in 2000 and had a life of seven years so there are four years to run. Are you able to say we are now on track to get the money out there in the original time frame?

**Mr Thompson**—There have been two rephasings of national action plan money since the original time frame was put in place three years ago. This year is probably the most difficult year in terms of whether we are going to stay on target or not. With the biggest state and the biggest allocation in New South Wales now essentially catching up and running to schedule, I would hope that we can catch up some of that ground. But spending money is not always an easy task and we have put a lot of work into getting the planning, institutional and capacity structure in place, and that is starting to show dividends in those states that have got a good institutional arrangement in place now.

**Mr Wonder**—It would be fair to say, Senator, if I can add to that, that one of those two rephasings that Mr Thompson refers to was needed to actually establish the initial pattern, if you like, of how expenditure might roll out because governments, when they made their initial commitment—I am talking about the Commonwealth and the states—basically put the money over a number of years ahead of the work that needed to be done on how the roll-out might occur. When that roll-out was better understood, then it could start to be shaped to a pattern of how it might be put out over the years. So it was to be expected that we would have one of those rephasings as we better understood how the project would be completed.

**Senator O'BRIEN**—There was some discussion at the last hearing about what might happen to unspent funds through this program and, Mr Thompson, you said no decision had



been made in relation to that. Is there any further information you can share with us on that point?

**Mr Thompson**—It remains the same. No decisions have been taken on that at this point in time.

**Senator O'BRIEN**—Is the current rephasing schedule the one that was announced last?

**Mr Thompson**—The current one is, yes.

**Senator O'BRIEN**—So when will the expenditure in this project conclude?

**Mr Thompson**—Expenditure on the NAP overall will, in all likelihood, extend into the eighth year rather than the seven years as originally envisaged. No final decisions on how it might be used or when it might be concluded have been taken as yet.

**Senator O'BRIEN**—Is the Commonwealth-state commitment to the Murray-Darling for additional environmental flows going to be part of the national action plan or a separate project?

**Mr Thompson**—I think you are referring to the \$200 million that was promised at COAG. That is separate to the national action plan.

**Mr Wonder**—That is referred to on page 11 of the Portfolio Additional Estimates Statements.

**Senator O'BRIEN**—Absolutely, but it does say provision for the government's funding contribution has been included in the contingency reserve pending the finalisation of the funding profile. Is it going to come out of the national action plan funding profile?

**Mr Wonder**—No. It has already been included in the contingency reserve, and the resourcing for that is not out of the national action plan.

**Senator O'BRIEN**—Or no such decision has been made at this stage?

**Mr Thompson**—The way that is presented in the budget is to make it clear that the Commonwealth has identified separate and additional funding to other appropriations for the Murray-Darling overallocation initiative. But pending knowing what the cash flow might be or when or how it might occur or in what manner it might be paid out, it has been placed in that contingency reserve. That avoids us going through the exercise of putting it in one place and then having to move it as time goes on. That clearly identifies that that is new and additional money.

**CHAIR**—The government will contribute \$200 million over five years, commencing in 2004-05, to the \$500 million package for the overallocation initiative of the Murray-Darling Basin Commission. Have you got in your mind what the outside parameters are? For instance, the disgusting national disgrace that is going on in the Lower Balonne below Cubbie Station and the thieving and interception of people's riparian water rights in the Lower Balonne by water harvesters which was a wink and nod arrangement from years ago and now is under an A and B licence proposal by the Queensland government is disgusting. This is a Queensland government stuff up. This is to be authorised or authenticated under a new regime. Will you include that as part of the overallocation problems of the Murray-Darling Basin?

This is where, for instance, in the last few days, towards 700,000 megalitres of water has gone over the weir at St George and down the various river systems. Down the branch—that is, the Culgoa—there was a peak flow of 70,000 megalitres. There was a reasonably full flood above Cubbie Station and then below Cubbie Station there was not a half river in the Culgoa. I would have thought that was the equivalent of an overallocation. I think someone should be compensated for the loss of their riparian water right. Are those sorts of calculations able to be taken under what is proposed?

**Mr Thompson**—This money is focused on those jurisdictions that have contributed to that. Queensland is not party to this particular issue of addressing overallocation.

**CHAIR**—This is all what I call a ‘no brainer’. The absolutely abysmal national disgrace of water management by some states is noted. For instance, the overallocation of the Lachlan River is a state issue. The water harvesting at Cubbie Station or in the Lower Balonne is actually a state issue that has a catastrophic national consequence. We are not able to deal with that?

**Mr Thompson**—You referred to the Lachlan. The details of how this is being developed are not finalised yet. What we envisage is that there are areas of New South Wales where water has been allocated beyond the physical sustainability of the supply.

**CHAIR**—In the Lachlan by 100 per cent.

**Mr Thompson**—In other cases where provision has not been made to maintain the environmental values of those waterways this sort of money would be to provide funds so that those allocations could be brought back into balance or that water could be brought back if necessary to provide for environmental flows. In that sense, it could be a reimbursing people who hold water, it could be infrastructure works, it could be some targeted purchase or a range of mechanisms. They are some of the issues being discussed between the Commonwealth and the states.

**CHAIR**—You say there is not the capacity under what is planned, because Queensland is not a contributor, to deal with that issue even though the catastrophic outcome of that is actually in New South Wales?

**Mr Thompson**—This can deal with issues in those jurisdictions, but Queensland is not a party to this particular program.

**CHAIR**—I think it is a national disgrace.

**Senator O’BRIEN**—Is Cubbie Station not in the area where the Queensland government made a proposal and the federal government refused it?

**CHAIR**—I have no idea. All I know is that what happened up there is a national disgrace.

**Senator O’BRIEN**—We did have a look at the area when we went to St George and took evidence about the lack of the usual floods below Cubbie Station.

**CHAIR**—I cannot go into the technical side of why it is a disgrace—we would be here for three hours—but it is a disgrace. What they are planning as a solution is also a disgrace.

**Mr Wonder**—We are not involved with the Queensland government question.

**CHAIR**—I understand it is a state, but the consequences have a catastrophic national outcome.

**Senator O'BRIEN**—So the moneys for the states' contribution of \$300 million towards the \$500 million over five years is subject to discussions as to what the particular projects are, is it not?

**Mr Thompson**—Yes, it is subject to how the overallocation would be addressed and what particular projects or activities those funds might be used for.

**Senator O'BRIEN**—Has the Murray-Darling Basin been doing work in terms of the current water flows through the basin consequent upon the rains in Queensland and New South Wales?

**Mr Thompson**—I am not aware of whether they have done any particular work on those. They constantly look at water availability across the basin and readjust the allocations.

**Mr Dalton**—The Murray-Darling Basin Commission does review figures on storage capacities. It operates also on storages throughout the basin. There are liaison arrangements between the Murray-Darling Basin Commission and the jurisdictions that meet from time to time and make assessments and judgments on water availability. I have some figures, which were very similar to the figures that Senator Heffernan just mentioned a moment ago, of water released from Beardmore and they were similar—maybe from the middle of January. So there is constant monitoring and information available on water movement, expected time at various points throughout the system, and amounts held in storage.

**CHAIR**—But the Commonwealth involvement really as far as water goes—as I understand it, our jurisdiction is the environmental side, more obviously. The states can tell us to go and bite ourselves on other water issues.

**Mr Thompson**—The states do hold responsibility for the management and allocation of water, yes.

**CHAIR**—Which has been a serious botch over many years by governments of all persuasions, I might say.

**Senator O'BRIEN**—That is all that I have in terms of NRM.

**CHAIR**—Can I declare an interest, because I have a property on the Lachlan River. What has happened on the Lachlan, I have to say, is a pretty catastrophic miscalculation of the capacity of the catchment to deliver water. In the lower Lachlan, below a place called Willmar, which is halfway between Hillston and Gulgong, the flood plain spreads out. For many years since they started they have moved all the water licences up the river. There have been a lot of water licences moved up above Hillston for all that new development there. The lower Lachlan is generally in environmental disrepair. For instance, all the gum trees are dying for miles out from the rivers. Under what you are proposing—and obviously one of the solutions to this is that the Narran thing has to be in this Lower Balonne because what is wrong with the Cubbie operation is that the Cubbie A and B licence agreement is talking about giving them a small flow and taking back what they give away to the irrigators in a big flow when, in fact, we want to top up a big flow to give it a decent flood so that all the gum trees get water. Is there going to be any capacity in what you are planning to do—you may not

know the answer for this, and there are lots of rivers, Macquarie is another one—to top up a big flow so that you get a bit of decent environmental repair?

**Mr Thompson**—The focus of the Living Murray initiative is on the main stem of the Murray and the Lower Darling, for which the Murray-Darling Basin Commission has some responsibility. States have responsibilities and they are trying to take complementary action on the streams like the Goulburn, the Murrumbidgee, the Lachlan, the Gwydir and others. The question as to whether some of this \$500 million might be able to be applied to commence addressing some of the problems away from the main stem of the Murray has not been finally resolved. It is certainly not excluded from the considerations, and work is going on on what are the environmental needs of the tributary streams.

**CHAIR**—They seem to me to be less important to the processes of government. One of the things that stood out when they built the Snowy was that they compensated people who got flooded by the dams, because they were actually going to be under water, but they did not give any consideration to people who were going to lose their flood downstream for the land and the environment downstream because of the storage of the water. I despair. What is going to come out of this, I am damned if I know. The other question which would be of interest to the minister is what inclusions, because there have been absolutely no inclusions so far in those water sharing plans in New South Wales, I know, of the effect of the 20/20 plantation vision on the interception of water in the run-off. By the way, the solution to all this will take a lot more than \$500 million. There is not one stitch, not one line, not one sentence, for instance, in the Murrumbidgee's deferred management plan about the extensive build-up of plantation forests, which is just as effective as a 12-inch pump. It will take water out of the river and it will not get into the catchment. So I despair, but I presume that those sort of questions are not questions for you.

**Mr Thompson**—Both the COAG water agenda and the Murray-Darling Basin Commission have put this question of interception of water flows as areas for there to be further work in.

**CHAIR**—I am pleased to see that, but as late as last week, the New South Wales crowd are telling me that they still have not done any work.

**Mr Wonder**—The first point was the very point that Mr Thompson has made. Under the national water initiative—the issues that are being addressed there—interception is one of the issues.

**CHAIR**—Yes. I notice water harvesting is also one.

**Mr Wonder**—That is right. So you got that message. The second point was in relation to your earlier concern about the sorts of strategies, if you like, that you mentioned about, say, topping up a natural flood or whatever it might be to achieve the environmental outcomes at these six sites. Yes, they are among the options that can be brought to bear on producing those outcomes.

**CHAIR**—Because what is important is that people understand that if you take the top foot off a flood and harvest it—and you might say, 'But we only took the top foot,' that is the bit that actually does the good work when it comes to the environment. We run into that problem

in the lower reaches of the river all the time. We are more or less told to go and bite ourselves. Thank you very much. We will be back in 15 minutes.

**Proceedings suspended from 4.06 p.m. to 4.21 p.m.**

**Mr Banfield**—Could I just remind Senator O'Brien that this morning he asked some questions about the US Bioterrorism Act and I indicated that Product Integrity, Animal and Plant Health was the business, so the officers are at the table.

**Senator O'BRIEN**—Thank you. Why don't we deal with that first so that they are not kept in suspense any longer. As I said this morning, at the last hearings I asked about the ability of Australian food exporters to comply with the US Bioterrorism Act. We were advised that every effort was being made to communicate the new rules to Australian exporters. What has happened? Where is the process up to? What impact are these requirements having or likely to have?

**Dr Murray**—I have a few general statements. The rules, as you know, came in at the end of last year, December 2003. Prior to that there was a very comprehensive effort of advising the various industry groups of the rules, of the requirements, and that included working together with Austrade, DFAT, AQIS and so on. In short, the system seems to be working pretty well. We have no advice of any major complaints. There are some criticisms of the nature of the requirements to get on and prior notify and some of the more detailed components of the scheme. But basically, as we understand it, the United States Food and Drug Administration will be considering the implementation of the scheme in March this year and at that time we will be able to give them a more comprehensive assessment of how we feel about the program here.

**Senator O'BRIEN**—It was acknowledged that there would be an additional administrative burden and that would naturally translate into additional cost. Do you have any sense now of what that cost might be?

**Dr Murray**—I have no sense at all of the additional cost per company. Some companies have their own infrastructure already there—they have their own contacts in the US, their own brokers and so on—but I have no idea of the actual quanta of net additional cost.

**Senator O'BRIEN**—Last time we were told that this matter was pursued in the margins of the US free trade agreement negotiations. Where did these negotiations get to?

**Mr Banfield**—I think that is probably a question—picking up on the comments that the minister made this morning—that is better to pick up with the Department of Foreign Affairs and Trade. Certainly none of the officers at the table were party to those discussions.

**Senator O'BRIEN**—Are you aware of any changes in the area?

**Mr Banfield**—I am personally not aware of any changes. If it was discussed in the context of the free trade agreement, I would suggest that you take it up with the Department of Foreign Affairs and Trade.

**Senator O'BRIEN**—So what work has been done to see whether these mechanisms are the least trade restrictive they can be?

**Dr Murray**—What has been done has been to effectively put a submission to the United States Food and Drug Administration for consideration. That submission in effect suggests ways by which Australia might be better served in an efficiency way—for example, by using AQIS lists and AQIS programs in lieu of individual company notification. That submission was put in some time ago, and these are the issues that will be considered by the United States Food and Drug Administration.

**Senator O'BRIEN**—Has Australia registered any formal concern with the WTO about this process?

**Dr Murray**—I cannot answer that. Maybe Mr McCutcheon can fill in.

**Mr McCutcheon**—When the US issued the draft rules in mid-2003, Australia did lodge formal comments on those rules with the WTO SPS Committee.

**Senator O'BRIEN**—So what has happened about that?

**Mr McCutcheon**—We have had no response that I am aware of.

**Senator O'BRIEN**—So we lodged the comments. What would you expect would be the response from WTO—anything?

**Mr McCutcheon**—I am not in a position to answer that. I think it is a matter of the WTO SPS arrangements collecting all comments and providing a pro forma response.

**Ms Harwood**—Just to clarify how the notification system works, the comments are lodged with the WTO SPS secretariat, but it is essentially a post office. They are relayed through to the US and, from memory, I think they were provided direct to the US. The US system—the way their rule-making process works—receives comments but you do not necessarily get a response.

**Senator O'BRIEN**—So the fact that we have lodged something with the WTO is practically meaningless.

**Ms Harwood**—No, it is not. The US was genuine in seeking comment on the proposed regulations and we provided detailed comments, as did many other countries. As I understand it, they took those into account in formalising the final rules.

**Senator O'BRIEN**—Are we aware of any changes that were made?

**Mr McCutcheon**—No.

**Senator O'BRIEN**—So you are not aware of any changes?

**Ms Harwood**—I would be happy if we took that on notice.

**Senator O'BRIEN**—Okay. Do we have options to pursue the matter further?

**Mr McCutcheon**—There will be a review in March, as Dr Murray indicated, and that will be another opportunity for Australia to lodge comments on the arrangements as at work to date.

**Senator O'BRIEN**—If these arrangements are not the least trade restrictive, do we have an option to refer a matter to the processes of the WTO for determination?

**Ms Harwood**—That is an avenue that is available to Australia if Australia wishes to pursue it.

**Senator O'BRIEN**—Have we given contemplation to such an action?

**Ms Harwood**—I would not comment.

**Senator O'BRIEN**—Thank you for that, Ms Harwood. I want to ask some questions about avian influenza—bird flu. Has the National Management Group been brought together to look at this possible threat and how to deal with an outbreak?

**Dr Murray**—The answer is yes.

**Senator O'BRIEN**—Can you give me some detail?

**Dr Murray**—Yes. With the avian influenza pandemic in Asia, clearly there has been work going on for some time—for example, Australian quarantine arrangements, a review in a sense of what is happening in Australia, recognising of course we have had a lot of experience with five outbreaks over the last 20 or so years. But, in order to fully evaluate the position, industry and a number of the government and scientific groups met to consider the risk and to consider action that should be taken. This then fed into our Consultative Committee on Emergency Animal Diseases which in turn put up a suggested line of action to the National Management Group. Basically, the report covered ways of strengthening what I happen to think is quite a good system that we have in place at the moment.

What were the outcomes? Firstly, we recognised that communication was particularly important with not only the big end of town—the large industries—but also backyard industries and small producers. So we agreed to set up a communication network to advise them to be on the alert and to advise them of anything unusual. Secondly, given the situation in Asia with probably 21 deaths as I understand it to date, the issue of occupational health and safety was deemed particularly important. So there was an agreement with health advice to set up OH&S arrangements for people who might have to deal with an emergency. Thirdly, although we have had a lot of experience with avian influenza and with Newcastle disease, it was agreed that an industry-led group should re-evaluate risk: has anything changed, are biosecurity arrangements put in place by industry up to scratch, does anything more need to be done? Fourthly, as I recall, we recognised a need to look at laboratory capacity for diagnostics, to look at vaccination options, and that is more a medium-term task. Finally, there was a reinforced message that dealing with human health authorities, which we do all the time, was particularly critical. We cannot operate separately from those health authorities. So these actions are in train.

**Senator O'BRIEN**—Has any work been done on the vectors which might introduce that disease to the country apart from individuals who might have contracted the disease overseas?

**Dr Murray**—It seems what we are dealing with at the moment is a bird disease, an avian flu, and human infection—tragic as it is—is direct bird to human. There is no evidence of subsequent human to human spread. In the context of how we are handling an avian hypervirulent disease, the way things have happened in the past is that viruses are often spread by migratory birds. Thirty or 40 million come into the country at different times of the year. They in turn intermingle with local wild birds. Those in turn can intermingle with flocks

and backyarders, hence the need for biosecurity work on farm. That is, in a sense, the highest risk and a risk that can progress over a period of mixing of birds and mixing with domesticated species. On the quarantine side, there is a far lesser risk. The quarantine arrangements are pretty good with a quarantine inspection system with new technology. But the risks that can occur there relate to smuggled material, smuggled vaccines and so on. That is why AQIS has paid particular attention to those countries and people arriving from those countries that are affected with bird flu.

**Senator O'BRIEN**—There have been some incidences where the virus has been discovered in other animals, not necessarily infecting them but they are carriers. Pigs, for example, were discovered with the virus in nasal cavities.

**Dr Murray**—Yes. You would expect that in a way if there is close proximity and intensive husbandry in, say, south China, where pigs and humans intermingle. So you get these viruses in the nasal cavity. But I am not aware of any avian influenza infection in pigs, although the risk always is that there will be a transfer of genetic material.

**Senator O'BRIEN**—But we cannot predict.

**Dr Murray**—You cannot predict, but you know it is a possibility. In the past, for example, it has happened that a pig flu has resulted in minor infections in humans.

**Senator O'BRIEN**—What work has been done with the veterinary community to monitor the issue?

**Dr Murray**—At probably two main levels. Firstly, in state animal health services, all states veterinary officers have been made aware of what has been going on in Asia for some time and are therefore aware that surveillance has increased. They in turn have been working with industry to pass the message to be alert on to backyarders and so on. The Australian Veterinary Association—and the Veterinary Association has been party to our talks—in turn have been notifying avian vets to set up a communication channel through their aviculture type industries. So that is what has been happening in terms of communication.

In terms of working together as a team, I mention a number of the steps that have been taken. For example, the occupational health and safety is being led by Victoria in conjunction with Health and so on. So everybody is playing a part in awareness. The third element I should say is what is happening overseas and how we are operating. At the moment there are two veterinarians from Australia, one working in Vietnam, working in Thailand, and about to go to China to provide feedback so that there can be a global international approach taken to the management and control. We are, of course, party to these discussions. They will lead to a major conference in Bangkok during the last week of this month. In that context we will be seeing what we can do to help control and manage the disease at source.

**Senator O'BRIEN**—Thanks for that. What restrictions are in place on the import of beef products from the United States and Canada due to the detection of BSE in those countries?

**Dr Murray**—I might ask one of my colleagues to get to the specifics. Basically, when we talk about food products, this is Food Standards Australia New Zealand, but when it comes to livestock and genetic material I think it is Biosecurity Australia.



**Dr Banks**—As Dr Murray has said, the importation of beef products for human consumption is essentially a concern for Food Standards Australia New Zealand acting under policy advice from the Department of Health and Ageing. Our own involvement is more towards the importation of live animals, beef products that are not for human consumption, vaccines and things of that nature. As for what we have done on them, when the event occurred we very rapidly went through all our policies governing the importation of those products and reassessed in some cases what needed to be done. We have not made an awful lot of changes because there is a lot of pipeline product that is still coming through and we believe that we have had one case in the United States which is attributed to having come from Canada out of a million head of cattle in the United States. But we are rapidly reviewing at the moment some of our policies, particularly with regard to vaccines and things like that.

**Senator O'BRIEN**—Have we discovered any animal product based vaccines that we use from the United States or Canada?

**Dr Banks**—We import two types of product. One is finished vaccines and the other are ingredients for making our own vaccines here onshore. We are reviewing all of those.

**Senator O'BRIEN**—So there are no bans in place at the moment?

**Dr Banks**—Not at this stage, Senator. Certainly we are monitoring the situation, but it has not resulted in bans per se at this stage.

**Senator O'BRIEN**—And FSANZ has some limitations in place?

**Dr Banks**—That is correct.

**Senator O'BRIEN**—Thank you very much. That is all I have for Product Integrity.

[4.43 p.m.]

#### **Australian Quarantine and Inspection Service**

**Senator O'BRIEN**—As I understand it, there is a memorandum of understanding in place with the Thai government on plant quarantine. Is that affected by the free trade agreement between Australia and Thailand and the operations of AQIS?

**Ms Stanton**—We are not aware of the position with that MOU and whether it is affected by the free trade agreement. We will take that on notice.

**Senator O'BRIEN**—Where protocols are put in place on importation, AQIS becomes the front-line agency, does it not, to establish whether those protocols have been met?

**Ms Stanton**—Yes, that is right.

**Senator O'BRIEN**—On the protocol for pineapples imported from Thailand, is the fumigation using methyl bromide required to be performed offshore or onshore? If it is offshore, how do you check that that has been done?

**Ms Stanton**—Again, that is a question of detail that no-one at the table can answer, so we will take that on notice.

**Senator O'BRIEN**—In dealing with the Thai government, is that entirely a matter for Biosecurity Australia or does AQIS have a role there?

**Ms Stanton**—It would depend on what it was about, but sometimes it would be Biosecurity on its own. Rarely would it be AQIS on its own. Quite often it would be us both together.

**Senator O'BRIEN**—Do you know whether we have offered to permit the fumigation of Thai pineapple onshore rather than offshore?

**Ms Stanton**—I am not aware, but it may well be that Ms Harwood can answer.

**Ms Harwood**—As I think we explained at the last estimates, the Thai government had raised with us a proposal to fumigate onshore. We have done an assessment of that and the policy for importing pineapples now allows for the fumigation to be done offshore or onshore.

**Senator O'BRIEN**—There are a number of matters we have had raised with us by the Thai government. Mangosteens are another one, are they not?

**Ms Harwood**—Mangosteen is one of the Thai government's market access requests of Australia.

**Senator O'BRIEN**—That is an import risk assessment that is being done?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Is that completed?

**Ms Harwood**—We have issued the final import risk analysis report. That is open for the appeal period at the moment.

**Senator O'BRIEN**—Okay. I am sorry about the crossover, but methyl bromide fumigation is not required for mangosteen. Why is that?

**Ms Harwood**—In brief, mangosteen is not a host for fruit fly. I would have to check precisely, but my understanding is that there are no quarantine pests that require that style of quarantine treatment to deal with them. That is, other quarantine measures are prescribed to deal with the risk associated with Thai mangosteens. If you want more detail, I could see if I have it with me.

**Senator O'BRIEN**—I simply wanted to find out the basis for that. I think you talked about other options, including irradiation.

**Ms Harwood**—Actually I think it is best if I take that one on notice to give you the precise regime proposed for Thai mangosteen.

**Senator O'BRIEN**—There are other import risks assessments that the Thais want us to do as well, are there?

**Ms Harwood**—They have a range of market access requests that they have on their priority list to us. Those include longans and lychees. They have had an interest in durian, pineapples, chicken meat, prawns, mangoes and ornamental fish. Those are some of the ones on their list of commodities they are seeking to have us consider.

**Senator O'BRIEN**—What priority has been established for those import risk analyses?

**Ms Harwood**—On the plant side, their priority request is the mangosteen one.

**Senator O'BRIEN**—Have we told them we will start on any others?

**Ms Harwood**—We are already doing an import risk analysis on longans and lychees for both Thailand and China.

**Senator O'BRIEN**—Are the pest problems the same for the two countries?

**Ms Harwood**—Not necessarily, no.

**Senator O'BRIEN**—Is it true that seed borer was found in two cases of frozen durian from China?

**Ms Harwood**—I believe that to be the case. My colleagues from AQIS may wish to comment on that as well.

**Ms Stanton**—I am not aware of that, but I can certainly check it for you.

**Senator O'BRIEN**—Is there still a requirement in place for destructive sampling of this product in Australia?

**Ms Harwood**—The import protocol for fresh durian as it stands requires destructive sampling.

**Senator O'BRIEN**—Not frozen?

**Ms Harwood**—No, the frozen protocol is different because that deals with some of the quarantine pieces differently, because it kills them.

**Senator O'BRIEN**—Did the Thai government request us to remove the destructive sampling tests?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Have we refused to do that?

**Ms Harwood**—We have discussed it with them, but we have not changed the requirement.

**Senator O'BRIEN**—Are we also about to start an import risk assessment on duck meat?

**Ms Harwood**—Duck meat is in the queue of import risk analyses on the animal side.

**Senator O'BRIEN**—Is it a long way down the queue or next or—

**Ms Harwood**—I believe that when we have completed the chicken meat IRA would be a logical time to start the duck meat IRA, because there are related issues.

**Senator O'BRIEN**—So, in relation to chicken meat, there is a review of the protocol under way for that?

**Ms Harwood**—There is an existing policy for chicken meat from Thailand. We are doing generic import risk analysis for a number of source countries on chicken meat, and that includes all sources of supply. So it is not specifically a review of the Thai policy; it is a generic import risk analysis for chicken meat.

**Senator O'BRIEN**—Have the Thais submitted a time-temperature regime proposal in relation to cooked chicken?

**Ms Harwood**—They have submitted technical information to us, including a risk assessment essentially done by them which they have provided to us.

**Senator O'BRIEN**—Can you supply us with the details of the submission received for that review and who made them?

**Ms Harwood**—That is the Thai technical document provided to us?

**Senator O'BRIEN**—The chicken meat review.

**Ms Harwood**—Sorry, I do not quite understand.

**Senator O'BRIEN**—The chicken import risk assessment.

**Ms Harwood**—The chicken meat import risk assessment?

**Senator O'BRIEN**—Yes.

**Ms Harwood**—What would you like to know?

**Senator O'BRIEN**—The Thais made a submission which, I take it, is part of that review?

**Ms Harwood**—Yes, I believe that would probably be on public file. I will check, but yes.

**Senator O'BRIEN**—The nature of other submissions and who made them—is that on the web site as well?

**Ms Harwood**—The stage we are at is that we issued an issues paper some time ago and we received an array of submissions on that, and we are now preparing the draft import risk analysis.

**Senator O'BRIEN**—Is it possible to know who made those submissions?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Did countries other than Thailand make a submission?

**Ms Harwood**—Yes.

**Senator O'BRIEN**—Which countries?

**Ms Harwood**—I cannot give you the complete list. We would have to take it on notice, but we had several submissions on the issues paper.

**Senator O'BRIEN**—On the issue of seed potatoes, the Thai government put in place tough soil tolerance levels, as I understand it.

**Ms Harwood**—Yes.

**Senator O'BRIEN**—That was the subject of negotiation last year?

**Ms Harwood**—There have been technical discussions on that matter.

**Senator O'BRIEN**—What has been the outcome of those technical discussions?

**Ms Harwood**—The precise outcome I would have to take on notice, but essentially, as I understand it, the matter was resolved and a standard agreed—that is, conditions agreed relating to seed potatoes.

**Senator O'BRIEN**—Were the Thais seeking something different from the accepted international standard for soil tolerance?

**Ms Harwood**—Again, I would have to take that on notice.

**Senator O'BRIEN**—On the question of shrimps, Australia requires two certificates for prawn products, as I understand it. What are they and why do we require them?

**Ms Harwood**—I will ask Dr Banks to take that.

**Senator O'BRIEN**—Thank you.

**Dr Banks**—As I recall, one was on the origin and some aspects of the certification, and other parts of the certification were on the quarantine health matters.

**Senator O'BRIEN**—Have the Thais sought to change those arrangements?

**Dr Banks**—They have.

**Senator O'BRIEN**—What is the basis of the changes requested?

**Dr Banks**—They believed that we required those two sets of certification from two different bodies. That was not correct. We would accept a single set of certification from the single what is termed 'the competent authority', which is in this case the Thai government. So it was a misconception on their part that they believed we required two sets of certification when in fact we were happy to receive it all from the one Thai government source.

**Senator O'BRIEN**—In relation to livestock access to Thailand, can you confirm we have raised concerns with the Thai authorities in relation to access of livestock into that country?

**Dr Banks**—We have certainly held negotiations with them for what we regard to be a very restrictive trade policy with regard to livestock imports on their part.

**Senator O'BRIEN**—I understand that Thailand has very strict and, in our view, unjustified controls on diseases that are already endemic in that country or not presently in existence in Australia.

**Dr Banks**—That unfortunately is a common problem with some of our trading partners, but certainly is applicable to Thailand, yes.

**Senator O'BRIEN**—We have sent a number of letters to the Thai officials about this significant problem and there has been no response?

**Dr Banks**—Correct.

**Senator O'BRIEN**—The Thais apparently claim these restrictions are normal practice in line with the OIE?

**Dr Banks**—I am not aware that they claim that.

**Senator O'BRIEN**—What is the normal practice at OIE level on these matters?

**Dr Banks**—It is more to do with the SPS agreement, Senator. Essentially, it is legitimate to place controls on imports only if a disease of concern is either exotic to the importing country or under mandatory control in the importing country. But we believe that it is legitimate to place controls for diseases that are endemic in these countries and are not under mandatory control.

**Senator O'BRIEN**—So what sort of livestock are we prevented from sending to Thailand because of this?

**Dr Banks**—I would not say ‘prevented’. We can get some cattle in—it is cattle that we are mostly talking about—but the conditions are very restrictive.

**Senator O’BRIEN**—And do we in fact send cattle?

**Dr Banks**—We have put some in there, but it is not anywhere near as much as we would like.

**Senator CHERRY**—I have two sets of questions. One was about any role that AQIS has played or not played in an incident involving GE canola. The OGTR’s quarterly report in September referred to an incident involving Cargill and the Victorian Department of Primary Industries where some GM canola plants had been inadvertently planted into a trial. The report says:

The OGTR has established arrangements with the Department of Primary Industries to ensure the site is regularly monitored and any late germinating GM canola plants are controlled. The Department of Primary Industries and Cargill Pty Ltd are undertaking a comprehensive review of their procedures for importing and receiving canola seed into Australia and have provided the OGTR with evidence to show they have revised their systems to ensure that similar incidents do not occur in the future.

How does a series of GM canola seeds come into Australia and slip through AQIS into a trial inadvertently and, frankly, illegally?

**Ms Gordon**—The process for importing seeds into Australia—genetically modified seeds—requires the importer to declare whether in fact the seed import is genetically modified for not. Under a particular section of the quarantine proclamation, if a seed is genetically modified, then an import permit is required. In addition, if an importer identifies that the import is genetically modified and an import permit is required, AQIS requires evidence that the Office of the Gene Technology Regulator has approved or has provided a licence to that importer to import the genetically modified product. So any importer of genetically modified seed would be required to give evidence to both AQIS and the Gene Technology Regulator that they had appropriate approvals before they could bring that seed in.

**Senator CHERRY**—So in Cargill’s case they imported that seed illegally into Australia?

**Ms Gordon**—Not necessarily. It depends on when they brought the seed in. The current requirements were introduced last year in response to a need to ensure that all imports of genetically modified seed were being identified. So the arrangements that we have in place now—I cannot give you the actual date—were brought in about the middle of last year. So prior to that there would have been a requirement for an importer of genetically modified seed to identify whether in fact it was one of the seeds that required an import permit from AQIS. That would have been because AQIS, on the advice of Biosecurity, had advised that there were quarantine restrictions in relation to that seed. With canola, there would not necessarily have been those concerns. So there may not have been a need for an import permit.

**Senator CHERRY**—With respect to this report in the OGTR’s quarterly report, has AQIS done any investigations to work out whether this seed was brought in contrary to a requirement for a permit?

**Ms Gordon**—I would have to take that question on notice. It is routine for the Office of the Gene Technology Regulator to follow up and investigate whether in fact there has been

any breach of the particular provisions, and AQIS and OGTR are working very closely together to share information that enables those investigations to take place.

**Senator CHERRY**—I would appreciate that, and if it was in fact shown that it was a breach I would also appreciate your advising what further action AQIS will take in respect of any breach of the law. Looking into the large field trials now proposed for New South Wales, has AQIS and OGTR established any protocols to govern the importation of seed to cover the very large field trials that will be going on?

**Ms Gordon**—AQIS's responsibility is to administer the quarantine legislation, which is particularly focused on pests and diseases of quarantine concern. So our import permit system is specifically designed to address those considerations. More general considerations of importation of genetically modified material are the responsibility of the Gene Technology Regulator under the Gene Technology Act. So, unless the particular seed was one that was potentially of concern for a quarantine related issue and an import permit was required for that purpose, it would be a matter for the Gene Technology Regulator and the New South Wales state government to address.

**Senator CHERRY**—So, essentially, you are saying that none of your inspectors would be checking whether seed was genetically modified or not?

**Ms Gordon**—We would be interested in whether the seed was genetically modified in determining whether there was an import permit required for quarantine purposes. Once that decision was made, provided the importer had declared the nature of the seed and whether it was genetically modified and we had done an assessment about whether there were quarantine concerns and issued an import permit on that basis, we would not be concerned outside of that particular area of administration. We do, as I mentioned earlier, however, require advice from the Office of the Gene Technology Regulator before we issue our import permit that they have also given consideration as to the implications for the administration of the Gene Technology Act.

**Senator CHERRY**—And there are no spot checks of any sort; you are simply relying purely on the importer ticking the correct box?

**Ms Gordon**—Essentially, the process requires the importer to identify quite specifically by answering a very specific question about whether the seed itself is genetically modified, so they actually have to make an up-front declaration prior to importing the seed. After the event, AQIS provides the Gene Technology Regulator with information from our database of all importations of seed so that they are able to follow up and investigate to ensure that all the regulatory requirements have been met. So we share information on a monthly basis with all importations where an import permit has been issued so that they can determine that all their requirements in respect of the Gene Technology Act have been met.

**CHAIR**—So when they tick the box and say that this is GM free, if there is one per cent contamination, are they still eligible to tick the box?

**Ms Gordon**—If it were contaminated, if it did have a genetic modification in it, the onus is on the importer to identify that it has genetic modification and to indicate—

**CHAIR**—But what is a recognisable contamination—to be one or the other?

**Mr Banfield**—I can probably help there. My understanding is that the act is explicit that there is no tolerance allowed. GMs need to be declared, and if they are declared and they are approved by the OGTR then they are allowed entry. But there is no tolerance in terms of the Australian government legislation of the importation of genetically modified material.

**Senator CHERRY**—Does AQIS have a risk management plan in place to try to identify when people are not declaring GM seeds?

**Ms Gordon**—The arrangements, as I have indicated earlier, are that AQIS and the Gene Technology Regulator share information on a regular basis about the importation of all seeds—those that are genetically modified and those that have not been declared to be genetically modified—so that checks can be undertaken of whether all the regulatory requirements have been met.

**Senator CHERRY**—You could take this on notice. Could you give the committee some information on the checks which have been put in place over the last six months to check whether people are correctly declaring whether the seed is GE or not?

**Ms Gordon**—Yes.

**Senator CHERRY**—This is a question for Ms Harwood. The President of the US Pork Producers Council has been quoted as saying that the support of US pork producers for the Australian free trade agreement is contingent upon Australia completing its technical work—referring to the draft import risk assessment for pig meat—and opening its market to US pork. The US trade representative is quoted as saying that one of the key agricultural products to benefit from the free trade agreement will be pork products following resolution of technical issues. Is there any pressure being brought to bear by the trade representative from the US on Biosecurity Australia at this point in time to resolve those technical issues and let US pork meat in?

**Mr Banfield**—You were not in the room this morning when the issue of the free trade agreement was discussed. I think Minister Ian Macdonald made it clear at the time that we would not be offering views on what US officials may or may not be bringing to the table in relation to the free trade agreement; that is a matter for them.

**Senator CHERRY**—So I will leave that one hanging and hope like hell at some stage—

**Mr Banfield**—We would not want to get into the situation of interpreting any views or comments that US officials might make. The position of the Australian government has been made clear in these matters, and that is that there is a science based risk assessment in the importation of products and the import risk assessment process. That position has been made abundantly clear by the government.

**Senator CHERRY**—My final set of questions is on the issue of invasive species. As I understand it, under the Quarantine Act it is permissible to bring into Australia a whole range of species of various plants which have been found by researchers in this country to be capable of being invasive in terms of their weediness. What risk management procedures does AQIS have in place to ensure that invasive plants are not being introduced into Australia?

**Ms Stanton**—Again this would be a matter for Biosecurity Australia to set the policy for what is allowed in through risk assessment or whatever. Then, on that basis, we would



implement that policy. There are some plants that are not allowed at all. There are many plants where there are certain import conditions that involve post entry plant quarantine. We, along with some states, administer that as well. So it would depend entirely on what species you are talking about. Generally speaking, Australia is very careful about what plant material is allowed into the country. Those protocols and policies are set by Biosecurity.

**Senator CHERRY**—I will leave that one there. I have an inquiry on that one coming up, so we will deal with that one in some considerable detail later on. My understanding is that there are 3,000 plant species which are permitted under the Quarantine Act which have been found to be weedy by other parts of DPI or state DPIs around Australia. We will deal with that one later.

**Senator FERRIS**—I have some questions regarding the shipment of beef from the contaminated feedlot in Portland. Has the packaged meat actually left Australia yet?

**Mr Read**—It is not beef; it is actually sheep meat.

**Senator FERRIS**—I said meat, not beef. I know it is sheep meat.

**Mr Read**—No, it is in retain in Melbourne.

**Senator FERRIS**—Can you explain why that is?

**Mr Read**—Because we have had advice from industry providing concern about the entry of this product into the market it was proposed to enter.

**Senator FERRIS**—Any market or a particular market?

**Mr Read**—A particular market.

**Senator FERRIS**—That is the Japanese market?

**Mr Read**—Correct.

**Senator FERRIS**—So the original owner of the sheep is still the owner of that meat?

**Mr Read**—As I understand it.

**Senator FERRIS**—What plans do you have to allow that meat to be sold?

**Mr Read**—We have policy advice from industry on the concerns of the Japanese market, as we have stated. We await what other options the commercial interest in that product will bring to AQIS as to the new destined markets for that product.

**Senator FERRIS**—How long do you propose to wait and what markets are you currently exploring? Have you provided any guidance to the unfortunate company that owns that meat and still holds that meat and carries the cost of it?

**Mr Read**—We are in discussions with the owner as to what those possibilities are.

**Senator FERRIS**—You have been in discussions with the owner since well before Christmas. What conclusions are you drawing?

**Mr Read**—We have not had any other market provided to us as options as to where that product may go.

**Senator FERRIS**—You are aware that the view is that there is nothing wrong with the meat, so the basis for your decision not to allow it in there is a market sensitivity option; is that correct?

**Mr Read**—That is correct.

**Senator FERRIS**—Is there any likelihood that the sensitivity into the Japanese market will change?

**Mr Read**—It is unlikely, but we will await further advice from the broader industry in that regard.

**Senator FERRIS**—How long do you think it would be reasonable for this small South Australian company to have to carry the cost of holding this meat, given the costs of holding the sheep for some weeks in the yards? I think you are aware of the cost of slaughter which was non-halal. There were other costs involved in that. This small South Australian company has been carrying thousands of dollars worth of costs and this department has been telling that company since before Christmas that it is exploring options. You are telling me that you cannot see any likely outcome from an option to export into the Japanese market. What is the company to do with this meat?

**Ms Stanton**—We have to remember that this was a very difficult situation.

**Senator FERRIS**—I agree; it was.

**Ms Stanton**—We were very careful to consult the industry on this. We had understood originally that this meat was going to another country which we did not have any sensitivity about. We did not think there would be any sensitivity. When it was proposed to send this meat to Japan, we thought there were some sensitivities. The industry as a whole felt very strongly—MLA, the Sheep Meat Council, the Cattle Council—that there would be sensitivities for red meat to Japan. We have offered to provide what assistance we can, but in the end it has to be for the commercial producer to discover the market that this meat will go to.

**Senator FERRIS**—When you say you have offered to provide what assistance you can, what assistance have you offered SAMEX?

**Ms Stanton**—My understanding is that there have been conversations where suggestions have been put. I have the details of those, but my point is that in the end we are not a market access body. There were reasons why this particular shipment could not go to where the exporter would have liked to have sent it. You would be aware that the exporter has asked for a statement of reasons—

**Senator FERRIS**—I have the statement of reasons in front of me.

**Ms Stanton**—They have received that. We will continue to give some thought to where other options could be, but in the end that is a commercial decision for this particular company.

**Senator FERRIS**—Hang on a minute. That was a decision that you issued a direction to of export control orders on 19 November—three months ago. Now, 4.9 of your statement of reasons states that MLA has confirmed there was media coverage in Japan of the Portland

feedlot issue—that is, three months ago—and there is therefore a high risk that the shipment of the product to Japan would attract media interest and provoke consumer concerns about Australian meat in general. What you are saying to me and what you are saying to this small company is that three months ago there was some media coverage in Japan. There is nothing wrong with this meat. I think everybody is agreed that there is nothing wrong with this meat. So what we are talking about is some media coverage in Japan three months ago.

This little company is facing extreme financial crisis over this issue. They have got no compensation from anybody. There is nothing wrong with the meat, but because of media coverage in Japan of this issue three months ago AQIS is refusing to allow this meat to go to that market. I do not believe that 4.9 is a sufficient reason three months later to simply tell that producer, ‘You can’t sell that meat,’ where that meat is perfectly able to go. There is nothing about that meat that is any different from any other meat. We all agree on that. You agree, they agree and, in a far less informed way, I agree on the facts that I have been presented with.

I am wondering what this producer—this little company—is supposed to do with this product, because it is now three months since you issued that order and they are at a point of extreme frustration with the department. I have tried to make representations on their behalf and I have got nowhere, and they feel that they have got nowhere. So when you say that you are offering to do what you can, I am very interested to know what that is either from you, Ms Stanton, or from you, Mr Read, because you are mentioned, Mr Read, all the way through this document.

**CHAIR**—Before you answer that, could I just ask how much meat we are talking about here? Was it meat off 1,800 sheep? Did they dress—

**Mr Read**—It is actually 1,663 carcasses.

**CHAIR**—So it is about 60-odd tonnes? Do we know how much meat we are talking about to get it into proportion?

**Mr Read**—You are talking probably about—

**CHAIR**—If they dressed 40, it would be about three containers.

**Senator FERRIS**—This is a very serious issue and it could send this company to the wall.

**Mr Read**—To correct some of the information while we are finding the number out on the number of cases, the direction was issued on 12 January, not three months ago.

**Senator FERRIS**—Yes, but it goes back to 19 November when the incident occurred. I am reading the document here.

**Mr Read**—If you pick up Ms Stanton’s response a moment ago, AQIS had no concerns with the alternative market that was put forward initially as the best export market.

**CHAIR**—Was one more of a premium market than the other? Was that the problem?

**Mr Read**—It is a commercial decision as to where the product goes, so most commercial interests will work to go to the market with the best return.

**CHAIR**—But commonsense says that if you take the first loss it is always the best loss—if you can get rid of the stuff in a market that is not a friend, get rid of it and get the loss and get it out of the road. How much meat are we talking about?

**Mr Read**—You are talking about \$80,000 roughly of product.

**CHAIR**—But how many tonnes? What do they dress? I will tell you how many per head.

**Senator FERRIS**—I think it was 1,700 sheep, wasn't it?

**Mr Read**—Yes, about 1,200 cartons.

**CHAIR**—So 1,200 cartons. How much is in a carton?

**Mr Read**—Those carcasses would be around—

**CHAIR**—Did you say 1,200 carcasses?

**Senator FERRIS**—Cartons.

**CHAIR**—Cartons? What is a carton? Is it 20 kilos?

**Mr Read**—If you come back the other way, there would be about 1,700 carcasses and they probably dress out at around 25 to 30 kilos.

**Senator FERRIS**—This little guy, Mr Black of SAMEX, is between a rock and a hard place here. He had the sheep at Portland. They were under the same conditions as any other sheep at Portland. He was the victim of bioterrorism, and there are court charges pending on that. But he is now in a situation where there is nothing wrong with that meat, and we all agree. So what is he to do? He argues that that meat is perfectly appropriate to go into Japan because it is no different from any other meat that is going into Japan now—no different from yesterday's or today's or last week's meat going into Japan. But you are saying that media coverage three months ago of this issue in Japan means that this man cannot export this meat into Japan.

**Mr Read**—No, that is not what we are saying. We are saying—

**Senator FERRIS**—What is the reason?

**Mr Read**—We are saying on the advice of Meat and Livestock Australia, which has an office and a representative in Japan and invests a significant amount of producer moneys in promotional work in Japan with regard to beef and sheep meat—we believe that in consultation with the industry there is significant risk to that market with this product entering that market on the basis of perception.

**Senator FERRIS**—When was that advice dated? Is it possible to have a copy of that advice?

**Mr Read**—We will provide you with a copy of that advice.

**Senator FERRIS**—And have you any idea how long ago that advice was given?

**Mr Read**—That advice was given twice. It was given verbally to me on about 12 December. We have a signed letter around 9 January. We have a reaffirmation of that advice as of last week.

**Senator FERRIS**—And what is the new reaffirmation of the advice based on? Given that the first advice was based on media coverage some couple of months ago, what is the new affirmation on it?

**Mr Read**—There is no change. The perception they believe—

**Senator FERRIS**—What? There has been more media advice?

**Mr Read**—The sensitivity of that market is such that if this product were to enter it would cause concerns to—

**Senator FERRIS**—But how will this product be identified as being that meat when it goes to Japan? How would a consumer or even an importer know that that meat in those boxes has come from those sheep in Portland?

**Mr Read**—I do not want to speculate about that, but there are ways for that product to be identified entering the Japanese market.

**Senator FERRIS**—How?

**Mr Read**—Commercial interests will understand what the product is considering—

**CHAIR**—But there are other markets. We are talking about 50 tonnes of meat here.

**Mr Read**—Correct. There are alternative markets that product can go to.

**Senator FERRIS**—What are they?

**CHAIR**—Do you want me to sell it for him?

**Senator FERRIS**—No, I think this is a very important issue, Chair, because we are talking about is a small business with a very good reputation in South Australia. This small business has been in this market for a long time and it has had relatively little difficulty. Through reasons that had nothing to do with the performance of the company, it finds itself between a rock and a hard place. Ms Stanton says you are giving all the help that you can. I am not quite sure what that help is yet. I have not quite come to understand what that help is, but as a representative of this constituent I want to know what we are going to do to help this fellow, because he has had no compensation and he says that he has had very little assistance from your AQIS group. I just want you to tell me what you have been doing to help him.

**Ms Stanton**—Senator, what I said was we will provide what help we can, but in the end it is a commercial decision. In terms of the markets that are around that might take this meat—we can talk to SAMEX about that, and we will and we have. But in the end we have a situation where our best judgment was that it was very risky to put this meat into the Japanese market and that is the reason we made that decision.

**Senator FERRIS**—Are you ever going to change that position in relation to the Japanese market?

**Ms Stanton**—As Mr Read has just said, we have only very recently checked and at the moment we have no reason to change that decision. In fact, we have some reasons not to change it.

**Senator FERRIS**—Have you advised SAMEX of that?

**Ms Stanton**—I cannot answer that question.

**Mr Read**—We only received a phone call a short time ago as to the—

**Senator FERRIS**—No, you told me you got a letter.

**Mr Read**—That letter was on its way. They said a letter was sent to us last week. I have not yet received it, but that was the advice I received today from MLA when I spoke to them.

**Senator FERRIS**—Where does Mr Parnell communicate to? I see there is a Mr Tom Parnell who has been involved in this. Is he not a member of AQIS?

**Mr Read**—Mr Tom Parnell is our member in Japan. He provided initial advice back to the department as to the impact of this product on that market. That is not the same advice as MLA.

**Senator FERRIS**—I see. So initially you had advice from Mr Parnell and he is an AQIS officer; is that correct?

**Ms Stanton**—He is a departmental officer.

**Senator FERRIS**—And then more recently you have had advice from MLA, but not from Mr Parnell?

**Mr Read**—Correct.

**Senator FERRIS**—So you have not yet informed SAMEX of that information?

**Mr Read**—The advice that we provided it in communication has indicated the stance of industry. Last week I had conversations that continued to communicate that message back to SAMEX.

**Senator FERRIS**—Do you honestly think this situation with Japan will ever change? It is getting to a point where wouldn't it be fairer to actually advise SAMEX that there is no option for them to go into Japan and that they would do better to go to another market, rather than to leave them hanging the way they feel they are now and have been for three months?

**Mr Read**—The advice is the direction that that product cannot enter Japan, so effectively what you have said is true.

**Senator FERRIS**—Do you believe you have communicated that clearly to them?

**Mr Read**—As clearly as can be communicated.

**Senator BUCKLAND**—Was this on 19 December?

**Mr Read**—On 19 December it was communicated to SAMEX, the concern expressed by that market, and he was asked then to provide a statement back as to why a direction should not be issued.

**Senator BUCKLAND**—How was that communicated? Was it a telephone call or in writing?

**Mr Read**—A letter from me on 22 December.

**Senator BUCKLAND**—And that followed a phone call on the 19th?

**Mr Read**—Sorry; the letter was the 19th.

**Senator BUCKLAND**—What was the response from the company at that time?

**Mr Read**—That they believed that there were no concerns effectively with that product entering Japan.

**Senator BUCKLAND**—What else did you discuss? Did you discuss compensation or alternative markets?

**Mr Read**—No. Alternative markets I have discussed in phone calls with Mr Black.

**Senator BUCKLAND**—Are there any letters between AQIS and the company regarding alternative markets?

**Mr Read**—We have suggested they should find other commercial opportunities and work with industry to identify markets where that product would be most suitable.

**Senator FERRIS**—That means taking yet another loss. These people were the unwitting victims of bioterrorism. They had to feed those sheep for an extra three weeks in the feedlot, through no fault of their own. They had to arrange alternative killing for those sheep because they could not go to Kuwait, so they had to be done non-halal; there was a premium on that. Again, they had nothing to do with it. They had no involvement in the terrorism. They have not got any compensation at all and now they find that, although there is nothing wrong with the meat, it cannot ever go into a premium market because you will not give them an export permit. If that is the final decision, they deserve to know that, because they have been optimistically waiting for months for something to occur that would enable that shipment of meat to go to Japan. If the case is that you have just had it reaffirmed and the chances are it will never get in there, the last thing they need is any more equivocation on it from AQIS.

**Ms Stanton**—As Mr Read said, he has not yet received this last letter, but I will certainly give an undertaking that, if our judgment when we receive this letter is as you say, we will certainly communicate that to SAMEX.

**Senator FERRIS**—I think they deserve nothing less.

**Mr Read**—It has been made extremely clear in the direction that this product is prohibited absolutely from entering Japan. So there is no ambiguity in the statement that there is currently a direction in place and the product cannot enter Japan.

**Senator FERRIS**—You have got a letter to that effect that you have sent them?

**Mr Read**—Yes.

**Senator FERRIS**—Could you arrange for us to have a copy of that letter, please?

**Mr Read**—It is a direction.

**Senator Ian Macdonald**—Do you have legal authority to prevent export for a non-health quarantine issue?

**Mr Read**—That is correct.

**Ms Stanton**—If we believe it will have an effect on a market that will affect exports generally, yes.

**Senator Ian Macdonald**—AQIS has that authority?

**Mr Read**—It is a power under the Australian Meat and Livestock Industry Act.

**Senator FERRIS**—Even though there is nothing wrong with the meat itself? It has been a very expensive and unfortunate process for this company, and anything we can do to make

sure that they understand that that meat has no chance of leaving this country to go to a premium market is the least that can be done to assist them.

**Ms Stanton**—I will ensure, as I said, that once that letter is received we communicate again with the company and either make that statement or an alternative statement; but we will engage with it when we have received the letter.

**Senator FERRIS**—Thank you very much.

**Senator BUCKLAND**—I would like to ask a few questions, perhaps only to clear this up in my own mind, and if you have answered the questions please tell me that as we go through. Just following these 1,660 sheep: I understood that those sheep had, in fact, been cleared to go to Kuwait?

**Mr Read**—No, it was the sheep excluding those 1,663 that were cleared to go to Kuwait.

**Ms Stanton**—These were the sheep that were in the paddock or paddocks where contamination occurred.

**Senator BUCKLAND**—I see. All of a sudden they did not go?

**Ms Stanton**—They did not go because that is where the contamination—the feeding of ham—had occurred. The rest of the shipment was cleared; that was held back because we were not confident that they would be received in the market that they were originally destined for, which was Kuwait.

**Senator BUCKLAND**—So it was AQIS that held them back, not the buyer, in this case Kuwait?

**Ms Stanton**—That is right. It was an instruction that said the rest of the sheep could go but those in the contaminated paddocks could not.

**Senator BUCKLAND**—I see.

**CHAIR**—It was a wise decision.

**Senator BUCKLAND**—I am not suggesting wise or unwise. I am just concerned at the cost to the company that was exporting, and it seems to me that there is not a great deal of real concern by AQIS as to the financial hardship that this may well have created.

**Ms Stanton**—I certainly reject a lack of concern, but we are a regulator and we have to keep the best interests of the industry as a whole at the front of our mind. To have a boatload of sheep to Kuwait rejected because 1,700 on it had been exposed to that contamination was not something that we could contemplate.

**Senator FERRIS**—I do not think SAMEX would argue with that. They understood that point.

**Senator Ian Macdonald**—Just digressing, are the people responsible for this criminal act being prosecuted?

**Senator FERRIS**—Mr Hahnhauser is currently on remand without bail.

**Senator Ian Macdonald**—Is there an opportunity under some victims of crime legislation in Victoria for these people to seek some recompense?



**Senator FERRIS**—I am not aware of that, Minister.

**Senator Ian Macdonald**—It might be worth having that pursued.

**Senator O'BRIEN**—I want to touch on the issue of GMOs. At the last hearing I asked some questions about GM status and Ms Gordon told us that, at that time, no importing country had required us to make a declaration of our GM status and that AQIS would look at some sort of auditable or traceable identity preservation system or a system that tested against a regime set by the importing country. Can we have some further expansion on those options?

**Ms Gordon**—The situation remains the same as it was at that point. We have not yet had a request from any country to provide any statement in respect of the GM status of the grains we are exporting. The only grain that I am aware of that is commercially planted is canola. It is being exported without the requirement to provide any statement on its genetic modification status. I think I said that, if we were to be asked by an importing country for some statement, not that we would investigate setting up an auditable tracing system but that we would need to look to such a system in order to assure ourselves of the status of the grain and/or outcomes of testing arrangements before we could provide the certification. It is not for AQIS to put those systems in place but for AQIS to negotiate with or agree with the country that we are exporting grain to on what evidence they would require to satisfy themselves of the status of whatever commodity it is.

**CHAIR**—Are you involved with the sale overseas of the produce of the 5,000 hectares or acres that the New South Wales government has agreed to, like the whales, as experimental plantings?

**Ms Gordon**—No, our role would be that when an exporter sought certification from us under the Export Control Act for an export permit for that grain we would seek to satisfy ourselves as to the requirements of the importing country and then look for evidence that would enable us to provide that certification to meet the requirements of the importing country.

**CHAIR**—If that 5,000 tonnes or whatever that might be produced in New South Wales contaminates the non-GM, you are not involved? That is none of your concern?

**Ms Gordon**—No, our responsibilities are to provide certification against the requirements of importing countries as to the status of grains and other commodities that are exported.

**Senator O'BRIEN**—Would it be reasonable to say that we would expect demands from our markets relating to GM status once the 5,000-acre trials of GM canola are in the ground?

**Ms Gordon**—I am not in a position to comment on what requirements an importing market is likely to place on an import of canola or any other grain. We basically seek to satisfy ourselves as to the integrity of the statements that we are able to make on certificates that we provide.

**Senator O'BRIEN**—At what point in the process can they require us to make a declaration of our GM status? How quickly will we have to act if the 5,000-acre trials are happening and harvest is about to take place? Does it mean that if someone makes a request at that time we will be in difficulty?

**Ms Gordon**—It may be that that is the situation. Countries are able, through their import permit system, to place requirements on an exporting country like Australia which we would then seek to meet in terms of our export certification. There have been discussions with industry, not necessarily being directly led by AQIS but other parts of the department and certainly by the Gene Technology Regulator and state government departments of agriculture, to anticipate what sorts of arrangements might be put in place so that at the time when such a requirement is placed upon us we would be in a position to provide a statement that would be based on a system that could be tested.

**Senator O'BRIEN**—Can you confirm that the minister is planning another media campaign on quarantine?

**Ms Stanton**—I cannot confirm that. Can you give me a little more detail.

**Senator O'BRIEN**—I think it might be linked to bird flu.

**Ms Stanton**—I think I know what you are talking about. It is not an AQIS matter; it is a matter for product integrity. There is a forthcoming campaign in relation to farmers that are from non-English-speaking background in terms of identifying exotic diseases. That is the only campaign that I know of. Does that sound like the one?

**Senator O'BRIEN**—It could be. What was the cost of the last media campaign on quarantine—the Quarantine Matters campaign?

**Ms Stanton**—In terms of the Quarantine Matters campaign I can give you figures that relate to a particular year and I can also give you figures for the current year.

**Senator O'BRIEN**—In 2002-03 it was \$6.894 million. We have not done this year.

**Ms Stanton**—This year is \$5.4 million.

**Senator Ian Macdonald**—A very effective campaign it has been, I might say.

**Senator O'BRIEN**—For certain people's bank balances there is no doubt about that.

**Senator Ian Macdonald**—One of the downsides is that you have so many people doing the right thing at airports that they are all declaring and we do not have enough staff to deal with them.

**Senator O'BRIEN**—Are you saying that it is a downside that people are declaring at the airports?

**Senator Ian Macdonald**—I said one of the downsides is that there are so many people doing the right thing and the experience I had was that there were not enough people there to deal with all the people doing the right thing. It is all a question of costs, of course.

**Senator O'BRIEN**—The information we have is that AQIS's work force has grown quite substantially.

**Senator Ian Macdonald**—Perhaps that means my experience is not accurate?

**Ms Stanton**—I think both statements can be true.

**Senator O'BRIEN**—Can you expand on that?

**Ms Stanton**—It is true that AQIS's work force has expanded substantially since the increased quarantine intervention program was introduced a couple of years ago. We also have expanded recently with the transfer of Western Australian and Northern Territory staff to AQIS. It is true that we have had an increase. At the moment it is peak travel time and, from time to time, we are very stretched.

**Senator O'BRIEN**—Has the Quarantine Matters budget been expended in total or is there money left over?

**Ms Stanton**—In 2002-03 it was expended virtually totally except for \$100,000. We expect that it will be fully expended this year in terms of what has been allocated.

**Senator O'BRIEN**—So is it the same amount this year—6.833?

**Ms Stanton**—No, it is 5.4 this year. It is less this year. So it is a reduced amount.

**Senator O'BRIEN**—Has any market testing been done to see if the Quarantine Matters campaign has achieved its objective?

**Ms Stanton**—Most certainly, Senator. We test monthly. In terms of the reaction to the entire campaign, that of course relates to things like our signage at airports, printed material, as well as things like the TV campaign. For example, we are now finding very, very high results where people are really understanding their need to declare items. There is an over 80 per cent overall awareness of the campaign, and that, I understand, is an outstanding outcome in the way these things are measured.

**Senator O'BRIEN**—Yet I understand there was some concern during the bird flu outbreak and Chinese new year that avian products might find their way into the country.

**Ms Stanton**—We certainly have ramped up our intervention further at the border. Certainly early in the new year we did that. Air passengers, for instance, and air cargo from countries that have had outbreaks of avian influenza in the last few months—there is 100 per cent intervention for those. So certainly we have put in place a number of things, including some publicity at airports and so on, as to the importance of declaring those products, any particular products at risk—chicken meat, feathers, eggs and so on.

**Senator O'BRIEN**—In the context of people returning to the country, would you have expected the Quarantine Matters campaign to have perhaps attended to the need to inform?

**Ms Stanton**—I think there is an overlap. Basically, as I have just indicated to you, from the research we have done people are very aware of the Quarantine Matters! campaign and are aware of the need to declare items. In fact, our research is showing that is really the main message that is coming out of the campaign, but when we get something special over the top of that, as we did with SARS or as we have with avian influenza, we usually take steps to increase our focus on that particular area. It is not part of the Quarantine Matters campaign as such, but we just put that overlay on top.

**Senator O'BRIEN**—So who is evaluating or has evaluated the Quarantine Matters campaign?

**Ms Stanton**—We have a consultancy company that does that for us. Open Mind Research Group is the company that does that research for us.

**Senator O'BRIEN**—Have they submitted evaluations of the program?

**Ms Stanton**—Indeed, yes. They submit monthly reports, and they have also submitted larger analyses than that periodically.

**Senator O'BRIEN**—Are those evaluations able to be made available to the committee?

**Ms Stanton**—Certainly.

**Senator O'BRIEN**—You told me in answer to a question on notice No. 1212 that the campaign would be tested against a range of criteria including the level of awareness and understanding of items which must be declared for quarantine purposes, target groups' intention to declare and the level of compliance at the border. Those matters have been evaluated, I take it.

**Ms Stanton**—That is right.

**Senator O'BRIEN**—You also told me that quantitative tracking research among key audience groups was undertaken during phase 1 and phase 2 of the campaign. Has this led you to a view that you need to spend more on advertising or has the expenditure on advertising been adequate?

**Ms Stanton**—Given the effectiveness of the campaign, the effectiveness levels we are getting, our first conclusion would be that what we have had has been adequate.

**Senator O'BRIEN**—Would I be correct in saying that a key aspect of the Quarantine Matters campaign was communicating a message about quarantine to people who have English as a second language?

**Ms Stanton**—That is correct, Senator.

**Senator O'BRIEN**—In your answer you previously specified ethnic radio information brochures—

**Ms Stanton**—That is correct.

**Senator O'BRIEN**—And advertising in a number of languages in ethnic press. So that was a key focus of the campaign?

**Ms Stanton**—That is a key focus that relates to that particular group, yes.

**Senator O'BRIEN**—And might the audience for this new campaign that you were talking about that perhaps the minister is going to pursue shortly have English as a second language?

**Ms Stanton**—Senator, I am not au fait with the details of that campaign—product integrity.

**Senator O'BRIEN**—Well, Dr Murray is here, so perhaps we could ask him.

**Dr Murray**—I think the campaign you are referring to is the \$300,000 non-English-speaking background campaign that is due to be launched on 25 February. The campaign will target people from non-English-speaking backgrounds in urban and peri-urban areas. It will operate by the use of pamphlets and email and the use of different ethnic communities to get the message across.

**Senator O'BRIEN**—On the same issue—quarantine?

**Dr Murray**—On the issue of biosecurity in general, and that will include quarantine but it will cover matters like, ‘If you see anything unusual, report it’ or ‘Do not bring such and such into the country’. These will be the key messages. Of course, avian influenza will be a key message.

**Senator O’BRIEN**—So is that perceived to have been a shortcoming in the campaign? Is there some specific reason we need to advertise or is it just the avian influenza issue?

**Dr Murray**—No, I think there have always been efforts to target that community group or groups, but this is a specific campaign because it is seen in a biosecurity context, which goes beyond quarantine, that this part of the community needs to be targeted for. I should say that members of the ethnic community councils that I have talked to are very happy that this is being done.

**Senator O’BRIEN**—Will that assist with the justification for on-the-spot fines for members of that community?

**Ms Stanton**—Senator, I think on-the-spot fines are a border issue. If I understand Dr Murray correctly, the focus of the campaign that he is talking about is post border. So on-the-spot fines are a border issue in terms of if you are caught bringing in things that are illegal and you have not declared them.

**Senator O’BRIEN**—Dr Murray, when I am told they are post border, I am not exactly sure what that means. Can you explain that?

**Dr Murray**—Yes. Basically it deals with animal and plant health and fish health issues in the broad. For example, if there are unusual signs in any of your animals or in your crops—your backyard crops—what could these be? What do you need to keep your eyes open for? That of course leads, as part of the campaign down the track, to what should you not bring in the country, what are the basic quarantine rules, and go from the general to the particular.

**Senator O’BRIEN**—Thank you for that. I am not sure whether this is the best area to raise it, but I wonder if someone could give us an update on the access to New Zealand’s lucrative honey market for Australian honey?

**Ms Stanton**—I can answer that for you. In fact, there has been no change since we last spoke—

**Senator O’BRIEN**—So since the 1980s?

**Ms Stanton**—which I regret. I know that it has been followed up since we last spoke because I know that Dr Banks, in fact, has had conversation with the New Zealanders. You would be aware that this is part of a broader honey and bee IRA that they are conducting. They have not managed to get out the report that they had hoped to get out in December. We are still waiting.

**Senator O’BRIEN**—So we have been negotiating for 15 years on the details of several import risk assessments?

**Ms Stanton**—My understanding is that we have certainly been talking about access for honey for that length of time. They have been involved in looking at the risks for that length of time. I think it is the last several years where they have really combined this into a bee and

honey import risk assessment. There was one point where they had a discussion paper out and then withdrew it. There have been a number of steps. They were telling us as late as December that it is still a priority.

**Senator O'BRIEN**—Thank goodness!

**Ms Stanton**—But we have not received the particular document that we very much hope to see in December.

**Senator O'BRIEN**—So this is a 15-year priority for the New Zealand authority?

**Ms Stanton**—I am not aware of whether it has been a priority the whole time. I can only say that they are now saying it is a priority.

**Senator O'BRIEN**—I seem to recall it was a priority when it was started but, nonetheless, thank you for that.

**CHAIR**—Thank you very much, ladies and gentlemen.

[6.03 p.m.]

**CHAIR**—We now move to Rural Policy and Innovation. I have a few issues surrounding the GM and non-GM debate. The chief GM debate centres around a market reality that no contamination is to be detected and an industry expectation that contamination is impossible to control and so will have to be tolerated. Do you agree that it will be pretty hard to segregate canola—GM from non-GM? Have you ever tried to clean a header out?

**Dr Samson**—No, I have never had the opportunity to clean out a header. The issue you raise is a very important one and clearly one that is going to have to be addressed as we move towards any commercialisation of GM canola. I think the issue really revolves around are we attempting to seek zero tolerance, which I from my limited knowledge would have to think would be a very difficult thing to achieve for some of the reasons that you have stated previously, or as we move down a commercial path will we, as we have with a range of other markets, negotiate acceptable tolerance limits? I think that is the issue.

**CHAIR**—As I understand it, AFFA has allowed the GM industry—and you can correct me if this is wrong—to self-manage the integration of their product to the supply chain and appears to have accepted 0.9 per cent to one per cent contamination as being acceptable.

**Mr Banfield**—The decision several years ago that GM canola would be managed by industry regulation oversighted by government monitoring was not a decision that AFFA took; it was a decision that the Commonwealth in conjunction with the states took. As I recall at the time, the states had a very clear view of that. So it was a joint Commonwealth-state decision.

**CHAIR**—I withdraw the AFFA bit and apologise and just say 'the government'.

**Senator Ian Macdonald**—Governments.

**CHAIR**—Yes, governments. We have to include our state colleagues in this. Like water, it is mostly a state issue. What market research has AFFA undertaken to ensure markets accept a level of contamination?

**Dr Samson**—I am not aware at this point that we have undertaken any research like that.

**CHAIR**—Normally grains can be mixed. I was over in Europe and they seemed to think that a one per cent contamination was about where they would be. Normally grains can be mixed to two per cent, but contamination with any GM canola is not accepted by agricultural markets of grains, stock and produce. In other words, if you have GM canola in a sample of wheat they will knock you. Are you aware of that?

**Dr Samson**—I was not aware of that.

**CHAIR**—The difficulty being contamination cannot be controlled to require farmers to sign the required guarantees of no contamination. The non-GM growers are concerned that the industry under this self-regulation has put the onus on the non-GM growers as opposed to the GM growers. That is the duck's guts of what I am on about here. When a farmer delivers seed to their grain receival point and unwanted GM contamination is detected—and they are going to have an easy test for that—the non-GM industry wants to know what compensation is available when their load is redirected to the GM stack if there is a premium for non-GM. It is a double jeopardy because if you are a non-GM canola grower and there is a perception out there in the community that non-GM is good for you, whether that is wrong, right or indifferent, the market says we prefer non-GM to GM. There is a whole debate in the community on this.

If you have two per cent or one per cent or you have a contract harvester who has come in with the first load and he has still got a bit of whatever and it turns up at the silo, not only do you go to the GM pile, but once you are in the GM pile you have to pay the licence right to the GM person because you are in his pile. So there are some pretty unhappy non-GM growers out there. What protection is in place to prevent Monsanto claiming an end-point royalty fee—that is what I just referred to—estimated by ABARE at seven per cent of the gross value of their product for possession of any amount of their unwanted, uncontrollable patented gene? In other words, what are we planning to do about preventing the producers of the GM seed from going to the non-GM people and saying, 'Well, you have some of our seed in your crop, therefore you better pay us the royalty'?

**Dr Samson**—Obviously there are a range of issues that you have brought to our attention. It would be disingenuous of me to pretend that we had the answers at this point in time to the issues that you have raised. To go back to Mr Banfield's comment, it was agreed by all jurisdictions that the preferred approach for this was for industry self-regulation. AFFA's role, as much as we have one, is to assist in any way we can to help industry, and indeed the broader community, better understand some of the issues which surround the whole GM debate. At the end of the day, all the issues that you raise are going to have to be satisfactorily addressed before we move to a point of commercialisation. Of course, the moratoria that are in place at the moment across all the canola producing jurisdictions at least ensure that there is not going to be indecent haste and therefore provide time for industry to come up with those solutions.

**CHAIR**—Yes. There is one side of the industry saying that the other side has stacked all the industry self-regulating bodies with the GM side of the argument. AFFA has explained, as I am advised, in their *Genetically Modified Organisms and Liabilities* issues document that they consider the law adequately protects farmers because farmers suffering economic loss can sue the GM growing farmers that caused the contamination providing they can prove

which farmer did so. This is a prospective thing where AFFA is actually saying the solution is to sue your neighbour?

**Dr Samson**—To put that in context, Senator, and again to go back to Mr Banfield's earlier remark, the view that remedies exist within existing legislation was a view taken by all jurisdictions. So it is not just an AFFA position; it is AFFA reflecting the agreed position of all jurisdictions.

**CHAIR**—It has been mentioned that an amount of \$59,000 has been granted. So is there some money that has been granted to the Australian Oilseeds Federation to set up a canola reference group—

**Dr Samson**—I believe that is correct.

**CHAIR**—which plans to police co-existence principles that place the costs and the liabilities on those farmers not wishing to grow GM crops and give the GM seed priority through the supply chain? That is this reverse onus thing.

**Dr Samson**—Yes. I am not sure whether that is the case. I take that on notice, if I may.

**CHAIR**—I am using this as an opportunity just to get some of the arguments out, even if it is through the ministers. It is not entirely the right place to be doing it, but I think it is important that we broaden the debate and we get the issues on the table.

**Dr Samson**—Sure.

**CHAIR**—In Canada this policing body is paid for by Monsanto, not the government. Is this correct? If so, why are we supporting the GM industry in preference to Australian farmers?

**Dr Samson**—I do not have any information on that, Senator, but we are happy to take that on notice.

**CHAIR**—Thank you. Rather than go through all of the economic side of this argument, the GM industry claims that there is a 40 per cent increase in yield with the GM seed and yet their own best trials, published on their web site, show that it is 1.055 tonnes per hectare, which I have to say is not all that big a crop—I wonder whether that is right—which is 17 per cent below the national average canola yield. Bayer CropScience refused to identify their exact yields in tonnes per hectare. What attempt has AFFA made to give more accurate calculations to the benefits and risks based on available information? Have we attempted to define the economic benefits for the industry?

**Dr Samson**—Mr Banfield might have a better recollection than I do, but I think ABARE has produced some studies that address those sorts of issues, Senator. We are happy to make copies available to you if you like.

**CHAIR**—Thank you. With federal approval of GM canola and states blocking the release—New South Wales has this 5,000 acre thing—while assessing economics, what federal assistance is available for border control policing protection if one state approves GM and others do not? How does AFFA propose this be addressed when Agrifood Awareness has estimated this would cost each shire approximately \$2.2 million a year?



**Dr Samson**—I am not sure I can comment on that. In that eventuality, that would be an issue for government to decide.

**CHAIR**—Finally, just to get this on the record, what attempt has AFFA made to reveal the impositions—it could well be it has nothing to do with AFFA—on how GM crops will affect farmers not wishing to grow them? The industry is really concerned that the onus for the contamination may be on the non-GM side as opposed to the GM. In other words, if I am a farmer who has been growing, and wants to continue to grow, non-GM canola and my neighbour decides he wants to grow GM canola and the birds contaminate, the wind blows or a bloody truck cleans out in my paddock and runs a strip of GM canola up the middle of my crop, the industry is concerned that the onus is on them rather than on the GM side. There I will end my epistle.

**Dr Samson**—Thank you for those points. As I said at the start, it would be disingenuous to suggest that we had the solutions to those very valid issues.

**CHAIR**—Thank you very much.

**Senator O'BRIEN**—I want to make sure I do not miss out anything. To the extent that I cut across what has just been said, I also wanted to ask some questions about the GM issue. At the last hearing I asked some questions about a paper entitled *Liability Issues Associated with GM Crops in Australia*. You advised it was a scoping paper looking at the risks and what risk minimisation strategies there are. It was entirely unclear as to where liability might rest in relation to contamination resulting from a GM crop. Has anything changed in that regard?

**Dr Samson**—No, Senator, we have not done any further work following that scoping paper.

**Senator O'BRIEN**—I think it was Mr Jones who suggested last time that it was a matter for a non-GM farmer to prove that damage had occurred and that all the costs associated with that action to establish he had suffered damage would fall on the non-GM farmer. It sounds like a pretty unfeasible option for a farmer to prove that.

**Dr Samson**—Senator, to be fair, Mr Jones was perhaps speculating aloud at that point. I think the following exchange between yourself and Minister Macdonald made it quite clear that what we are talking about is potentially a very complicated area of the law and certainly, I suspect, with the exception of the minister, nobody at this table has that understanding of the law.

**Senator O'BRIEN**—On the issue of drought—if I can go to the additional estimates statement pages 12 and 13, this additional funding picks up the cost of announcements since May 2003. There was a significant cut in the budget forecast for drought in the last budget. In February last year, we had Mr Truss saying in parliament that drought spending would be around \$900 million. Then we had the budget papers state that funding would be \$741.8 million—\$160 million less—and then a few days later Mr Truss using another number somewhere between those two figures. What is the current estimate of the level of Commonwealth expenditure on drought?

**Senator Ian Macdonald**—To paraphrase it, as I have done for you many times, we have always indicated that whatever was needed would be spent. It was not limited. It was an

estimate of what was available. Perhaps the office could answer the question, if we have got those details.

**Mr Calder**—As the PAES document on pages 12 to 13 indicates, there are two figures there. There is the figure of \$1149.7 million and a figure of \$136.4 million. They total basically just under \$1.3 billion. This, of course, relates to DAF expenditures, or estimates of DAF expenditures. Since PAES has been produced and since additional estimates, there have been about four other EC related announcements, which would increase this amount. I would like to emphasise, though, that this is continually a moving target and the estimates will be reviewed this month.

What we are beginning to see is that in some of the original estimates that have been made, we would expect that there may well be underexpenditures in the income support elements, because we do not expect that the average take-up rate assumed in the estimates of roughly one-third of eligible producers, or one-third of producers in an EC declared area who are eligible for assistance, will actually take that up. For those areas which have been declared for six months or longer, that is averaging around about 30 per cent instead of 33 per cent. So that is indicating to us at this point in time that there may be a slight underexpenditure there. Also, the assumption in relation to the amount per capita to be paid for income support is coming in at around about five per cent less than what was in the original estimates.

Of course, in many areas of Australia farmers have received or had a pretty good year, particularly in some of the winter cropping areas, so we would expect to see through 2004 some people who have previously been receiving support perhaps moving off income support. In relation to the interest rate subsidy, the picture in relation to that is not quite so clear. The take-up rate could still be in line with our original estimates and the average amount, which is being paid to date, is actually slightly in excess of our original estimates. However, that could be a reflection of the fact that perhaps those carrying the biggest amount of debt are coming in early in relation to ECIRS claims. We do not know at this point in time. What we do know is that, for instance, those three areas that have been EC declared for 12 months up to the end of December, our estimates in relation to average take-up rate is reasonably accurate and that the average amount of assistance is slightly over. So, in summary, we will be reviewing the estimates this month. The figures here show \$1.3 billion. Income support may well end up being less than our original estimates, but it is an open question in relation to whether the interest rate support may, in fact, exceed our original estimates.

**Senator O'BRIEN**—So exceptional circumstances assistance is \$717 million over three years?

**Mr Calder**—Yes.

**Senator O'BRIEN**—And that is a projection based on existing declarations and claims or is that the position based on what you think the take-up might be?

**Mr Calder**—That is based on what we call the original costing model—at the time the costings were done.

**Senator O'BRIEN**—It is a model, not an actual claim system.

**Mr Calder**—No.

**Senator O'BRIEN**—And the balance of the \$1.1497 billion figure is actual expenditure?

**Mr Calder**—No, the balance is on page 12. That is the \$136.4 million, which is the interim support.

**Senator O'BRIEN**—No, just step back a minute. Back on page 13, you have got a sentence:

This brings Exceptional Circumstances assistance to a total of \$1149.7 million.

**Mr Calder**—Sorry, I misunderstood the question there. That includes funds estimated and provided for in the 2003-04 budget.

**Senator O'BRIEN**—So it is actual expenditure, the difference of between—

**Mr Calder**—It includes some actual expenditure that was incurred in the 2002-03 year.

**Senator O'BRIEN**—Right. How much is the actual expenditure? Tell me how much actual expenditure we are talking about in that figure.

**Mr Calder**—I think in 2002-03 in that particular figure it was \$144.7 million for EC declarations.

**Senator O'BRIEN**—Okay. So that gives us \$861.7 million. Where does the other nearly \$300 million come from?

**Mr Calder**—There is \$226.9 million, which was also provided for in the 2003-04 budget.

**Senator O'BRIEN**—Yes. What was that? Was it actually spent? You have got the revised expenses for drought, exceptional circumstances on page 13?

**Mr Calder**—Yes.

**Senator O'BRIEN**—Do I understand that correctly? That is the expenditure?

**Mr Calder**—No, that is what is provided in additional estimates only.

**Senator O'BRIEN**—So to that we need to add \$226.9 million; is that right?

**Mr Calder**—Which had been provided previously in the budget, and that was for the 2003-04 year. There is \$116.5 million, which had been provided in the 2004-05 year previously at budget time. Those for 2002-03 and 2004-05 and a smaller amount in 2005-06 gives you \$488.7 million, to which you add the \$717 million, which I think gives you \$1,205.7 million, to which there is an adjustment for underexpenditures in prior years of \$56 million, which gives you the \$1,149.7 million.

**Mr Banfield**—Senator, if it would help, we could take that on notice and come back in writing with a reconciliation map. Mr Calder has given you the numbers there, but—

**Senator O'BRIEN**—That could be helpful, yes.

**Mr Banfield**—That might help rather than wading through a whole lot of numbers.

**Senator O'BRIEN**—And it is not expected that there will be any expenditure in 2006-07?

**Mr Calder**—Not from these estimates at the moment.

**Mr Banfield**—The reason for that is clear. Exceptional circumstances assistance, as you know, is a two-year program. So, unless things with the drought in areas really continue at

distressing levels, then you would not expect that there would be expenditure in the out years into 2006-07.

**Senator O'BRIEN**—What was the previous expected expenditure in 2005-06 for exceptional circumstances—that is, in this year's—

**Mr Calder**—It is \$0.6 million.

**Senator O'BRIEN**—So it is a total of \$26 million?

**Mr Calder**—Yes, Senator.

**Senator O'BRIEN**—On page 12, you say that interim income support is available for up to six months. Is it correct to say that in some instances that six-month period was extended?

**Mr Calder**—Under certain circumstances it was extended for those EC applications which were subject to review and on which an EC decision had not yet been made.

**Senator O'BRIEN**—So, while a decision was pending, a decision was made to extend interim income support?

**Mr Calder**—Under the 9 December package, which was due to end in June, some states had lodged applications in April, May and June. Pending an assessment or recommendation by NRAC on those applications, those people were eligible for a continuation of interim support.

**Senator O'BRIEN**—On page 16 of the PAES, the table shows other variations to appropriations. In that table, there is a line referring to revised estimates for drought affected areas, interim support. In 2003-04, the figure is minus \$7.9 million. In 2004-05, the figure is minus \$10.5 million. How do I understand that in the context of the increased numbers announced on page 12?

**Mr Calder**—These resulted from the costing revision undertaken in October for the additional estimates exercise. They only apply to interest rate relief and interim income support, not to ECRP or ECIRS. These figures only relate directly to those measures which were already included in the 2003-04 budget. Basically, they were revisions.

**Senator O'BRIEN**—So money was taken out of that and put into the interim package announced on 9 December. Is that how I should understand it?

**Mr Banfield**—No, Senator. These are all demand driven programs.

**Senator O'BRIEN**—I am still trying to understand why in one area you are adding money. With drought assistance, interim support, on page 12, you are adding \$50.3 million and \$7.2 million. You then have a revised estimate for drought affected areas, interim support, on page 16, where you are taking \$7.9 million and \$10.5 million off.

**Mr Calder**—My understanding is that it is because these items related to areas that have already been provided for in the 2003-04 budget whereas the figures on pages 12 and 13 relate to declarations that have been made since the budget.

**Senator O'BRIEN**—So did they take their place, or was it just an overbudgeting? I am trying to understand it in the context. You tell me that there is \$717 million additional

expenditure on page 13, \$57.5 million additional on page 12 but we are taking off \$18.4 million on page 16.

**Mr Calder**—I think I should re-emphasise that in essence the estimates are a continual rolling exercise. There are continually ons and offs which are going on in relation to doing the estimates. As each new application comes in and prima facie perhaps is granted, there are amounts which are added to the total of the estimates. At various times we do revisions and amounts are taken back out again. So it is a continual moving target. The bottom line, though, is that it is a demand driven program and the funds will be provided for whatever the demand ultimately turns out to be.

**Senator O'BRIEN**—It looks a little like that 'Who's on first?' case that is argued. The numbers are here. There is extra money going in here but some coming off there. But if you understand pages 12 and 13, then perhaps page 16 will fit into place as long as you accept that some of the money that was previously provided for has not been spent because it has been spent in another way. That probably makes as much sense to you as what you are saying to me. Frankly, I am looking forward to the piece of paper. Where is the drought review process up to? The national farmers roadshow has been out and about.

**Mr Calder**—Actually today they are in Tasmania.

**Senator O'BRIEN**—To avoid the heat elsewhere, I imagine.

**Mr Calder**—This week should see the last of their consultations. They have visited Queensland, South Australia, Western Australia, parts of New South Wales, parts of Victoria and they will be visiting for the remainder of this week the other parts of New South Wales and Victoria. As you are aware, they are working to a deadline to have a report completed by the end of the month. Submissions, of course, closed on 6 February. We have received some late submissions. As of last Friday, we received 282 submissions.

**Senator O'BRIEN**—And it is on track for a final report by the end of the month?

**Mr Calder**—Well, that is what they are working towards.

**Senator O'BRIEN**—Is it still the minister's view that the drought roundtable announced at the last outlook conference scheduled for last year will take place this year?

**Mr Calder**—That is my understanding.

**Senator O'BRIEN**—Any timetable?

**Senator Ian Macdonald**—Mr Truss will no doubt announce that when he has come to that conclusion, if he has not already announced it.

**Senator O'BRIEN**—If he is going to make a decision.

**Senator Ian Macdonald**—Well, he will be announcing it shortly, apparently.

**Senator O'BRIEN**—Good. Is an updated schedule of EC declarations available anywhere?

**Mr Calder**—Yes. I can provide that to you.

**Senator O'BRIEN**—Which regions have been added since the November estimates?

**Mr Calder**—I think basically they are in terms of actual EC declarations, Emerald-Bauhinia, Mackay and the central mid-west in Queensland. In relation to prima facie cases, there has been the Hinchinbrook area in Queensland and two addendum requests for the Burnett area for pork and dairy.

**Senator O'BRIEN**—They were excluded, weren't they, in the previous declaration for Burnett?

**Mr Calder**—Well, they were outside the original EC application area. So they are shires which adjoin the area, or are close to adjoining.

**Senator O'BRIEN**—What is the status of the EC application for the region around Ballarat?

**Mr Calder**—That application was rejected. The Victorian government has the option of resubmitting an application to support the case.

**Senator O'BRIEN**—I am aware of rainfall data that shows that the deficiency around that region was far more severe than surrounding regions where EC had been granted. I do not actually have that data here today, but I am sure you would be aware of it. What are the factors that have seen some declarations around Ballarat being successful but have led Mr Truss to reject Ballarat's application for help?

**Mr Calder**—Well, the request was for the Ballarat area to be an addendum to the central Victorian area. As an addendum request, it needs to meet the same requirements as the original central Victorian area. Our analysis indicated that over that same period as the central Victorian application area it did not actually have the same event as the central Victorian application. More significantly, the actual request by the Victorian government, which consisted of five pages—one page of text and four pages of rainfall maps, in the main, and one graph—did not really have any income information specific to the Ballarat area; in other words, what the impact on the producers in the Ballarat area was in terms of meeting the EC criteria of a severe and prolonged downturn in income.

**Senator O'BRIEN**—But the areas around Ballarat did meet that income downturn test.

**Mr Calder**—Some of the areas. The central Victorian area was declared an EC for certain producers. But that was a separate application.

**Senator O'BRIEN**—I take it we have a situation where the Ballarat region received a lot less rainfall than perhaps elsewhere in Victoria but the farmers there received a better financial return than elsewhere.

**Mr Calder**—We do not know what the financial return was for those producers in the Ballarat area. We did not have any information.

**Senator O'BRIEN**—How many officials have visited Ballarat to talk to farmers about drought in that region?

**Mr Calder**—From the Drought Task Force, none.

**Senator O'BRIEN**—At the last hearings we asked some questions about the Inland Marketing Corporation. It was scheduled to close its doors at the end of last year. Did that happen?

**Mr Aldred**—We understand that the Inland Marketing Corporation has entered into voluntary liquidation and has appointed an administrator. The actual Inland Marketing Corporation project, as distinct from the entity, did conclude at the end of last year.

**Senator O'BRIEN**—And the entity is being wound up?

**Mr Aldred**—The deed with the Inland Marketing Corporation ceased in November, from memory.

**Senator O'BRIEN**—Thank you for that. On the question of the Agricultural Development Partnership Program, at the last hearings we were told that funding of \$4.9 million was allocated for this program in 2002-03 but that there was no actual expenditure. This program was announced in the 2000 budget, as I understand it. That is right, isn't it?

**Mr Aldred**—Yes.

**Senator O'BRIEN**—We were told there were no transfers of funds through this program in this financial year, 2003-04.

**Mr Aldred**—No. I am not sure that that is correct.

**Senator O'BRIEN**—Senator Stephens asked you:

Mr Aldred, for this financial year, what has the activity been in that program?

You said:

Activity or expenditure?

Senator Stephens said, 'Both'. You said:

I would like to be able to refer to my notes to give you the figure, but unfortunately the amount expended so far is zero.

**Mr Aldred**—Senator, that is correct. At that stage there had not been any expenditure and nor had there been any transfers from the program.

**Senator O'BRIEN**—And are there now?

**Mr Aldred**—No. I do not believe that there are. There have not been any transfers.

**Senator O'BRIEN**—Or expenditures?

**Mr Aldred**—Sorry, there has been expenditure. There has been expenditure of just over \$115,000 on the first of the ADP projects.

**Senator O'BRIEN**—On the first of them?

**Mr Aldred**—There has been the first expenditure under the ADP program for the first project.

**Senator O'BRIEN**—Are we expecting any further expenditure this financial year?

**Mr Aldred**—Yes.

**Senator O'BRIEN**—How much is expected to be expended?

**Mr Aldred**—At the moment, in terms of that first project, there would be further expenditure of potentially about \$60,000. There is another project that has been approved by

Minister Truss and is awaiting signature by the South Australian minister. The Commonwealth component of expenditure is \$370,000 under that project over two years.

**Senator O'BRIEN**—So, apart from negotiation on that project, where are the negotiations with the states up to with this program? Are any occurring?

**Mr Aldred**—Yes. There is still a range of projects that we are working on. The first couple have been in South Australia and there are two more projects that have South Australian support. We are expecting to evaluate them and provide advice to Minister Truss shortly. There is still a range across states. There are several in Western Australia. Minister Truss wrote to Minister Chance seeking his commitment to funding and prioritisation of several projects that have been provided to us in draft form. Again, there is another project in the Monaro that we are trying to progress with the local community and with the New South Wales government.

**Senator O'BRIEN**—In answer to a question on RPI08, you advised that all the states and the Northern Territory had received a copy of the program guidelines and had been advised of the program and asked to identify target areas. Was the ACT included in that? Was it supplied that information?

**Mr Aldred**—I would have to confirm.

**Senator O'BRIEN**—When was that advice sent to the states and territories?

**Mr Aldred**—It was sent across the last year. Minister Truss wrote individually to the state ministers advising of the status or the proposals that he was aware of and seeking the commitment to match funding and an idea of prioritisation within each state from the state ministers.

**Senator O'BRIEN**—So I take it there are now sets of arrangements in place with all the states that will see some of this money actually getting on to the ground?

**Mr Aldred**—Certainly the guidelines are there. Certainly we are looking at a number of draft proposals. The overriding sticking point that has plagued the program has been the requirement for state matching funding. That is one of the issues that we are trying to work through with a number of the states.

**Senator O'BRIEN**—So it is still work in progress. There is \$7.14 million set aside in the budget this year of which it looks like you will probably spend \$375,000.

**Mr Aldred**—I hope that we would actually sign up more projects than that. But that is what we have currently got endorsement from Minister Truss for.

**Senator O'BRIEN**—How many federally funded rural counsellors are there at the moment?

**Mr Aldred**—There is in the order of 60 committees. What we do is fund community based committees, who then employ counsellors. We fund around 60 committees at the moment. There are about 85 counsellors employed under those arrangements.

**Senator O'BRIEN**—This program is part of the broader AAA package, as I understand it. That package is the subject of a review. The future of the counselling service is also the subject of the review. That is right, isn't it?



**Mr Aldred**—Funding for the programs concludes on 30 June this year, yes.

**Senator O'BRIEN**—So, if it is not addressed in this May budget, the rural counselling program will cease at 30 June?

**Mr Aldred**—All funding ceases as at 30 June. Whether or not that would mean committees and counsellors would close up shop is a question. The program provides about half of the funding for the community committees. The communities themselves and state and territory governments contribute funding as well.

**Mr Banfield**—It is worth making the point that we are not presuming one way or another whether or not the rural financial counselling service will continue. It is a matter that the government will address in the budget context, so we really cannot comment on it.

**Senator O'BRIEN**—But it would be prudent for the funded organisations only to contract to the end point of the contract for funding their counsellors?

**Mr Banfield**—That is correct.

**Senator O'BRIEN**—So basically the counsellors have to wait until May to find out what their future is.

**Mr Banfield**—That is correct. Unless it is approved for extension in the forthcoming budget, then the expectation is that that will be the end of the program.

**Senator O'BRIEN**—Thanks for that. I am going to ask about the National Food Industry Strategy Council.

**Mr Banfield**—That is under the food and agriculture business that was dealt with this morning. If it is a general question, I might be able to help. Otherwise, if it is a detailed question, I will take it on notice.

**Senator O'BRIEN**—Well, I have a question on notice—No. 1625—which has been on the *Notice Paper* since 14 July last year which is yet to be answered.

**Senator Ian Macdonald**—What was your question about?

**Senator O'BRIEN**—It is about the funding of a company called Harvest Fresh Cuts Pty Ltd under the National Food Industry Strategy. Has the department prepared an answer for the minister?

**Mr Banfield**—I will take that on notice with an offer to seek to do what I can do to expedite a response on that. I cannot answer the question off the top here at the table, but I will take it on notice and see if we can get a response for you as soon as possible.

**Senator O'BRIEN**—I will have a look at that. If that is the case, then we will move to ABARE.

[6.56 p.m.]

#### **Australian Bureau of Agricultural and Resource Economics**

**Senator O'BRIEN**—What work is ABARE doing on forestry statistics, just to take up a subject that has been raised earlier today?

**Dr Fisher**—ABARE releases twice a year a document called *Australian forest and wood product statistics*. The March and June quarters issue of that document was released on 18 November. The September and December quarters document for 2003 will be released on 18 May 2004. I am happy to table this copy of the document, but it is also available on our web site together with everything else we produce.

**Senator O'BRIEN**—Senator Murphy was here and he asked about the basis for the information resource that the department has for its policy settings. In particular, I think he was directing his questions at the issue of the viability and productivity of hardwood plantations in Western Australia.

**Dr Fisher**—This document is a compilation of the statistics, so it has details about production, imports, exports and the prices of all of the forest products that we produce in Australia. It is quite a comprehensive set of materials. It runs to some 70-odd pages of statistical tables. As I said previously, that is available on our web site. If you would like a copy, I can provide one.

**Senator O'BRIEN**—If you want to table it, I am happy for it to be tabled.

**Dr Fisher**—There is one here.

**Senator O'BRIEN**—I saved the copy that came around on the email electronically. It saves space. I do not recall whether that has specific information about stumpage rates and stumpage prices and per hectare returns from hardwood plantations in Western Australia.

**Dr Fisher**—If we were going to do that sort of more detailed work, that would be something we would do in specific project style analysis rather than introduce and produce something like that on a regular basis.

**Senator O'BRIEN**—Thank you for that. Can you give us an update on the prospects for sugar, given that the outlook appears to be grim? What is the price scenario?

**Senator Ian Macdonald**—At the outlook conference, you pay good money to get this information.

**Senator O'BRIEN**—I could, but I am asking here. That is one of the privileges of sitting here for hours and hours; you get to ask questions that you might otherwise have to pay to get answers on.

**Dr Fisher**—Just in case it did miss your in-tray, the outlook conference is on 2 and 3 March, so we would love to see you all, particularly if you are paying. In terms of sugar, as I have said here previously, the situation in the sugar industry continues to be difficult. Basically, if you look at the international sugar market, the situation continues that production generally outstrips consumption growth and, as a consequence of that, we have a large overhang of stocks.

Some of that sugar is used, particularly in Brazil, in their ethanol complex. But as a consequence of that balance between supply and demand, basically prices remain low compared to what they were a few years ago. We are not expecting to see sugar prices much above US7c a pound over the next couple of years. There is nothing basically in the international arena that will suggest to me that we would see higher sugar prices than that. Obviously they might spike a cent or something like that for a short period. But

fundamentally, I think, the situation is that we are in for a period of low sugar prices compared to the past. Of course that, combined with the Australian dollar, has meant that returns in the sugar industry are low at the moment at the farm level. Given the assistance of a high Australian dollar over the next, say, 12 months, we would expect to see that continue to impact at the farm level.

**Senator O'BRIEN**—Currently beef prices are quite high, as I understand it. Does ABARE have a view on the dynamics of the US industry post BSE? Some are suggesting the US will be back into Japan within six months and, once in, will be keen to shift a lot of product.

**Dr Fisher**—As you say, at the moment the sort of average price we are expecting in 2003-04 across Australia—this is the dressed weight saleyard price—would be around 287c compared to 256c for the previous financial year. So we have seen higher prices as a consequence of, first of all, people withholding stock to try to rebuild the herd after the drought and, secondly, because there has been some increase in international prices as a consequence of the problems in the US.

**CHAIR**—The 256c is the dead price, is it?

**Dr Fisher**—The dressed weight.

**CHAIR**—The dead price, yes. In my view, with the dollar, the cattle prices are not as dear now as they were two years ago in the yards. The feedlots were on \$2. They are \$1.85 or something like that. Two years ago, they were on \$2.30.

**Dr Fisher**—What we are talking about here is the average out-turn for the financial year. So clearly there are seasonal movements in prices.

**CHAIR**—I want to put Senator O'Brien in the picture. The saleyard price of cattle today is 165 to 180 cents, say, for a 500-kilo bullock. There is nothing extraordinary about that. But when you take into account the difference in the dollar, we are lucky to have it, I suppose.

**Dr Fisher**—I would not want to—

**CHAIR**—I would not want to ruin your ABARE conference either.

**Dr Fisher**—I think the point I was making is that we have seen some recovery from last year as a consequence of the potential rebuilding of the herd following recovery in some parts of Australia from the drought. That was expected. In the longer term, we would expect to see herd dynamics in the US kick back in and some pressure on international prices. That, together with a high Australian dollar, would convert into lower incomes on farms again. Basically, the story this year on outlook is a balance between what is happening in the international market versus what is happening to the Australian dollar.

**CHAIR**—Don't tell him too much.

**Dr Fisher**—In the case of some products, we have enough increase in prices to offset that. In the case of others—and most others, in fact—we have a situation where the increase in prices on international markets has not been enough to offset the increase in the value of the Australian dollar.

**Senator O'BRIEN**—With dairy, I understand things are pretty tough out there in relation to returns on the producers of market milk. What about manufactured milk products?

**Dr Fisher**—In terms of international prices, we have seen some reasonably strong recovery in the international US dollar denominated international price of butter, cheese and skim milk powder, for example. But this is one of the circumstances where the increase in the value of the dollar is actually offsetting or more than offsetting that increase in the value of international prices. As a consequence, when we convert them back into Australian dollar terms at the farm level, we would be expecting to see, just in draft at this stage, some fall in farm gate prices in 2003-04. Depending on how long the Australian dollar stays at the sort of levels we are seeing today, that might persist into 2004-05.

**CHAIR**—Do not buy a dairy farm.

**Senator O'BRIEN**—No. I was not going to, I can assure you, Senator Heffernan. Are sheep, meat and wool similarly captive to the value of the dollar or do market forces favour them more?

**Dr Fisher**—In the case of wool, first of all, I should say that China is one of our most important markets. Typically, because Australia is the dominant supplier of wool on the world market, wool markets in the world tend to be denominated in Australian dollars, not US dollars. The Australian dollar has appreciated about 50 per cent against the Chinese currency over the last two years. That has had an impact on the ability of the Chinese to buy our wool. In addition to that, one of the concerns about the wool industry is that the wool to synthetic price ratio is hanging around about four to five at the moment. The long-term value of that wool to synthetic price ratio is about three, so that is a comfortable number. When that number gets above four, there is the potential for significant resistance on the demand side to the purchase of our wool. The combination of that and the dollar means that there is some demand side pressure. The concern there is that once you have processors moving away from wool as a product they tend to stay away. So I think there are some long-term concerns about the wool industry on the demand side.

Of course, on the supply side, we are probably now down to about 96 million sheep, which means we have substantially less supply than we did, say, 10 years ago. Despite that, we have a price that we expect in this financial year to be around 840c. That is not too exciting. So I think there are some long-term issues that need to be considered with respect to the wool market.

In the case of the sheepmeat industry, particularly lamb, lamb prices are high at the moment. In fact, what we have seen in terms of the sheep flock is a substantial change in the composition of the flock as people attempt to move their production more towards the profitable lamb market and to some extent away from wool. So I think that trend is likely to continue.

**Senator O'BRIEN**—So prices are going up, notwithstanding the dollar?

**Dr Fisher**—Yes. Prices are good in the case of lamb. But, in the case of wool, prices have come down compared with last year.

**CHAIR**—Lamb peaked at 450. It is about 350 now for export lamb—that is, per kilo.

**Senator O'BRIEN**—I was going to say that that is a lot of money.

**CHAIR**—About \$100.

**Senator O'BRIEN**—And wheat? Senator Heffernan was bemoaning a particular deal to Egypt in today's discussions. Is that indicative that the price is falling?

**Dr Fisher**—I think it is fair to say that we expect to see wheat prices falling on international markets. Basically, we have seen a substantial recovery in production in the major exporters compared with the drought affected crop 12 months ago. As a consequence of that, the US red wheat indicator price has fallen and we expect that would occur again in 2004-05. So that of course, together with the value of the dollar, will reflect on to lower returns at the farm gate in Australia.

**Senator O'BRIEN**—We will actually have a cotton crop this year. What is the forecast for cotton?

**Dr Fisher**—We are expecting in 2003-04 for the US indicator price to be 71c a pound compared to 56c in 2002-03. So that is good news for the price. There is less good news in the case of water availability, particularly for irrigated cotton. So, yes, we will have a crop, but the principal concern there is the availability of water rather than the price.

**Senator O'BRIEN**—The last one I wanted to raise is pork. Is there any hope that pork producers are likely to receive over the next 12 months? I think the industry is doing very badly at the moment.

**Dr Fisher**—In terms of prices, we do not expect to see improvement in the market over the next 12 months.

**Senator O'BRIEN**—I suppose they have been reliant in part on low-cost inputs, particularly grains. If the international price is going down, does that have ramifications for the domestic wheat market?

**Dr Fisher**—Certainly it does. We are expecting to see drops in prices for feed grains on the domestic market as a consequence of the large crop that we are now seeing either in the bin or coming into the bins in the last few months. Of course, that will have an impact directly on the cost of feed for intensive livestock producers. I think the combination in the last 18 months of lowish prices and high costs have made it difficult for some intensive livestock producers. As a consequence of the turnaround in the crops industry in Australia more generally, that should at least alleviate some of those cost impacts.

**Senator O'BRIEN**—There is a bit of a window there. What changes have been made to the way ABARE operates following the review that almost saw the bureau disappear?

**Dr Fisher**—None. The principal thing that we have done is to ensure that we have better communications with our sister bureau to ensure that if there are projects where we can be helping each other we are doing that. If there are jobs, for example, that we might be able to bid for externally that we can do together, we are doing that. So it is principally about doing things cooperatively rather than regulatory change, if I could put it that way.

**Senator O'BRIEN**—Thank you very much for that, Dr Fisher. It was very useful.

[7.14 p.m.]

### **Bureau of Rural Sciences**

**Senator O'BRIEN**—Dr O'Brien, can you give us advice on whether there have been any changes to the administration of your bureau following the ABARE-BRS review initiated by Mr Taylor.

**Dr O'Brien**—Brian Fisher has pretty well covered the main area of change, which is a high level of interaction and cooperation between the two bureaus. That goes to issues like the land clearing and the work we did last year in monitoring and evaluating the national Landcare program that we are involved in now. Within BRS there were some other findings of the review that did not go to whether the two organisations be joined up that we have picked up. We have looked at some administrative changes within the organisation that will make us more efficient. Some of that is being implemented in BRS at the moment.

**Senator O'BRIEN**—I want to go to the work that the bureau did in relation to the representative areas program for the Great Barrier Reef. Is the bureau's analysis of the economic impact of the representative areas program publicly available?

**Dr O'Brien**—Yes. It was released by Mr Macdonald in December last year. I can table a copy of that report here. It is also used in the report of the Great Barrier Reef Marine Park Authority together with other information from the Bureau of Tourism Research and GBRMPA's own consultants in a summary report that is available on their web site. I can table the report.

**Senator O'BRIEN**—That would be good. Because I will not have a chance to read it before you leave, I might ask a couple of questions that you may be able to help me with. Did the bureau only look at the immediate impact of the closures on fishers or did it look at the wider implications of these closures and the reduced fish take that will result?

**Dr O'Brien**—We did a very quick assessment based on existing information of the impact on commercial fishers and their associated communities of changed access to the resource. The key findings of that were that there would be a reduction in approximately 10 per cent, which is somewhere between \$10 million and \$13 million in the gross value of production in that fishery, by changing access and increasing the area that is reserved. That fell in some 20 township resource clusters on the Queensland coast, with the largest being Bundaberg at \$2.08 million and the smallest Maryborough at \$15,000, with a number of cities such as Townsville, Cairns and Mackay experiencing losses of about \$1 million. We were not able within the constraints of that study to look at the impact specifically on fishing families or the communities.

**Senator O'BRIEN**—I guess you performed the work you could in the time available, but wouldn't it be sensible to analyse a wider impact rather than that first flush impact to get a real feel for the impact of this change?

**Senator Ian Macdonald**—You will recall that GBRMPA issued a draft plan—a lot of people saw it—which GBRMPA determined was going to cabinet for discussion. We sought some quick advice between the time the final plan came and when it went to cabinet so we would have some idea what we were talking about. That is what BRS was asked to do. BRS at

all stages qualified their work on the basis that it was a rapid desktop analysis. It was done to give a bit of an indication in the period of time. For that purpose, it was very, very useful. So, sure, given months to conduct a full survey, I am sure BRS would have done that and would have done it very, very well. The purpose was to get an indication so that cabinet, when considering the matter, could do so with as much knowledge as was available.

**Senator O'BRIEN**—Given that that study has been under way for some time, when was BRS contracted to do its work?

**Senator Ian Macdonald**—Which study?

**Senator O'BRIEN**—The GBRMPA study of the representative areas work.

**Senator Ian Macdonald**—BRS might have been asked to do some work earlier. You might recall that Tor Hundloe did some work for the QSIA. Until the final plan came down, it was pretty irrelevant. I mean, you could do all the preliminary work you wanted, but until you knew where the boundaries were it did not make any sense. Dr Fisher will have the details of the dates, but the reason is they could not do anything substantial until the actual final boundaries were made available. If the dates are relevant, I am sure you have them there somewhere.

**Dr O'Brien**—Yes. We were commissioned to do the work in late September. We made a report to ministers on 7 November. The minister released a report in late December.

**Senator O'BRIEN**—How long would it have taken to do a more thorough job?

**Dr O'Brien**—To get at the actual impacts on fishing families and the broader community would have taken field base work, so actual surveys. I think that would have taken probably six months rather than the two available.

**Senator O'BRIEN**—Will the BRS be doing similar work flowing from the work of the National Oceans Office?

**Dr O'Brien**—The government has released a policy position for discussion with stakeholders on the assessment and management of impacts under the Marine Protected Areas Program. That provides for a significant social impact assessment as part of identifying and then managing the impacts of changed access to resources. We would see ourselves as being able to do that if the government wished.

**Senator O'BRIEN**—So there is no work in progress at the moment or contract or contemplation?

**Dr O'Brien**—No, not in relation to social impact assessment for marine protected areas. We are involved in helping to quantify some of the fishery production impacts of MPAs, but not social impacts at the moment.

**Senator O'BRIEN**—So that is the work you are doing—fisheries production impact?

**Dr O'Brien**—Yes.

**Senator O'BRIEN**—When will that work be completed?

**Dr O'Brien**—It is ongoing in relation to MPAs as they are identified.

**Senator Ian Macdonald**—Never will it be completed, I suspect.

**Senator O'BRIEN**—I think that is all that I have. Thank you very much.

**CHAIR**—Thank you very much. I think that completes the programs for AFFA. We are very grateful to the minister and the officers of the department and all their cohort of helpers for a very interesting day. We look forward to seeing you next time.

**Dr O'Brien**—Thank you, Senator.

**Senator Ian Macdonald**—I congratulate you, Mr Chairman, and the members of the committee on what I think will go down as an all-time record for the first day of estimate committees. Well done.

**Committee adjourned at 7.24 p.m.**